PSBank

PHILIPPINE SAVINGS BANK
Metrobank Group

April 14, 2020

Securities and Exchange Commission
G/F Secretariat Building
PICC Complex, Roxas Boulevard
Pasay City, 1307

Attention: **Director Vicente Graciano P. Felizmenio, Jr.**
Corporate Governance and Finance Department

Philippine Stock Exchange
9/F PSE Tower, 28th St. cor. 5th Ave.
Bonifacio Global City (BGC)
Taguig City, Philippines

Attention: **MS. JANET A. ENCARNACION**
Head, Disclosure Department

Dear Director Felizmenio, Mr. Encarnacion,

We would like to submit the attached SEC 17-A Annual Report of Philippine Savings Bank (PSBank).

We hope that you will find everything in order.

Thank you very much.

Very truly yours,

Noel C. Ang
Chief Accounting Officer

PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City, 1226
Telephone: (02) 845-8888 | Fax: (02) 845-0048 | www.psbank.com.ph

COVER SHEET

1	5	5	5	2							

SEC Registration Number

PHILIPPINE SAVINGS BANK

(Company's Full Name)

PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City

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

Leah M. Zamora
(Contact Person)

845-8888
(Company Telephone Number)

12 **31**
Month *Day*
(Fiscal Year)

17-A
(Form Type)

Month *Day*
(Annual Meeting – To be Announced)

(Secondary License Type, If Applicable)

Markets and Securities Regulation Department
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Domestic Foreign

1,455
Total No. of Stockholders
As of March 31, 2020

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SEC Number 15552
FILE Number

PHILIPPINE SAVINGS BANK
(COMPANY'S NAME)

PSBank Center 777 Paseo de Roxas cor. Sedeño St., Makati City
(COMPANY'S ADDRESS)

8885-82-08
(TELEPHONE NUMBER)

DECEMBER 31
(FISCAL YEAR ENDING MONTH & DAY)

SEC FORM 17-A
(FORM TYPE)

December 31, 2019
(PERIOD ENDED DATE)

Government Securities Eligible Dealer
(SECONDARY LICENSE TYPE AND FILE NUMBER)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATIONS CODE AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

1.	For the fiscal year ended	:	**December 31, 2019**
2.	SEC Identification No.	:	**15552**
3.	BIR Tax Identification No.	:	**000-663-983-000**
4.	Exact name of registrant as specified in its charter	:	**Philippine Savings Bank**
5.	Province, Country or other jurisdiction or organization	:	**Metro Manila, Philippines**
6.	Industry Classification Code	:	**(SEC Use only)**
7.	Address of principal office	:	**777 Paseo de Roxas corner Sedeño St., Makati City 1226**
8.	Registrant's telephone No.	:	**(632) 885-82-08**
9.	Former name, address, and former fiscal year, if changed since last report	:	**Not Applicable**
10.	Securities registered pursuant to Section 8 & 12 of the SRC		
	Title of each class	:	**Common Shares**
	Number of shares outstanding	:	**As of December 31, 2019 – 383,109,416**
11.	Are any or all of these securities listed with the Philippine Stock Exchange	:	**Yes**
12.	Check whether the issuer:		
	1. has filed all report required to be filed under Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder and Section 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports)	:	**Yes**
	2. has been subject to such filing requirements for the past ninety (90) days	:	**Yes**

13. The aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold or the average bid and asked prices of such stock, as of a specified date (March 31, 2020) within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. : **₱ 260,325,038**

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court of the Commission. : **Not Applicable**

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-1 Into which the document is incorporated:

(a) Any annual report to security holders;

(b) Any proxy or information statement filed pursuant to SRC Rule 20 and 17.1(b);

(c) Any prospectus filed pursuant to SRC Rule 8.1-1

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PART I.   BUSINESS AND GENERAL INFORMATION

Item 1.   Business

Description of Business

1. Business Development

Philippine Savings Bank (the Bank) was incorporated in the Philippines primarily to engage in savings and mortgage banking. The Bank's shares are listed in the Philippine Stock Exchange (PSE). The Bank offers a wide range of products and services such as deposit products, loans, treasury and trust functions that mainly serve the retail and consumer markets. On September 6, 1991, the Bank was authorized to perform trust functions.

The Bank's original Certificate of Incorporation was issued by the Securities and Exchange Commission (SEC) on June 30, 1959. On March 28, 2006, the Board of Directors (BOD) of the Bank approved the amendment of Article IV of its Amended Articles of Incorporation to extend the corporate term of the Bank, which expired on June 30, 2009, for another 50 years or up to June 30, 2059. This was subsequently approved by stockholders representing at least two-thirds of the outstanding capital stock of the Bank on April 25, 2006. The Amended Articles of Incorporation was approved by the SEC on September 27, 2006.

On April 27, 2010, by majority vote of the BOD and by stockholders representing two-thirds of the outstanding capital stock, the amendment of Article VI of its Amended Articles of Incorporation reducing the number of directors from a maximum of eleven (11) to a maximum of nine (9) has been approved. This was approved by the SEC on August 26, 2010.

On March 24, 2014, the BOD approved Article III of Articles of Incorporation to specify its principal address from Makati City to PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City 1226. The Amended Articles of Incorporation was approved by the SEC on December 22, 2014.

As of December 31, 2019 and 2018, Metropolitan Bank & Trust Company (MBTC), the Bank's ultimate parent, owned eighty-eight percent (88%) and eighty-three percent (83%) of the Bank, respectively. The increase was due to the stock rights offering of the Bank last January 11, 2019.

As of December 31, 2019 and 2018, the Bank has a 30% interest in Sumisho Motor Finance Corporation (SMFC), a partnership with Sumitomo Corporation. SMFC is not listed in the stock exchange.

The past years marked very significant growth as the Bank continued to grow its core business and has been consistently on track in hitting its year-end targets. The Bank has sustained its focus on retail deposit taking and consumer lending to upper-and middle-classes by providing efficient and creative banking solutions through its wide distribution network.

As of December 31	Total Resources	Net Income	Branch
2019	₱224.91 billion	₱3.03 billion	250 branches
2018	₱237.73 billion	₱2.66 billion	250 branches
2017	₱223.32 billion	₱2.65 billion	250 branches

In **2019**, the Bank reported a full year net income ended at ₱3.03 billion, ₱366.19 million, or 13.76% higher than 2018 full year net income of ₱2.66 billion. The increase in net income was due to higher core and other operating income in 2019 versus 2018. Loans and Receivables reached ₱164.11 billion which was higher than the December 2018 level of ₱156.69 billion due to sustained increase in the consumer lending business, particularly by auto loans and mortgage loans.

On April 15, 2019, by majority vote of the Board of Directors and by stockholders representing at least two-thirds of the outstanding capital stock, the amendment of Article VII of the Bank's Articles of Incorporation increasing its authorized capital stock from ₱4,250,000,000.00 divided into 425,000,000 common shares with a par value of ₱10.00 per share to ₱6,000,000,000.00 divided into 600,000,000 common shares with a par value of ₱10.00 per share has been approved. This was approved by the SEC on November 20, 2019.

The Bank made a successful debut in the bond market and generated ₱6.3 billion Peso Fixed Rate Bond issuance. It further diversified its funding sources by raising ₱8.0 billion through stock rights offer that resulted in an oversubscription.

The Bank set an industry first with the launch of the PBank Mobile Check Deposit so mobile users can easily deposit checks without going to the bank. Other initiatives during the year include services such as PaSend, the Cash Deposit Machine, and E-bid for onsite bidding for PSBank Auto Mart.

As proof of its continued delivery of exceptional customer service and experience, PSBank also scored major wins from several award-winning bodies and institutions. The Bank was conferred the BSP Pagtugon Award for outstanding customer focus and service — the fourth consecutive year since 2015. The BSP also recognized PSBank as an "Outstanding Partner in Digital Transformation" for its effective adoption of digital strategies that enhance customer experience.

PSBank also bagged five trophies at the 2019 Customer Experience (CX) Asia Excellence Awards held in Singapore, including the top prize: gold for the Best Customer Experience in Asia Pacific, besting 245 other entries. PSBank also won a gold for having the "Best Digital Experience," a silver for the "Best CX Team" for the second consecutive year, a bronze for having the "Best Social Media Experience," and an honorary mention for its efforts in employee engagement.

Over the past 59 years, PSBank has become an immensely entrepreneurial, agile, adaptive, and innovative organization. The Bank's digital capabilities and data-driven processes that the Bank steadily invested in building up over the past years, will give the Bank greater confidence that it will remain resilient and well positioned to weather any storm, particularly in the face of rising competition, technological disruptions, regulations, and other unsettling challenges such as the COVID-19 virus outbreak.

In **2018**, the Bank reported a full year net income ended at ₱2.66 billion, ₱7.73 million, or 0.29% higher than the same period last year of ₱2.65 billion. The higher income was primarily due to the consistent growth of the Bank's core consumer loans business. Loans and Receivables increased by 7.79% to ₱156.26 billion with the continued upsurge in our consumer lending business. Auto loans rose by 7.14% while Mortgage loans expanded by 7.25%.

On July 13, 2018, the BSP authorized the Bank to issue LTNCDs up to ₱15.0 billion through one or multiple tranches over a period of one year. On August 09, 2018, the Bank issued the first tranche of LTNCDs amounting to ₱5.08 billion with a tenor of five (5) years and six (6) months and due February 9, 2024 with interest rate of 5.00% per annum payable quarterly.

On December 10, 2018, the Bank issued Medium Term Fixed Rate Notes (MTFNs) amounting to ₱3.0 billion with a tenor of one (1) year and six (6) months and due on June 10, 2020 with interest rate of 7.07% per annum payable quarterly. Interest payment dates shall commence on March 10, 2019 and up to and including the maturity date.

For the 3rd time in 4 years, the Bangko Sentral ng Pilipinas (BSP) through its Pagtugon Award for Thrift Banks awarded PSBank for excellence in responding to and addressing client's concerns.

Also, BSP recognized PSBank as finalist on Outstanding PhilPaSS Participant Servicing Customer e-Payments for Thrift Banks and Outstanding Partner for Children's Savings Mobilization

In 2018, PSBank garnered several awards and recognition in the Philippines and abroad for excellence in customer service and other initiatives as follow:

For Customer Experience:

CX Asia Excellence Awards, September 26, 2018, Singapore

- Silver Award, Best Customer Experience
- Silver Award, Best Customer Experience Team
- Bronze Award, Best Social Media Strategy
- Bronze Award, Best Use of Mobile

For Corporate Governance:

Institute of Corporate Directors, July 31, 2018, Makati City

• Top-Performing Publicly Listed Company based on the 2017 ASEAN Corporate Governance Scorecard.

For Employee Engagement:

1st Philippines Best Employer Brand Awards

• 2018 Philippines' Best Employer Award in recognition of the Bank's effective use of marketing communications in attracting and developing talent as well as in talent retention.

Global HR Excellence Awards, February 15-17, 2018, Taj Lands End, Mumbai, India

• 2018 Global Best Employer Brand

• Continuous Innovation in HR Strategy at Work

Workplace by Facebook Award

• Best Launch Strategy Award in recognition of PSBank's high adoption rate achievement shortly after rolling out Workplace, the enterprise version of the Facebook platform.

For Marketing and Communication

16th Philippine Quill Awards, March 23, 2018, The Fort Shangri-La Hotel

• Quill Award of Merit, PSBank's PayMe situational commercial "Sweldo"

• Quill Award of Merit, PSBank's 2016 Annual Report publication, #WeAreWhereYouAre

53rd Anvil Awards, July 9, 2018, Marriott Grand Ballroom, Newport City

• Silver Anvil Award, PSBank's PayMe situational commercial "Sweldo"

• Silver Anvil Award, PSBank's 2016 Annual Report publication, #WeAreWhereYouAre

2018 PANAta Awards, July 20 2018, Discovery Primea Suites

• Bronze Award in Brand Builder Excellence in Brand Positioning category, PSBank's "Techie" campaign

In **2017**, the Bank reported a full year net income ended at ₱2.65 billion, ₱203.58 million, or 8.31% higher than 2016 full year net income of ₱2.45 billion. The higher income was primarily due to the consistent growth of the Bank's core consumer loans business. Loans and Receivables increased by 13.95% to ₱144.96 billion with the continued upsurge in our consumer lending business. Auto loans rose by 20.97% while Mortgage loans expanded by 5.92%.

On December 8, 2016, the BSP authorized the Bank to issue LTNCDs up to ₱10.0 billion through one or multiple tranches over a period of one year. On January 30, 2017, the Bank issued the first tranche of LTNCDs amounting to ₱3.4 billion with a tenor of five (5) years and due April 30, 2022 with interest rate of 3.50% per annum payable quarterly.

As of December 31, 2017, total Tier II Notes of the Bank amounted to ₱2.98 billion. On April 14, 2014, the Bank obtained approval from the BSP to issue and sell ₱3.0 billion in Unsecured Subordinated Notes due August 23, 2024 (the Notes) and issued them on May 23, 2014 with an interest rate of 5.50%. The issued Tier II Notes qualified as Tier II capital under the BSP's revised risk-based capital adequacy framework in line with BASEL III standards due to its loss absorption feature.

PSBank garnered several awards and recognition in the Philippines and abroad for excellence in customer service and other initiatives in 2017. One of these awards is the recognition from the Asian Banker as the 2nd strongest bank in the Philippines, in its AB500 annual rating for 2016-2017.

For the 2nd year in a row, PSBank was recognized in the Customer Experience Asia Awards in Singapore for providing exceptional end-to-end customer experience, winning a Bronze Award category and honorable mention in the Best Customer Experience Team category.

The Bangko Sentral ng Pilipinas (BSP) awarded PSBank for being an outstanding thrift bank partner in its Clean Note Policy campaign.

In 2017, we further redefined the way our customers look at financial services with innovations that changed the way they bank. PSBank Mobile version 3.0, its mobile banking facility was launched with new and powerful functionalities. In addition to complying with the requirement of the Bangko Sentral ng Pilipinas for all banks to migrate to EMV chip technology, we've also enabled all PSBank Debit, Prepaid and Flexi Loan Cards carry the "tap" contactless feature.

We embarked on several automation projects to manage the growing volume of our transactions, improve turnaround time, and strengthen controls.

2. Business of Issuer

a. Products and Services

Philippine Savings Bank (PSBank) is the consumer and retail thrift bank arm of the Metrobank Group, one of the Philippines' largest and leading banks. For more than 50 years, PSBank has built a reputation for its Simple Lang. Maaasahan (simple and reliable) brand of banking. Enabled by digital technology, we are able to delight our customers at every encounter. The core business of PSBank is focused on expansion of the consumer business by growing its retail deposit and consumer loans, including SME, through various channels which include, but are not limited to, branch and digital channels.

Deposits	
Savings Accounts	**Peso Time Deposit Accounts**
PSBank Kiddie & Teen Savings	PSBank Prime Time Deposit
PSBank ATM Savings	PSBank Peso Time Deposit
PSBank Passbook with ATM	
PSBank Regular Passbook Savings	
PSBank Overseas Filipino Savings	**Foreign Currency Accounts**
	PSBank Dollar Savings
Checking Accounts	PSBank Dollar Time Deposit
PSBank Regular Checking	PSBank Euro Savings*
PSBank Premium Checking	PSBank Euro Time Deposit*
Consumer Loans	
PSBank Auto Loan with Prime Rebate	PSBank Flexi Personal Loan with Prime Rebate
PSBank Home Loan with Prime Rebate	PSBank Home Credit Line
PSBank Home Construction Loan	PSBank Multipurpose Loan
Commercial Loans	
PSBank SME Business Credit Line	PSBank Credit Line
PSBank SME Term Loan with Prime Rebate	PSBank Standby Credit Line Certification
PSBank Domestic Bills Purchase Line	
Trust Products and Services	
PSBank Money Market Fund	Investment Management Account
Escrow Account	Personal Management Trust
Employee Benefit/ Retirement Fund Management	e-Trust
Other Products and Services	
PSBank Debit MasterCard	PSBank Online
PSBank Prepaid MasterCard	PSBank Mobile
PSBank Credit MasterCard	PSBank LiveChat
PSBank Bills Payment Collection	PSBank e-Credit
PSBank Remittance Services	PSBank AXA – Bancassurance Partnership Cross-selling Arrangement
PSBank Business Online Buddy (Corporate Internet Banking)	PSBank Online Loan Application

*Available only at PSBank Paseo de Roxas Branch, Makati City

b. Business Contribution

	December 31 (In Millions) 2019	%	2018	%	2017	%
INTEREST INCOME ON						
Loans and receivables	₱15,481		₱14,269		₱12,477	
Interbank loans receivable and securities purchased under resale agreements	30		90		61	
Investment securities	1,896		1,994		1,824	
Due from BSP	1		17		179	
Due from other banks	4		4		3	
	17,412		16,374		14,544	
INTEREST EXPENSE ON						
Deposit liabilities	5,328		4,818		3,215	
Bills payable	320		56		59	
Bonds payable	167		-		-	
Subordinated notes payable	125		168		191	
Lease Liabilities	114		-		-	
	6,054		5,042		3,465	
NET INTEREST INCOME	11,358	77%	11,332	79%	11,079	79%
NET SERVICE FEES AND COMMISSION INCOME	1,864	13%	1,626	11%	1,376	10%
OTHER OPERATING INCOME (CHARGES)	1,380	9%	1,241	9%	1,434	10%
SHARE IN NET EARNINGS OF A JOINT VENTURE	106	1%	82	1%	72	1%
TOTAL OPERATING INCOME BEFORE OPEX AND INCOME TAX	**₱14,708**	**100%**	**₱14,281**	**100%**	**₱13,961**	**100%**

c. Distribution Methods of Products and Services

As of December 31, 2019 and 2018, the Bank had 250 branches. In 2019, the Bank had 288 Automated Tellering Machines (ATMs) in Metro Manila and 269 in provincial locations, bringing its total number of ATMs to 557 as of December 31, 2019 and 575 as of December 31, 2018.

The Bank's operating segments are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit that offers different products and serves different markets.

These segments are the bases on which the Bank reports its primary segment information. The Bank evaluates performance on the basis of information about the components of the Bank that senior management uses to make decisions about operating matters. There are no other operating segments than those identified by the Bank as reportable segments. There were no inter-segment revenues and expenses included in the financial information. The Bank has no single customer with revenues from which is 10.00% or more of the Bank's total revenue.

The Bank's assets generating revenues are all located in the Philippines.

The Bank presented the disclosure requirements prescribed under PFRS in Note 6 of the Audited Financial Statements (Exhibit 5).

d. Status of any publicly-announced new products or services

Embedding a culture of innovation has also enabled PSBank to immediately implement PesoNet and Instapay to its customers, which made fund transfers between banks quick, easy, and secure. Complying with the BSP directive to promote the use of Instapay and PesoNet is also aligned with the bank's mission of providing convenience, allowing clients to receive and transfer funds 24x7 at a lower fee to their relatives, personal accounts, and payments.

Products	Launch Date
PSBank Mobile 4.0	September 8, 2019
PSBank Mobile Check Deposit	September 8, 2019
PSBank PaSend	June 25, 2019
PSBank upgraded Website	September 2, 2019
PSBank Cash Deposit Machine	June 26, 2019

e. Competition

The Philippine banking system remains safe and sound, with strong performance and continued expansion in credit. This is complemented by improved asset quality, firm liquidity position, and strong capitalization.

According to Bangko Sentral ng Pilipinas (BSP) as of December 31, 2019, the country's banking system comprised of 21 universal banks, 25 commercial banks, 49 thrift banks, 425 rural banks and 25 cooperative banks.

PSBank is 88%-owned by the Metrobank Group, which is the second largest Philippine universal bank in terms of assets and deposits. The Parent Company and its subsidiaries (the Group) are engaged in all aspects of banking, financing, leasing, real estate and stock brokering through a network of over 2,000 local and international branches, subsidiaries, representative offices, remittance correspondents and agencies. As a bank, the Parent Company, which is the ultimate parent of the Group, provides services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange, trading and remittances, and trust services. Metrobank and PSBank serve distinct core markets and coordinate on market segmentation.

PSBank accounted for 19% of total assets among thrift banks as of end-December 2019 based on the latest published financial statements of the BSP. It has been aggressive in the consumer and retail banking arena, launching various marketing campaigns to go head on against competition. Amid tight competition and market uncertainty, PSBank managed to sustain its growth momentum through the integration of various efficiencies in its operations.

f. Innovations and Promotions

PSBank defines "innovation" as the introduction of something of value. Innovation doesn't have to be an invention; it can be a simple identification of a problem or defect and its root cause, a business process improvement, or a game changing project.

With the fast-paced technological advances and increased dependency on digital technology, customers' expectations have drastically changed. Customer satisfaction is now measured on how fast, how simple, and how secure they can perform their transactions.

This is the main driver behind PSBank's efforts to embark in digital transformation and innovation initiatives. At PSBank, every journey is a continuing cycle of meeting customer needs and expectations quickly and seamlessly. To be a consumer bank of choice requires a fast, agile, and flexible IT network with today's customer in mind while building out an extremely responsive infrastructure that anticipates customer needs in the future. In 2019, PSBank rolled out various groundbreaking initiatives and system upgrades to reliably provide superior and integrated experience to all its customers. These integrated systems are expected to create a ripple effect across organization: from better business decision-making to a smoother and more positive experience for its customers.

g. Customer/Clients

There is no single customer that accounts for 20% or more of the Bank's deposits and loans.

h. Transactions with and/or dependence on related parties

Transactions with related parties and with certain directors, officers, stockholders and related interests (DOSRI) are discussed in Note 29 of the Audited Financial Statements (Exhibit 5).

i. Patents, Trademarks, Copyrights, Licenses, Franchises, etc.

The Bank sells its products and services thru the PSBank trademarks and/or trade names.

j. Government approval of principal products or services

Its authority to operate as a thrift bank governs the Bank's principal products and services. Existing products and services are within the scope allowed under the Bank's regulatory licenses.

Effect of Existing or Probable Government Regulations

<u>Capital Adequacy</u>
Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital (regulatory capital) as reported to the BSP. This is determined on the basis of regulatory accounting policies which differ from PFRS in some respects.

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis and consolidated basis. Qualifying capital and risk-weighted assets are computed based on BSP regulations.

Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board of the BSP.

On January 15, 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which states the implementing guidelines on the revised risk-based capital adequacy framework, particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The Circular took effect on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

Regulatory qualifying capital consists of Tier 1 (going concern) capital, which comprises capital stock, surplus, surplus reserves, net unrealized gains on AFS securities, cumulative foreign currency translation and remeasurements of net defined benefit asset. Certain adjustments are made to PFRS-based results and reserves, as prescribed by the BSP. The other component of regulatory capital is Tier 2 (gone-concern) capital, which is comprised of the Bank's general loan loss provision and unsecured subordinated debt (refer to Note 17 of the Audited Financial Statements). Certain items are deducted from the regulatory Gross Qualifying Capital, such as but not limited to, outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, and unsecured loans, other credit accommodations, and guarantees granted to subsidiaries and affiliates (net of specific provisions), deferred tax assets, goodwill, other intangible assets and significant minority investments in a joint venture.

Risk-weighted assets are determined by assigning defined risk weights to amounts of on-balance sheet exposures and to the credit equivalent amounts of off-balance sheet exposures.

In 2017, the General loan loss provision is limited to a maximum of 1% of credit risk-weighted assets, and any amount in excess thereof is deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio. Meanwhile, the credit-risk weighted asset is net of General loan loss provision, in excess of the amount permitted to be included in Tier 2.

On August 14, 2018, the Bangko Sentral ng Pilipinas (BSP) issued Circular No. 1011 covering guidelines on the adoption of the Philippine Financial Reporting Standard (PFRS) 9 - Financial Instruments. Under the said circular, banks shall set up general loan loss provision (GLLP) equivalent to one percent (1%) of all outstanding Stage 1 on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. Banks are not required to provide a one percent (l%) GP on other credit exposures covered by PFRS 9 such as off-balance sheet accounts and investments. Banks shall use Retained Earnings Reserve-Others as temporary account of Retained Earnings-General Provision (RE-GP). As a temporary presentation in CAR reports, the Retained Earnings (RE) included in Common Equity Tier (CET)/Core Tier 1 shall be net of Retained Earnings-General Provision. In computing Tier 2 Capital, the General Loan Loss provision (GLLP), shall include the RE-GP. However, the GLLP added back to on-balance sheet assets subject to risk-weight shall not include the RE-GP since when appropriating the RE, total assets is not affected. The Bank is compliant with the BSP Circular No. 1011.

In 2018, the computation of GLLP is in compliance with BSP Circular No. 1011, wherein the Bank developed ECL parameters and methodologies for each portfolio of its loans and receivables, using historical data as well as forward-looking inputs and assumptions.

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 (PNG) and those guarantors and exposures with highest credit rating. Third party credit assessments were based on the ratings by Standard & Poor's, Moody's, Fitch and PhilRatings on exposures to Sovereigns, MDBs, Banks, LGUs, Government Corporations and Corporates. The Bank has no exposures to securitization structures. Further, it has no structured products issued or purchased.

The Bank uses the standardized approach to compute the market risk exposures for the Capital Adequacy Ratio. For each separate risk area (credit, market, operational, interest rate risk), the details of risk exposures and assessments are disclosed in Note 5 of the audited financial statements.

The Bank uses the Basic Indicator Approach in computing for the operational risk capital charge.

The description of the main features of capital instruments issued on common shares and those eligible as Tier 2 capital are presented in Note 21 and Note 17 of the audited financial statements, respectively.

As of December 31, 2019 and 2018, the Bank maintains these ratios above minimum requirements and has complied with the requirements of BSP Circular No. 781 and BSP Circular No. 538.

On October 29, 2014, the BSP issued Circular No. 856 which covers the implementing guidelines on the framework for dealing with domestic systemically important banks (DSIBs) in accordance with the Basel III standards. Banks identified as DSIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer. Compliance with this requirement was phased-in starting January 1, 2017, with full compliance on January 1, 2019. On September 27, 2019, the BSP issued Circular No. 1051 which covers the enhancements in the assessment methodology of D-SIBs. The Bank has complied with this requirement.

The issuance of BSP Circular No. 639 covering the Internal Capital Adequacy Assessment Process (ICAAP) in 2009 supplements the BSP's risk-based capital adequacy framework under BSP Circular No. 538. In compliance with this new circular, the Metrobank Group has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget, as well as regulatory directives. The Bank follows the Group's ICAAP framework and submits the result of its assessment to the Parent Company. Per BSP Circular No. 869, effective January 31, 2015, submission of an ICAAP document is required by BSP every March 31 of each year. The Bank has complied with this requirement.

The Bank has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

Leverage Ratio
On June 9, 2015, the BSP issued Circular No. 881 covering the implementing guidelines on the Basel III Leverage Ratio Framework which is designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.0 percent. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018 under BSP Circular No. 990 issued on January 22, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements. The Basel III Leverage Ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as percentage. The leverage ratio shall not be less than 5.0 percent computed on both solo (head office plus branches) and consolidated bases (including subsidiary financial allied undertakings but excluding insurance companies). As of December 31, 2019 and 2018, the Bank maintains these ratios above minimum requirements as shown in the table below (in millions):

	2019	2018
A. Capital Measure	**₱29,661**	₱18,688
B. Exposure Measure	**221,774**	234,510
C. Basel III Leverage Ratio (A/B)	**13.37%**	7.97%

Summary Comparison of Accounting Assets and Common Disclosure vs. Leverage Ratio Exposures as of December 31, 2019 and 2018 are shown in the table below (in millions):

Summary Comparison of Accounting Assets vs. Leverage Ratio Exposure	**2019**	2018	**Common Disclosure vs. Leverage Ratio Exposure**	**2019**	2018
Total consolidated assets	**₱224,108**	₱236,775	On-balance sheet exposures	**₱221,732**	₱231,911
Adjustments for derivative financial instruments	**–**	26	Derivative exposures	**–**	36
Adjustments for securities financial transactions	**–**	–	Securities financing transaction exposures	**–**	1,892
Adjustments for off-balance sheet items	**43**	671	Other off-balance sheet exposures	**43**	671
Other adjustments	**(2,377)**	(2,962)	Tier 1 capital	**29,661**	18,688
			Total Leverage Ratio exposures	**₱221,774**	₱234,510
Leverage Ratio Exposures	**₱221,774**	₱234,510	**Basel III Leverage Ratio**	**13.37%**	7.97%

Meanwhile, the reconciliation requirement that details the source(s) of material differences between Banks' total balance sheet assets in its financial statements and on-balance sheet exposures in the common disclosure template are shown in the table below (in millions):

	On-balance sheet exposures	Audited	Variances
Cash on Hand	₱2,282	₱2,282	₱–
Due from Bangko Sentral ng Pilipinas	6,815	6,815	–
Due from Other Banks	1,134	1,139	(5)
Fair Value Through Profit or Loss (FVTPL) Investments	0	0	–
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)	4,759	4,775	(16)
Investment Securities at Amortized Cost	34,234	34,234	–
Loan Portfolio (Net)	161,110	161,110	–
Sales Contract Receivable (Net)	41	42	(1)
Accrued Interest Income from Financial Assets (Net)	1,831	1,848	(17)
Equity Investment in Subsidiaries, Associates and Joint Ventures (Net)	758	756	2
Bank Premises, Furniture, Fixture and Equipment (Net)	3,399	3,313	86
Real and Other Properties Acquired (Net)	2,937	3,766	(829)
Goodwill (Net)	30	54	(24)
Other Intangible Assets (Net)	427	427	–
Deferred Tax Asset	1,707	1,398	309
Other Assets (Net)	2,644	2,948	(304)
Total Assets (FRP / AFS)	**224,108**	**224,907**	**(799)**
Reconciling Items:			
Add: General Loan Loss Provision (GLLP)	769	–	769
Less: Derivatives with Positive Fair Value Held for Trading	–	–	–
Less: Securities and Financing Transactions-Repurchase agreements-Buyer	–	–	–
On-balance sheet exposures (BLR) l Total Assets (AFS)	**₱224,877**	**₱224,907**	**₱ (30)**

Liquidity Coverage Ratio

On March 10, 2016 and February 8, 2018, the BSP issued Circular Nos. 905 and 996, respectively, which include guidelines on liquidity coverage ratio (LCR), and LCR disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets (HQLAs) to total net cash outflows. Under a normal situation, the value of the ratio shall be not lower than 100% on an ongoing basis. While the LCR is expected to be met in a single currency (i.e., in peso equivalent terms of all currencies), banks are expected to be able to meet their liquidity needs in each currency and maintain HQLA consistent with the distribution of their liquidity needs by currency.

To promote the short-term resilience of the liquidity risk profile of the Bank, it shall maintain an adequate stock of unencumbered high-quality liquid assets (HQLAs) that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs under stressed conditions. The stock of liquid assets should enable the Bank to withstand significant liquidity shocks for at least thirty (30) calendar days, which would give time for corrective actions to be taken by the Bank's management and/or the BSP.

On March 15, 2019, the BSP issued Circular No. 1035 which approved the: (1) extension of the observation period of the minimum Basel III Liquidity Coverage Ratio (LCR) requirement to December 31, 2019 for subsidiary banks and quasi-banks (QBs) of universal and commercial banks (U/KBs), (2) adoption of a seventy percent (70%) LCR floor for subsidiary banks and QBs during the observation period, (3) minimum requirement of one hundred (100%) starting January 1, 2020.

As of December 31, 2019, the LCR in single currency as reported to the BSP is shown in the table below (in millions):

	2019
A. Total Stock of High-Quality Liquid Assets	₱45,849
B. Total Net Cash Outflows	35,210
C. Liquidity Coverage Ratio [A/B]	130.22%

Net Stable Funding Ratio
On June 6, 2018, the BSP issued Circular No. 1007, lmplementing Guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio (NSFR). The NSFR limits overreliance on short-term wholesale funding and promotes enhanced assessment of funding risk across all on and off balance sheet accounts. The NSFR complements the LCR, which promotes short term resilience of the Bank's liquidity profile. The covered bank shall maintain an NSFR of at least 100.0 percent at all times. Compliance with this requirement was phased-in effective July 1, 2018, with full implementation of the minimum NSFR on January 1, 2019.

On March 15, 2019, the BSP issued Circular No. 1034 which approved the extension of the observation period for the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio (NSFR) for subsidiary banks/quasi-banks of universal and commercial banks (UBs/KBs).

The implementation of the minimum NSFR shall be phased in to help ensure that the covered banks/QBs can meet the standard through reasonable measures without disrupting credit extension and financial market activities. In order to facilitate compliance, covered banks/QBs shall undergo an observation period before the NSFR becomes a minimum requirement. Subsidiary banks/QBs of UBs/KBs shall be subject to an NSFR floor of seventy percent (70% during the observation period. Starting January 1, 2020, the minimum NSFR for subsidiary banks/quasi-banks of universal and commercial banks (UBs/KBs) shall be 100%.

As of December 31, 2019, the NSFR as reported to the BSP is shown in the table below (in millions):

	2019
A. Available Stable Funding	₱ 173,998
B. Required Stable Funding	152,224
C. Net Stable Funding Ratio [A/B]	114.30%

Basel III Countercyclical Capital Buffer
On December 6, 2018, the BSP issued Circular No. 1024 covering the Philippine Adoption of the Basel III Countercyclical Capital Buffer (CCyB) which imposed the following capital buffers:

- Capital Conservation buffer (CCB) of two and a half percent (2.5%); and
- Countercyclical capital buffer (CCyB) of zero percent (0%) subject to upward adjustment to a rate determined by the Monetary Board of the BSP when systemic conditions warrant but not to exceed two and a half percent (2.5%). Any increase in the CCyB rate shall be effective 12 months after its announcements. Decreases shall be effective immediately.

The prescribed ratios shall be maintained at all times.

Applicable Tax Regulations

Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax (DST).

Income taxes include corporate income tax, further discussed below, and final taxes paid at the rate of 20.00%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

The NIRC of 1997 also provides for rules on the imposition of a 2.00% MCIT on the gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the company commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three (3) immediately succeeding taxable years.

Starting July 1, 2008, the Optional Standard Deduction (OSD) equivalent to 40.00% of gross income may be claimed as an alternative deduction in computing for the RCIT. The Bank elected to claim itemized expense deductions instead of the OSD in computing for the RCIT in 2019 and 2018.

Current tax regulations also provide for the ceiling on the amount of EAR expense that can be claimed as a deduction against taxable income. Under the regulations, EAR expense allowed as a deductible expense for a service company is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10.00% income tax. In addition, interest income on deposit placements with other FCDUs and OBUs is taxed at 15.00% in 2018 and 7.50% in 2017.

Under current tax regulations, the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks, including branches of foreign banks, is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

k. Research and Development Costs

There are no major expenses on research and development activities. Expenses incurred related to these activities are included into the regular business expense of the Bank.

l. Employees

In the last few years, PSBank's strategic thrust has been Customer Experience (CX). CX is defined as every customer's complete positive experience with PSBank in all channels and platforms. For this to happen, it is imperative that PSBankers also have a highly positive employee experience during their stay with the Bank, effectively resulting to high levels of employee engagement. Thus, PSBank ensures the overall well-being needs of the employees are met – physically, mentally, socially, and spiritually, and emotionally.

For the physical needs, PSBank advocates a hazard-free work environment conducive to the well-being and professional development of its employees. The HR team conducts constant branch visits and checkpoints with units to appropriately assess the engagement levels of the employees. HR also partners with General Services and the PSBank Employees Union in strictly adhering to the occupational safety and health standards of the Department of Labor and Employment (DOLE). In compliance with RA 11058 or the new OSH Law, the Bank also has an Occupational Safety and Health Program (OSHP) implemented and monitored by the Occupational Safety and Health Committee (OSHCOM). This provides for PSBank a local committee on Safety and Health found in the branches. This program ensures that adequate guidelines, programs, and measures are adopted to ensure employees' health and safety. In addition, there is a First Aid Certification Program where HR regularly coordinates with the Philippine Red Cross in conducting certification seminars for Head Office and branch employees, ensuring all branches have at least one certified First-Aider. The Bank also has Fire and Earthquake Drills that aim to strengthen the awareness of PSBank employees on what to do during emergencies, and test individual and organizational response during the occurrence of an emergency.

The mental needs of employees are addressed via learning and leadership development programs of the Bank. Such programs are generally identified as either strategic-related or for continuance. This allows for HR to assess and design programs supporting the overall strategic direction of the business vis-à-vis the continuing education of its employees. The PSBank Business Campus (PBC), its training arm launched an Open University Concept in 2019 founded on the pillars of Flexible Learning, Faculty Excellence, and Choose-Your-Career Dynamics – management training and ladderized programs are available to employees thru the PBC. To further support the employees' mental needs, the Bank launched Mind over Matter as its primary program on Mental Health. Activities include sessions on mindfulness, positive psychology, and mental well-being. Through this initiative, the Bank also helps employees understand that their first line of defense is awareness.

PSBank likewise values employee Partnerships – one of the Five Ps of Employee Fulfillment which also covers their social needs. This helps PSBankers build partnerships, friendships, and family among their peers – relationships that foster inclusion, connection, affection. There are special interest groups and clubs in PSBank including the Indayog Dance Club, Glee Club, Litratura (Photography Club), Windows Mirrors, and Portals (Book Club), and Eco-Warriors' Club. This also include efforts that strengthen and/or renew PSBankers' commitment and dedication to become a partner in achieving the Bank's short- and long-term goals.

The spiritual needs of employees pertain to their level of enjoyment and connection with a higher purpose on what they do. The fifth of PSBank's Five Ps of Employee Fulfillment is Purpose which highlights this. Malasakit, a Filipino word which essentially means deep love and care is strongly exhibited in the Bank. It is shown in PSBanker's love and care for the CUSTOMERS since they are the reason for its business; for the CO-WORKERS by taking care of fellow PSBankers; for the COMPANY since PSBank is one of the best reasons for the quality of life of each and every employee; and for the COMMUNITY as a continuing fulfillment of its social responsibility. In 2019, the Bank supported several organizations and initiatives on education, health, and environmental conservation. On education, it partnered with Trails to Empower Kids in helping 550 students in Paluan, Occidental Mindoro and 250 students in San Vicente, Masbate. Forty-seven PSBankers also joined the 2019 Brigada Eskwela initiatives at Amado Hernandez Elementary School and Rafael Palma Elementary School in Manila. On health, it co-sponsored Manila Doctor Hospital or MDH's In-House Surgical Programs which provided free critical surgical intervention to 275 indigent patients from Western Visayas. The Bank continued its decade-long partnership with the Philippine Children's Medical Center (PCMC) in conducting quarterly bloodletting activities. In 2019 alone, PSBankers were able to donate 121 blood bags. On the environment, PSBank likewise continued its partnership with MDH in the restoration of the Arroceros Forest Park where the Bank has been actively involved since 2016. PSBank adopted a zone called the Shrine of the Creative Mind. PSBankers also joined the 2019 Earth Day festivities at the park. PSBank Eco-Warriors joined the 34th International Coastal Cleanup Day. Cebu-based PSBankers on the other hand, led an activity in Pangan-an Island, Lapu-Lapu City, Cebu in collaboration with Light of Hope Philippines, a non-profit organization which aims to promote renewable energy and provide solar lamps to off-grid islands in the country. In 2019, the team was able to donate 100 solar lamps, made from recycled bottles – to 100 families in the island.

The Bank encourages and cultivates a culture of coaching and mentoring which effectively focuses on the emotional needs of its employees. Supervisors acting as coaches inspire their direct reports to discover and unleash their "genius" level at work. Senior leaders likewise mentor junior employees as a way of transferring their expertise and knowledge with the air of support and collaboration. Rewards and recognition programs are also in place with focus on meritocracy and promotion of excellence – HE1GHTS: Reaching the Peak of Topnotch Performance and !NNOV CUP: Recognizing Game-changing Ideas are among these programs.

PSBank is also extraordinarily proud of its harmonious relationship with the Employee Union. The Bank, in collaboration with the Union, regularly conducts the Labor-Management Council (LMC) aptly named as T.E.A.M. (Talks on Employees Affairs and other Matters) every 1st Wednesday of the month. Thru T.E.A.M., issues are immediately discussed in a dialogue and settled even before they turn to grievances. This strong partnership was recognized by DOLE-NCMB as the Outstanding Labor Management Cooperation for Industrial Peace on the regional level, and was given a Special Award in Enhanced Corporate Viability on the national level.

The Heads and the Union Stewards are encouraged to practice consultation for the purpose of promoting cooperation and understanding among and between them in the line. In keeping with this culture, a Joint Training on Stewardship is also conducted for Branch Heads and/or her/his delegated officer and the Union Stewards. A similar training is also being conducted in the Head Office.

The following are the existing manpower complement:

	As of December 31, 2019	As of March 31, 2020
Senior Officers	56	55
Junior Officers	1,143	1,149
Staff	1,931	1,898
Total	**3,130**	**3,102**

m. Risk Management

PSBank is exposed to all business risks that confront all banks in general, such as credit, market, interest, liquidity, legal, regulatory and operational risk. The Bank's risk management structure and process that serve as mechanism to identify, assess and manage these risks are further discussed in Note 5 of the Audited Financial Statements (Exhibit 5).

Item 2. Properties

The Bank owns the premises it occupies for the Head Office and 28 of its branches. These offices and branches are all in good condition and there is no mortgage or lien on any of these properties owned by the Bank. Schedule of owned branch sites are shown in Exhibit 1.
The rest of the Bank's branch premises are under lease agreements. The Bank leases the premises occupied by its branches for periods ranging from 1 to 20 years renewable under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 10.00%.

With the adoption of PFRS 16, as of December 31, 2019, the Bank recognized interest expense on lease liabilities (included in 'Interest expense' in the statements of income) amounting to ₱113.6 million and rent expense from short-term leases and leases of low-value assets amounting to ₱94.1 million. Prior to adoption of PFRS 16, rentals charged against profit or loss under these lease contracts (included in 'Occupancy and equipment-related costs') amounted to ₱579.9 million in 2018 and 2017. The Bank has no immediate plans to acquire properties in relation to its branch expansion programs.

Please refer to Exhibit 2 for the schedule of branch sites under lease agreements.

Item 3. Legal Proceedings

The Bank in the course of its operations and in running its business has several legal cases that are filed in its behalf and against it. However, these cases will not give any material effect to its financial status nor would have any material impact in continuing its operations. These cases are part of its daily business activities and consequence of its collection efforts and business dealings with the public.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders through the solicitation of proxies or otherwise.

PART II. OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

1. Market Information

PSBank common shares were listed in the Philippine Stock Exchange (PSE) in 1994. The shares are traded under the symbol "PSB".

The high and low sales prices of the Shares as reported in the PSE for each quarter in the years ending December 31, 2019 and 2018 and subsequent interim periods were as follows:

	Highest	Lowest
	In Philippine Peso	
2020:		
January	60.05	53.30
February	54.10	50.00
2019:		
First quarter	61.00	57.50
Second quarter	58.95	57.00
Third quarter	60.70	57.00
Fourth quarter	63.50	57.00
2018:		
First quarter	89.50	85.05
Second quarter	87.90	81.00
Third quarter	88.50	80.00
Fourth quarter	86.90	61.80

Closing price as of April 13, 2020 was at ₱43.00 per share.

2. Holders

As of March 31, 2020, the Bank has 1,455 stockholders. The Top 20 Stockholders as of March 31, 2020 are as follow:

	Name of Stockholders	No. of Shares	% to Total
1.	Metropolitan Bank & Trust Co. *	377,279,068	88.3849%
2.	Dolor, Danilo L.	14,051,043	3.2917%
3.	Dolor, Erlinda L.	8,474,411	1.9853%
4.	PCD Nominee Corp. (Filipino) **	5,192,347	1.2164%
5.	De Leon, Maria Soledad S.	4,456,795	1.0441%
6.	De Leon, Gian Carlo S.	3,054,440	0.7156%
7.	De Leon, Leonard Frederick S.	2,895,061	0.6782%
8.	De Leon, Alvin Benjamin S.	2,716,290	0.6363%
9.	De Leon, Kevin Anthony S.	2,682,950	0.6285%
10.	PCD Nominee Corp. (Non-Filipino)	2,617,665	0.6132%
11.	Go, James (c/o Mr. Olayer)	332,947	0.0780%
12.	Grand Asia Realty Investment	325,958	0.0764%
13.	Que, Liong H.	75,834	0.0178%
14.	Choa, Johnny K.	72,247	0.0169%
15.	Choa, Victoria K.	68,940	0.0162%
16.	Ty, Alejandro	63,893	0.0150%
17.	Cheng, Berck Y.	50,138	0.0117%
18.	Sy, Victor Gan	45,654	0.0107%
19.	Perez, Ma. Georgina V.	44,418	0.0104%
20.	Dy Buncio, Anjanette Ty	42,710	0.0100%

* Includes 206,331,982 shares lodged with PCD Nominee Corp.
** Net of 206,331,982 shares owned by Metropolitan Bank & Trust Company and 18 shares owned by Arthur Ty

Minimum Public Ownership

	Public Ownership		Foreign Ownership	
	Number of Shares	% of Ownership	Number of Shares	% of Ownership
December 31, 2019	40,496,757	10.57%	2,422,895	0.63%
March 31, 2020	45,120,695	10.57%	2,652,530	0.62%

3. Dividends and Dividend Policy

Dividends to be paid in cash are subject to the approval by a majority of the Board of Directors. Dividends to be paid in the form of stocks require the approval of a majority of the Board and the approval of shareholders representing no less than two-thirds of the Bank's outstanding capital stock. The Dividend Policy of the Bank is presented in Compliance with Leading Practices on Corporate Governance.

Dividends Paid and Proposed
Details of the Bank's dividend distributions as approved by the Bank's BOD and the BSP follow:

	Cash Dividends			
Date of declaration	**Per share**	**Total amount**	**Record date**	**Payment date**
January 24, 2017	0.75	₱180,189,368.3	February 10, 2017	February 24, 2017
April 24, 2017	0.75	180,189,368.3	May 10, 2017	May 24, 2017
July 27, 2017	0.75	180,189,368.3	August 11, 2017	August 29, 2017
October 26, 2017	0.75	180,189,368.3	November 14, 2017	November 24, 2017
January 18, 2018	0.75	180,189,368.3	February 02, 2018	February 19, 2018
April 23, 2018	0.75	180,189,368.3	May 9, 2018	May 23, 2018
July 20, 2018	0.75	180,189,368.3	August 6, 2018	August 20, 2018
October 15, 2018	0.75	180,189,368.3	October 30, 2018	November 14, 2018
January 17, 2019	0.75	287,332,062.0	February 1, 2019	February 18, 2019
April 15, 2019	0.75	287,332,062.0	May 3, 2019	May 15, 2019
July 19, 2019	0.75	287,332,062.0	August 5, 2019	August 19, 2019
October 14, 2019	0.75	287,332,062.0	October 29, 2019	November 13, 2019

No unregistered securities were sold or offered for sale by the Bank for the year 2019.

Cash Dividend Declaration
On January 16, 2020, the BOD of the Bank approved the declaration of a 7.50% regular cash dividend for the fourth quarter of 2019 for stockholders on record as of January 31, 2020 amounting to ₱287.3 million or ₱0.75 per share to be paid on February 17, 2020.

Stock Dividend Declaration
On November 20, 2019, the SEC approved the amendment to the Articles of Incorporation on the increase in authorized capital stock of the Bank.

On January 16, 2020, the Bank received the SEC Order fixing the Record Date of the 11.42% Stock Dividend involving 43,750,000 shares on January 31, 2020. Payment date of February 21, 2020 was set in accordance with the Board of Directors approval and the rules of the PSE.

Item 6. Management's Discussion and Analysis or Plan of Operations

The audited financial statements of the Bank are presented in Exhibit 5 as an attachment to this report. Details of the Bank's financial statements as of and for the years ended December 31, 2019, 2018 and 2017 are presented below.

PHILIPPINE SAVINGS BANK
STATEMENTS OF CONDITION

	December 31			Amount	%	Amount	%
	2019	2018	2017	2019 vs 2018		2018 vs 2017	
ASSETS							
Cash and Other Cash Items	**₱2,281,813,055**	₱3,776,087,269	₱2,596,872,801	(₱1,494,274,214)	-39.57%	₱1,179,214,468	45.41%
Due from Bangko Sentral ng Pilipinas	**6,814,865,832**	15,156,184,418	15,265,387,772	(8,341,318,586)	-55.04%	(109,203,354)	-0.72%
Due from Other Banks	**1,138,642,148**	1,682,806,080	1,508,489,309	(544,163,932)	-32.34%	174,316,771	11.56%
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	**–**	1,891,820,000	1,842,023,049	(1,891,820,000)	-100.00%	49,796,951	2.70%
Fair Value Through Profit or Loss (FVTPL) Investments	**43,674**	10,107,022	366,235,689	(10,063,348)	-99.57%	(356,128,667)	-97.24%
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)	**4,775,388,467**	12,931,601,524	–	(8,156,213,057)	-63.07%	12,931,601,524	100.00%
Available-for-Sale Investments	**–**	–	16,925,485,941	–	–	(16,925,485,941)	-100.00%
Investment Securities at Amortized Cost	**34,233,974,816**	35,646,765,264	–	(1,412,790,448)	-3.96%	35,646,765,264	100.00%
Held-to-Maturity Investments	**–**	–	29,473,724,384	–	–	(29,473,724,384)	-100.00%
Loans and Receivables	**164,384,202,213**	156,260,362,775	144,964,513,221	8,123,839,438	5.20%	11,295,849,554	7.79%
Investment in a Joint Venture	**755,781,369**	691,425,681	607,162,821	64,355,688	9.31%	84,262,860	13.88%
Property and Equipment	**3,312,836,126**	2,257,379,905	2,480,012,354	1,055,456,221	46.76%	(222,632,449)	-8.98%
Investment Properties	**3,765,748,696**	4,036,317,716	3,930,317,479	(270,569,020)	-6.70%	106,000,237	2.70%
Deferred Tax Assets	**1,398,136,782**	1,327,667,084	1,429,327,369	70,469,698	5.31%	(101,660,285)	-7.11%
Goodwill and Intangible Assets	**480,456,498**	655,446,833	714,924,056	(174,990,335)	-26.70%	(59,477,223)	-8.32%
Other Assets	**1,564,931,514**	1,405,320,467	1,219,566,379	159,611,047	11.36%	185,754,088	15.23%
	₱224,906,821,190	₱237,729,292,038	₱223,324,042,624	₱(12,822,470,848)	-5.39%	₱14,405,249,414	6.45%

(Forward)

	December 31			Amount	%	Amount	%
	2019	2018	2017	2019 vs 2018		2018 vs 2017	
LIABILITIES AND EQUITY							
Liabilities							
Deposit Liabilities							
Demand	**₱22,490,617,234**	₱20,367,043,344	₱19,112,561,892	₱2,123,573,890	10.43%	₱1,254,481,452	6.56%
Savings	**35,691,639,304**	33,399,725,991	30,383,783,001	2,291,913,313	6.86%	3,015,942,990	9.93%
Time	**105,912,878,349**	138,525,888,196	136,042,056,714	(32,613,009,847)	-23.54%	2,483,831,482	1.83%
Long-term Negotiable Certificates of Deposits	**8,409,975,273**	8,395,281,852	3,375,000,000	14,693,421	0.18%	5,020,281,852	148.75%
	172,505,110,160	200,687,939,383	188,913,401,607	(28,182,829,223)	-14.04%	11,774,537,776	6.23%
Bills Payable	**4,189,736,932**	2,968,567,431	1,492,418,518	1,221,169,501	41.14%	1,476,148,913	98.91%
Bonds Payable	**6,254,701,780**	–	–	6,254,701,780	100.00%	–	–
Subordinated Notes	**–**	2,981,673,382	2,978,997,695	(2,981,673,382)	-100.00%	2,675,687	0.09%
Treasurer’s, Cashier’s and Manager’s Checks	**1,297,680,147**	1,615,520,188	2,213,869,703	(317,840,041)	-19.67%	(598,349,515)	-27.03%
Accrued Taxes, Interest and Other Expenses	**1,409,451,987**	2,014,522,713	1,658,423,304	(605,070,726)	-30.04%	356,099,409	21.47%
Financial Liabilities at FVTPL	**–**	2,895,073	–	(2,895,073)	-100.00%	2,895,073	0.00%
Income Tax Payable	**374,977**	637,607	375,277	(262,630)	-41.19%	262,330	69.90%
Other Liabilities	**4,792,491,744**	3,063,388,051	3,673,232,353	1,729,103,693	56.44%	(609,844,302)	-16.60%
	190,449,547,727	213,335,143,828	200,930,718,457	(22,885,596,101)	-10.73%	12,404,425,371	6.17%
Equity							
Common Stock	**3,831,094,160**	2,402,524,910	2,402,524,910	1,428,569,250	59.46%	–	0.00%
Capital Paid in Excess of Par Value	**9,287,650,873**	2,818,083,506	2,818,083,506	6,469,567,367	229.57%	–	0.00%
Surplus Reserves	**1,037,214,639**	1,035,899,409	1,035,402,901	1,315,230	0.13%	496,508	0.05%
Surplus	**21,269,544,274**	19,391,850,112	17,097,046,504	1,877,694,162	9.68%	2,294,803,608	13.42%
Fair Value Reserves on Financial Assets at FVOCI	**(18,931,431)**	(782,896,279)	–	763,964,848	-97.58%	(782,896,279)	0.00%
Net Unrealized Loss on Available-for-Sale Investments	**–**	–	(411,510,218)	–	–	411,510,218	-100.00%
Remeasurement Losses on Retirement Plan	**(937,954,589)**	(470,611,677)	(545,392,541)	(467,342,912)	99.31%	74,780,864	-13.71%
Equity in Remeasurement Gains on Retirement Plan of a Joint Venture	**941,681**	3,131,435	1,245,144	(2,189,754)	-69.93%	1,886,291	151.49%
Cumulative Translation Adjustment	**(12,286,144)**	(3,833,206)	(4,076,039)	(8,452,938)	220.52%	242,833	-5.96%
	34,457,273,463	24,394,148,210	22,393,324,167	10,063,125,253	41.25%	2,000,824,043	8.93%
	₱224,906,821,190	₱237,729,292,038	₱223,324,042,624	(₱12,822,470,848)	-5.39%	₱14,405,249,414	6.45%

PHILIPPINE SAVINGS BANK

STATEMENTS OF INCOME

	Years Ended December 31			Amount	%	Amount	%
	2019	2018	2017	2019 vs 2018		2018 vs 2017	
INTEREST INCOME							
Loans and receivables	**₱15,481,189,433**	₱14,268,805,623	₱12,477,133,237	₱1,212,383,810	8.50%	₱1,791,672,386	14.36%
Financial assets at FVOCI/AFS investments and investment securities at amortized cost/HTM investments	**1,896,257,446**	1,985,357,651	1,773,020,358	(89,100,205)	-4.49%	212,337,293	11.98%
Interbank loans receivable and securities purchased under resale agreements	**30,140,459**	89,723,370	61,037,150	(59,582,911)	-66.41%	28,686,220	47.00%
Due from other banks	**4,066,446**	4,338,859	2,608,271	(272,413)	-6.28%	1,730,588	66.35%
Due from Bangko Sentral ng Pilipinas	**831,792**	16,662,587	179,406,826	(15,830,795)	-95.01%	(162,744,239)	-90.71%
FVTPL investments	**2,152**	9,088,886	50,570,958	(9,086,734)	-99.98%	(41,482,072)	-82.03%
	17,412,487,728	16,373,976,976	14,543,776,800	1,038,510,752	6.34%	1,830,200,176	12.58%
INTEREST EXPENSE							
Deposit liabilities	**5,327,625,405**	4,818,493,359	3,214,665,720	509,132,046	10.57%	1,603,827,639	49.89%
Bills payable	**319,718,630**	55,857,635	58,953,437	263,860,995	472.38%	(3,095,802)	-5.25%
Bonds payable	**167,596,354**	–	–	167,596,354	100.00%	–	–
Subordinated notes	**125,118,285**	167,675,686	191,058,261	(42,557,401)	-25.38%	(23,382,575)	-12.24%
Lease Liabilities	**113,560,729**	–	–	113,560,729	100.00%	–	–
	6,053,619,403	5,042,026,680	3,464,677,418	1,011,592,723	20.06%	1,577,349,262	45.53%
NET INTEREST INCOME	**11,358,868,325**	11,331,950,296	11,079,099,382	26,918,029	0.24%	252,850,914	2.28%
Service fees and commission income	**1,951,941,673**	1,721,745,423	1,470,202,440	230,196,250	13.37%	251,542,983	17.11%
Service fees and commission expense	**88,437,296**	96,107,664	94,428,291	(7,670,368)	-7.98%	1,679,373	1.78%
NET SERVICE FEES AND COMMISSION INCOME	**1,863,504,377**	1,625,637,759	1,375,774,149	237,866,618	14.63%	249,863,610	18.16%
OTHER OPERATING INCOME (CHARGES)							
Gain on foreclosure and sale of investment properties - net	**611,833,898**	421,975,957	348,813,362	189,857,941	44.99%	73,162,595	20.97%
Gain on foreclosure and sale of chattel mortgage properties - net	**(84,902,195)**	232,063,012	584,947,874	(316,965,207)	-136.59%	(352,884,862)	-60.33%
Trading and securities gains (losses) - net	**223,992,445**	(133,297,506)	(65,237,826)	357,289,951	-268.04%	(68,059,680)	104.33%
Foreign exchange gain - net	**65,884,165**	88,032,388	56,483,920	(22,148,223)	-25.16%	31,548,468	55.85%
Gain on sale of property and equipment	**8,132,940**	7,918,569	1,731,001	214,371	2.71%	6,187,568	357.46%
Miscellaneous	**554,897,890**	624,299,435	507,510,359	(69,401,545)	-11.12%	116,789,076	23.01%
	1,379,839,143	1,240,991,855	1,434,248,690	138,847,288	11.19%	(193,256,835)	-13.47%
TOTAL OPERATING INCOME	**₱14,602,211,845**	₱14,198,579,910	₱13,889,122,221	₱403,631,935	2.84%	₱309,457,689	2.23%

(Forward)

	Years Ended December 31			Amount	%	Amount	%
	2019	2018	2017	**2019 vs 2018**		**2018 vs 2017**	
OTHER EXPENSES							
Compensation and fringe benefits	**₱3,520,613,973**	₱3,363,828,408	₱3,260,605,852	₱156,785,565	4.66%	₱103,222,556	3.17%
Provision for credit and impairment losses	**2,214,989,857**	2,137,972,532	2,270,178,805	77,017,325	3.60%	(132,206,273)	-5.82%
Taxes and licenses	**1,549,754,043**	1,627,741,446	1,268,907,979	(77,987,403)	-4.79%	358,833,467	28.28%
Occupancy and equipment-related costs	**322,330,030**	763,766,590	740,050,501	(441,436,560)	-57.80%	23,716,089	3.20%
Depreciation	**910,341,824**	622,182,083	635,436,103	288,159,741	46.31%	(13,254,020)	-2.09%
Security, messengerial and janitorial services	**453,062,842**	493,737,524	477,533,030	(40,674,682)	-8.24%	16,204,494	3.39%
Amortization of intangible assets	**135,054,994**	159,089,068	135,432,343	(24,034,074)	-15.11%	23,656,725	17.47%
Miscellaneous	**2,023,191,282**	2,140,897,722	2,251,333,506	(117,706,440)	-5.50%	(110,435,784)	-4.91%
	11,129,338,845	11,309,215,373	11,039,478,119	(179,876,528)	-1.59%	269,737,254	2.44%
INCOME BEFORE SHARE IN NET INCOME OF A JOINT VENTURE AND INCOME TAX	**3,472,873,000**	2,889,364,537	2,849,644,102	583,508,463	20.20%	39,720,435	1.39%
SHARE IN NET INCOME OF A JOINT VENTURE	**105,905,423**	82,376,569	71,836,533	23,528,854	28.56%	10,540,036	14.67%
INCOME BEFORE INCOME TAX	**3,578,778,423**	2,971,741,106	2,921,480,635	607,037,317	20.43%	50,260,471	1.72%
PROVISION FOR (BENEFIT FROM) INCOME TAX							
Current	**414,828,340**	381,369,781	394,082,636	33,458,559	8.77%	(12,712,855)	-3.23%
Deferred	**135,612,443**	(71,774,541)	(127,021,129)	207,386,984	-288.94%	55,246,588	-43.49%
	550,440,783	309,595,240	267,061,507	240,845,543	77.79%	42,533,733	15.93%
NET INCOME	**₱3,028,337,640**	₱2,662,145,866	₱2,654,419,128	₱366,191,774	13.76%	₱7,726,738	0.29%
Basic/Diluted Earnings Per Share	**₱8.03**	₱10.51*	₱10.48*				

*Restated to show the effect of stock rights issued in January 2019

A. Plan of Operation

The core business of PSBank is focused on the expansion of the consumer business by growing its retail deposits and consumer loans, including small and medium enterprises, through its various channels and digital ecosystem. Ultimately, the aim is to make things simple for the customers by providing them solutions based on actual need and enhancing their 24/7 banking experience – at every encounter in their most preferred platform.

The bank has a network of 250 branches and 557 ATMs strategically located nationwide as at end-March 2020.

B. Management's Discussion And Analysis

Analysis of Statements of Condition

As of December 31, 2019 and 2018

The Bank's Total Assets for the year ended December 31, 2019 stood at ₱224.91 billion, 5.39% lower than the ₱237.73 billion as of December 31, 2018. The decrease was primarily due to the reduction in regulatory reserve requirements and investment securities.

As of December 31, 2019, Loans and Receivables, net of allowance and unearned interest and discounts, representing 73.09% of total assets was higher by 5.20% to ₱164.38 billion from ₱156.26 billion as of December 31, 2018 as driven by our Auto and Mortgage loan business. Auto loans increased by 4.36% while Mortgage loans grew by 5.02%.

Cash and Other Cash Items decreased by ₱1.49 billion or 39.57% to ₱2.28 billion in 2019 from ₱3.78 billion in 2018. Due from Other Banks also decreased by ₱544.16 million or 32.34% compared to last year's level of ₱1.68 billion as a net effect of movements in the balances maintained with various local and foreign banks. Further, Due from BSP went down by ₱8.34 billion to ₱6.81 billion in 2019 from ₱15.16 billion in 2018 due to BSP's reduction in reserve requirements. As of December 31, 2019 and 2018, Interbank Loans Receivable and Securities Purchased under Resale Agreements (SPURA) amounted to nil and ₱1.89 billion, respectively.

Investments securities represent 17.34% and 20.44% of total assets as of December 31, 2019 and 2018, respectively. As of December 31, 2019, Investment Securities at Amortized Cost representing 15.22% of total assets was recorded at ₱34.23 billion or ₱1.41 billion lower than the last year's balance. Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) amounted to ₱4.78 billion and ₱12.93 billion as of December 31, 2019 and 2018, respectively. The decrease in the account by 63.07% or ₱8.17 billion resulted from the net disposals of FVOCI during the year. Financial Assets at Fair Value through Profit or Loss (FVTPL) stood at ₱0.04 million and ₱10.11 million as of December 31, 2019 and 2018, respectively. The declines on Investment securities were caused by both sale and maturities.

Investment in a Joint Venture increased by ₱64.36 million or 9.31% to ₱755.78 million from ₱691.43 million, due to the recognition of PSBank's share in the net earnings of Sumisho Motor Finance Corporation (SMFC), a joint venture between PSBank and Sumitomo Corporation. The increase from the recognition of share in net earnings was partially reduced by the dividend received by the Bank from SMFC amounting to ₱39.36 million. As of December 31, 2019 and 2018, the Bank's ownership interest in SMFC is 30.00%.

Property and Equipment increased by 46.76% or ₱1.06 billion to ₱3.31 billion as of December 31, 2019 from ₱2.26 billion as of December 31, 2018 due to the Bank's adoption of PFRS 16, *Leases* effective January 1, 2019. The adoption resulted in the initial recognition of right of uses under 'property and equipment' and lease liability under 'other liabilities' amounting to ₱1.44 billion and ₱1.63 billion, respectively.

Investment properties decreased by 6.70% or ₱270.57 million from ₱4.04 billion as of December 31, 2018 to ₱3.77 billion as of December 31, 2019 due to sale of investment properties.

Deferred Tax Assets increased by ₱70.47 million to ₱1.40 billion as of December 31, 2019 from ₱1.33 billion as of December 31, 2018 due to the increase in retirement liability.

Goodwill and Intangible Assets dropped by 26.70% or ₱174.99 million to ₱480.46 million from ₱655.45 million posted last year as a result of retirement and amortization of software cost and license fees. Other

Assets increased by 11.36% or ₱159.61 million to ₱1.56 billion from ₱1.41 billion primarily due to additions in chattel mortgage properties.

The Bank's deposits representing 90.58% of total liabilities decreased by 14.04% or ₱28.18 billion to ₱172.51 billion as of December 31, 2019 from ₱200.69 billion as of December 31, 2018 as it continued to rebalance its funding mix to focus on retail and alternative sources. Demand deposits and Savings Deposits were recorded at ₱22.49 billion and ₱35.69 billion, respectively, or an improvement by 10.43% and 6.86%, respectively. Meanwhile, Time Deposits decreased by 23.54% or ₱32.61 billion to ₱105.91 billion.

As of December 31, 2019 and 2018, Long Term Negotiable Certificate of Time Deposits (LTNCTD) amounted to ₱8.41 billion and ₱8.40 billion, respectively.

Bills payable reached ₱4.19 billion, 41.14% more than the ₱2.97 billion level in 2018. This comprised of Interbank Loans Borrowing of ₱1.20 billion and Medium-Term Fixed Rate Notes, net of prepaid expenses, of ₱2.99 billion.

As of December 31, 2019, the carrying value of the bonds amounted to ₱6.25 billion. On July 24, 2019, the Bank issued fixed rate bonds amounting to ₱6.30 billion with a tenor of two (2) years and due on July 24, 2021 with interest rate of 5.6% per annum payable quarterly. Debt issue cost related to the issuance amounted to ₱56.90 million. Proceeds from the fund-raising exercise will support the Bank's initiatives in expanding its consumer business.

In August 2019, the Bank exercised the call option of its ₱3.00 billion BASEL III compliant Tier 2 Notes issued in May 2014.

Financial Liabilities at FVTPL stood at nil and ₱2.90 million as of December 31, 2019 and 2018, respectively.

Accrued Taxes, Interest and Other Expenses decreased by ₱605.07 million or 30.04% to ₱2.01 billion as of December 31, 2019 due to lower accrued interest and accrued other expenses payable. Treasurer's, Cashier's and Manager's Checks decreased by 19.67% to ₱1.30 billion from ₱1.62 billion last year as a result of normal banking operations of the Bank. Income tax payable was lower at ₱0.37 million versus ₱0.64 million a year-ago. Meanwhile, Other Liabilities which include Accounts Payables, Withholding tax payables, Net Retirement Liability and Lease Liability increased by ₱1.73 billion due to the Bank's adoption of PFRS 16.

As of December 31, 2019, Capital funds stood at ₱34.46 billion, up by 41.25% from last year's level of ₱24.39 billion driven by the stock rights issuance and increase in net income. On January 2019, the Bank successfully completed its stock rights offering amounting to ₱8.00 billion. The Bank recorded Remeasurement Losses on Retirement Plan of ₱937.95 million in December 2019. Meanwhile, Fair Value Reserves on Financial Assets at FVOCI posted an increase of ₱763.96 million from (₱782.90) million in 2018 to (₱18.93) million in 2019. On the other hand, the Bank's share in the Remeasurement Gains on Retirement Plan of its joint venture was posted at ₱0.94 million from ₱3.13 million in December 2018.

As of December 31, 2019 and 2018, the Bank recorded loss on 'Cumulative Translation Adjustment' under equity amounting to ₱12.29 million and ₱3.83 million, respectively.

The Bank's Total Capital Adequacy Ratio is at 17.76% while CET1 Ratio is at 16.82%. Both are well above the BSP's minimum required level.

Meanwhile Return on Average Equity (ROAE) decreased to 10.29% in 2019 versus 11.38% in 2018. Return on Average Assets (ROAA) increased to 1.31% in 2019 from 1.15% in 2018.

As of December 31, 2018 and 2017

The Bank's Total Assets for the year ended December 31, 2018 stood at ₱237.73 billion. This is 6.45% or ₱14.41 billion higher compared to the December 2017 level of ₱223.32 billion due to the continued expansion of its loan portfolio and investment securities.

Loans and Receivables, net of allowance and unearned interest and discounts, representing 65.73% of total assets was higher by 7.79% to ₱156.26 billion from ₱144.96 billion in 2017. Auto Loans increased by ₱6.02 billion to ₱90.29 billion in 2018 from ₱84.28 billion last year. Mortgage Loans also climbed to ₱49.98 billion in 2018 from ₱46.59 billion in 2017.

Cash and Other Cash Items increased by ₱1.18 billion or 45.41% to ₱3.78 billion from ₱2.60 billion. Due from Other Banks also increased by ₱174.32 million or 11.56% compared to last year's level of ₱1.51 billion. Meanwhile, Due from BSP went down by ₱109.20 million to ₱15.16 billion from ₱15.27 billion in 2017.

Interbank Loans Receivable and Securities Purchased under Resale Agreements (SPURA) rose by ₱49.80 million or 2.70% to ₱1.89 billion from ₱1.84 billion in 2017 due to the increase in overnight and term placements with BSP as of December 31, 2018.

As of December 31, 2018, Investment Securities at Amortized Cost representing 14.99% of total assets was recorded at ₱35.65 billion. On the other hand, Held-to-Maturity (HTM) Investments stood at ₱29.47 billion as of December 31, 2017.

Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) representing 5.44% of total assets amounted to ₱12.93 billion as of December 31, 2018 and Available-for-Sale (AFS) Investments was recorded at ₱16.93 billion as of December 31, 2017.

Financial Assets at Fair Value through Profit or Loss (FVTPL) stood at ₱10.11 million as of December 31, 2018 under PFRS 9.

These investments securities represent 20.44% of total assets as of December 31, 2018.

As results of adoption of the classification and measurement requirements of PFRS 9 effective January 01, 2018, the Bank classified debt securities held under AFS investments as of December 31, 2017 as either at amortized cost for securities belonging to portfolios managed under Investment Securities at Amortized Cost business model or FVOCI belonging to portfolios managed under a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. On the other hand, debt securities held under HTM investments as of December 31, 2017, the Bank classified them as either Investment Securities at Amortized Cost business model, at FVOCI or at FVTPL.

Investment in a Joint Venture increased by ₱84.26 million or 13.88% to ₱691.43 million from ₱607.16 million, due to the recognition of PSBank's share in the net earnings of Sumisho Motor Finance Corporation (SMFC), which is a joint venture between PSBank and Sumitomo Corporation.

On August 9, 2017, the Bank signed a Sale and Purchase Agreement ('SPA') to sell 2.0 million shares or 10.00% ownership in SMFC to GT Capital Holdings, Inc. (GT Capital), a related party, for ₱190.0 million or ₱95.0 per share. The price of the transaction was based on an independent valuation report which was subjected to a third party fairness opinion.

As a result of the sale, the Bank's ownership interest in SMFC was reduced from 40.00% to 30.00%.

Property and Equipment decreased by 8.98% or ₱222.63 million to ₱2.26 billion as of December 31, 2018 from ₱2.48 billion as of December 31, 2017. On the other hand, Investment Properties increased by 2.70% to ₱4.04 billion from ₱3.93 billion.

Deferred Tax Assets declined by ₱101.66 million to ₱1.33 billion as of December 31, 2018.

Goodwill and Intangible Assets including software cost and license fees went down by 8.32% or ₱59.48 million to ₱655.45 million from ₱714.92 million posted last year. Other Assets increased by 15.23% or ₱185.75 million to ₱1.41 billion from ₱1.22 billion last year.

The Bank's deposits representing 94.07% of total liabilities was higher by 6.23% or ₱11.77 billion to ₱200.69 billion from ₱188.91 billion posted in December 2017. Demand deposits and Savings Deposits improved by 6.56% and 9.93%, respectively to ₱20.37 billion and ₱33.40 billion, respectively. Time Deposits went up by 1.83% or ₱2.48 billion to ₱138.53 billion.

In August 2018, the Bank successfully issued its Long Term Negotiable Certificate of Time Deposits (LTNCTD) with an aggregate principal amount of ₱5.08 billion due on February 9, 2024, with fixed interest rate of 5.0% per annum. As of December 31, 2018, LTNCTD, net of issuance cost amounted ₱8.40 billion.

Subordinated Notes, net of debt issuance cost amounted to ₱2.98 billion. The Tier II Notes issued in May 2014 qualified as Tier II capital in the BSP's revised risk-based capital adequacy framework in line with BASEL III standards. The issuance has a loss absorption feature to conform with BASEL III requirements. PSBank has an issuer rating of PRS Aaa (corp.) from Philratings.

On December 10, 2018, the Bank issued its Medium term fixed rate notes (MTFN) amounting to ₱3.0 billion with a tenor of one (1) year and six (6) months and due on June 10, 2020 with interest rate of 7.07% per annum payable quarterly. As of December 31, 2018, Bills Payable representing MTFN, net of debt issuance cost amounted to ₱2.97 billion.

Financial Liabilities at FVTPL stood at ₱2.90 million as of December 31, 2018. Accrued Taxes, Interest and Other Expenses increased by ₱356.10 million or 21.47% to ₱2.01 billion.

Treasurer's, Cashier's and Manager's Checks decreased by 27.03% to ₱1.62 billion from ₱2.21 billion last year. Income tax payable was higher at ₱0.64 million versus ₱0.38 million a year-ago. Meanwhile, Other Liabilities which include Accounts Payables, Withholding tax payables and Net Retirement Liability were lower at ₱3.06 billion from ₱3.67 billion.

As of December 31, 2018, Capital funds stood at ₱24.39 billion, 8.93% higher than last year's level of ₱22.39 billion due to the higher net income booked during the year and effect of the adoption of PFRS 9.

Fair Value Reserves on Financial Assets at FVOCI amounted to (₱782.90) million in December 2018.

As of December 31, 2018 Capital adequacy Ratio (CAR) was at 13.88%. This is above the minimum regulatory requirement of 10%. The Bank recorded loss on 'Cumulative Translation Adjustment' under equity amounting to ₱3.83 million, 5.96% lower against December 31, 2017 of ₱4.08 million.

The Bank recorded Remeasurement Losses on Retirement Plan of ₱470.61 million in December 2018. On the other hand, the Bank's share in the Remeasurement Gains on Retirement Plan of its joint venture was posted at ₱3.13 million from ₱1.25 million in December 2017.

Meanwhile Return on Average Equity (ROAE) decreased to 11.38% in 2018 versus 12.51% in 2017. Return on Average Assets (ROAA) also decreased to 1.15% in 2018 from 1.26% in 2017.

As of December 31, 2017 and 2016

The Bank's total assets for the year ended December 31, 2017 stood at ₱223.32 billion. This was 13.45% better than the December 2016 level of ₱196.85 billion. Significant year-on-year increase was due to growth in loan portfolio and investment securities.

Loans and Receivables, net of allowance and unearned interest discounts, representing 64.91% of total assets increased by 13.95% to ₱144.96 billion from ₱127.22 billion. Auto Loans increased by ₱14.27 billion to ₱82.32 billion in 2017 from ₱68.41 billion last year. Mortgage Loans also climbed to ₱45.96 billion in 2017 from ₱43.39 billion in 2016.

Due from BSP representing 6.84% of total assets increased by ₱1.28 billion or 9.14% to ₱15.27 billion from ₱13.99 billion in December 2017 due to higher reserve volume in 2017 amounting to ₱13.9 billion versus ₱12.0 billion in 2016. On the other hand, Interbank Loans Receivable and Securities Purchased under Resale Agreements (SPURA) declined by ₱1.41 billion or 43.40% from last year.

Available-for-Sale Investments went up by ₱3.81 billion to ₱16.93 billion from ₱13.12 billion in 2016. Held-to-Maturity (HTM) investments also rose to ₱29.47 billion from ₱23.16 billion in 2016 while Fair Value through Profit or Loss (FVTPL) decreased by ₱994.56 million to ₱366.24 million.

Deferred Tax Assets rose by 9.89% to ₱1.43 billion from ₱1.30 billion in 2016 due to recognition of deferred tax benefits from the loan-loss provisioning during the year.

Investment Properties increased by 1.78% to ₱3.93 billion as of December 2017 due to higher foreclosures of real estate properties. Property and Equipment decreased by 7.02% or ₱187.16 million to ₱2.48 billion due to higher depreciation.

The Bank's deposit level comprising of 94.02% of total liabilities grew by 19.27% or ₱30.53 billion to ₱188.91 billion from ₱158.39 billion recorded in 2016. Time Deposits were higher by 17.47% or ₱20.23 billion to ₱136.04 billion. Likewise, Demand Deposits increased by 24.60% to ₱19.11 billion from ₱15.34 billion in 2016 while Savings Deposits rose by 11.56% to ₱30.38 billion.

On December 8, 2016, the BSP authorized the Bank to issue LTNCDs up to ₱10.0 billion through one or multiple tranches over a period of one year. On January 30, 2017, the Bank issued the first tranche of LTNCDs amounting to ₱3.375 billion due on April 30, 2022 with fixed interest rate of 3.50% per annum payable quarterly.

As of December 31, 2017, Bills Payable representing Interbank Borrowing and Securities Sold under Repurchase Agreement (SSURA) amounted to ₱1.49 billion.

The Tier II Notes, net of debt issuance cost was recorded at ₱2.98 billion in December 2017, 50.15% or ₱3.0 billion lower than the 2016 year-end level of ₱5.98 billion as the Bank exercised the call option of its ₱3.0 billion Tier 2 Notes issued in 2012. The Tier II Notes issued in May 2014 qualified as Tier II capital in the BSP's revised risk-based capital adequacy framework in line with BASEL III standards.

Treasurer's, Cashier's and Manager's Checks increased by 25.75% to ₱2.21 billion from ₱1.76 billion last year. Other Liabilities increased to ₱3.67 billion from ₱3.34 billion.

As of December 31, 2017, the Bank's Capital stood at ₱22.39 billion, 11.76% better than the ₱20.04 billion level in 2016. Mark-to-market losses on Available-for-Sale Investments were recorded at ₱411.51 million in December 31, 2017 versus ₱ 842.91 million last year. Meanwhile, the Bank recorded Remeasurement Losses of ₱545.39 million on its Retirement Plan in 2017 due to losses on return on plan assets.

As of end of 2017, Total Capital Adequacy Ratio (CAR) was at 13.87%, this is above the minimum regulatory requirement of 10%. As of December 31, 2017, the Bank recorded a loss on its 'Cumulative Translation Adjustment' under equity amounting to ₱4.08 million from ₱1.44 million Cumulative Translation Adjustment gain last year.

Meanwhile, Return on Average Equity (ROAE) improved to 12.51% in 2017 versus 12.50% in 2016. Return on Average Assets (ROAA) also decreased to 1.26% in 2017 from 1.34% in 2016.

Analysis of Results of Operations

For the years ended December 31, 2019 and 2018

The Bank registered a net income after tax of ₱3.03 billion higher than the ₱2.66 billion recorded for the same period last year.

Total Interest Income increased by 6.34% or ₱1.04 billion, better than the ₱16.37 billion recorded last year mainly due to the 8.50% or ₱1.21 billion increase in Interest Income on Loans and Receivables..

In 2019, Net Interest Income rose by ₱26.92 million or 0.24% year-on-year, from ₱11.33 billion in 2018 to ₱11.36 billion in 2019 primarily due to increase in Interest Income on Loans and Receivables by 8.50% or ₱1.21 billion to ₱15.48 billion in 2019.

Interest income on Financial assets at FVOCI/AFS investments and investment securities at amortized cost/HTM investments went down to ₱1.90 billion from ₱1.99 billion. Meanwhile, Interest earned from Interbank Loans Receivable and SPURA decreased by ₱59.58 million to ₱30.14 million in 2019 versus ₱89.72 million in 2018. Interest earned from deposits with BSP slid by ₱15.83 million to ₱0.83 million while interest income from other banks was down by ₱0.27 million to ₱4.0 million in 2019. Interest income from FVTPL investments declined by ₱9.01 million or 99.98% from ₱9.09 million in 2018.

Interest Expense on the Bank's deposit liabilities increased by 10.57% to ₱5.33 billion compared to ₱4.82 billion during the same period last year due to rise in deposit cost of funds. Meanwhile, Interest Expense on Bills Payable was at ₱319.72 million from ₱55.86 million in 2018. Interest Expense on Bonds Payable was at ₱167.60 million in 2019, an increase of 100% due to the Bank's ₱6.30 billion fixed rate bonds issued last July 24, 2019 with interest rate of 5.6% per annum. Interest on subordinated notes decreased by 25.38% due to the Bank's exercise of its call option in August 2019. Interest expense on lease liability amounting to ₱113.56 million was recognized in 2019 in relation to the Bank's adoption of PFRS 16.

Net Service Fees and Commission Income increased by 14.63% to ₱1.86 billion from ₱1.63 billion in 2018.

Other Operating Income was higher by 11.19% in 2019 compared with previous year. Other Operating Income increased to ₱1.38 billion from ₱1.24 billion.

The Bank recorded a net gain on foreclosure and sale of investment properties amounting to ₱611.83 million, ₱189.86 million higher compared with the ₱421.98 million during the same period last year. On the other hand, the Bank recorded a net loss on the foreclosure and sale of chattel mortgage properties amounting to ₱84.90 million in 2019 as compared to the net gain on foreclosure and sale of chattel mortgage properties amounting to ₱232.06 million recorded in 2018. Also, the Bank registered a net trading and securities gain of ₱223.99 million in 2019.

Foreign Exchange gain was lower at ₱65.88 million from ₱88.03 million. Miscellaneous Income was lower by ₱69.40 million to ₱544.90 million from ₱624.30 million during the same period last year.

Other Operating Expenses, excluding provision for impairment, decreased by 2.80% to ₱8.91 billion from the year ago level of ₱9.17 billion. The Bank set aside a total of ₱2.21 billion provisions for credit and impairment losses in 2019, 3.60% higher than the ₱2.14 billion allocated in 2018.

Occupancy and equipment-related costs decreased by 57.80% to ₱322.33 million from ₱763.77 million as a result of lower rent expense. Amortization of Software Cost declined by 15.11% to ₱135.05 million. On the other hand, Depreciation and amortization of Bank's properties and leasehold improvements rose to ₱910.34 million from ₱622.18 million.

Compensation and Fringe Benefits went up by 4.66% to ₱3.52 billion. Meanwhile, Taxes and Licenses decreased by 4.79% to ₱1.55 billion compared to last year due to lower Documentary Stamps Taxes paid in 2019. Security, messengerial, and janitorial services also dropped by 8.24% or ₱40.67 million to ₱453.06 million in 2019. Miscellaneous Expenses went down by 5.50% to ₱2.02 billion.

The Bank also recorded income from its investment in Sumisho Motor Finance Corporation (SMFC) amounting to ₱105.91 million in 2019. This was higher by 28.56% versus the same period last year.

For the years ended December 31, 2018 and 2017

The Bank registered a net income after tax of ₱2.66 billion higher than the ₱2.65 billion recorded for the same period last year.

Total Interest Income increased by 12.58% or ₱1.83 billion, better than the ₱14.54 billion recorded last year.

Interest income on Loans and Receivables showed a 14.36% improvement or an increase of ₱1.79 billion. Interest income on Investment Securities went up to ₱1.99 billion from ₱1.82 billion due to higher investment portfolios in 2018. Meanwhile, Interest earned from Interbank Loans Receivable and SPURA increased by 47.00% or ₱28.69 million to ₱89.72 million versus ₱61.04 million in 2017. Interest earned from deposits with BSP slid by ₱162.74 million or 90.71% while interest income from other banks was up by 66.35% to ₱4.34 million.

Interest Expense on the Bank's deposit liabilities increased by 49.89% to ₱4.82 billion compared to ₱3.21 billion during the same period last year due to higher cost of funds in 2018 and overall rise in total deposit in 2018 by 6.23%. Interest Expense on Subordinated Notes decreased by ₱23.38 million to ₱167.68 million from ₱191.06 million in 2017. This was due to the redemption of the Bank's ₱3 Billion Unsecured Subordinated (Tier 2) Notes issued in 2012 last February 2017.

The Bank also posted ₱55.86 million Interest Expense on Bills Payable in 2018 from ₱58.95 million in 2017.

In 2018, Net Interest Income rose by 2.28% to ₱11.33 billion from ₱11.08 billion in 2017.

Net Service Fees and Commission Income increased by 18.16% to ₱1.63 billion from ₱1.38 billion in 2017.

Other Operating Income was lower in 2018 compared with previous year due to lower net gain on foreclosure and sale of chattel mortgage properties in 2018. As a result, Other Operating Income slid by 13.47% to ₱1.24 billion. Also, the Bank registered a net trading and securities loss of ₱133.30 million in 2018.

The Bank recorded a net gain on foreclosure and sale of investment properties amounting to ₱421.98 million, ₱73.16 million higher compared with the ₱348.81 million during the same period last year. On the other hand, net gain on foreclosure and sale of chattel mortgage properties decreased by ₱352.88 million to ₱232.06 million from ₱584.95 million in 2017.

Income from the sale of property and equipment in 2018 was higher at ₱7.92 million versus ₱1.73 million in 2017.

Foreign Exchange gain was posted at ₱88.03 million from ₱56.48 million. Miscellaneous Income was higher by ₱116.79 million to ₱624.30 million from ₱507.51 million during the same period last year.

Other Operating Expenses, excluding provision for impairment, increased by 4.58% to ₱9.17 billion from the year ago level of ₱8.77 billion. In line with the Bank's thrust to further strengthen its balance sheet the Bank set aside a total of ₱2.14 billion provisions for credit and impairment losses in 2018.

Occupancy and equipment-related costs increased by 3.20% to ₱763.77 million from ₱740.05 million. Amortization of Software Cost increased by 17.47% to ₱159.09 million. On the other hand, Depreciation and amortization of Bank's properties and leasehold improvements were down to ₱622.18 million from ₱635.44 million. Taxes and Licenses increased by 28.28% or ₱1.63 billion due to higher Documentary Stamp and gross receipt taxes paid in 2018. Meanwhile, Compensation and Fringe Benefits went up by 3.17% to ₱3.36 billion Miscellaneous Expenses went down by 4.91% to ₱2.14 billion due to lower insurance and advertising expenses. Security, messengerial, and janitorial services were recorded at ₱493.74 million.

The Bank also recorded income from its investment in Sumisho Motor Finance Corporation (SMFC) amounting to ₱82.38 million in 2018. This was higher by 14.67% versus the same period last year.

For the years ended December 31, 2017 and 2016

The Bank registered a net income after tax of ₱2.65 billion or 8.31% higher than the ₱2.45 billion recorded for the same period last year. The increase in net income was due to higher core income in 2017 versus 2016.

Total Interest Income increased by 16.42% or ₱2.05 billion, better than the ₱12.49 billion recorded last year.

Interest income on Loans and Receivables showed a 12.74% improvement or an increase of ₱1.41 billion. On the other hand, Interest Income on Investment Securities increased to ₱1.82 billion from ₱1.35 billion due to higher investment portfolios in 2017. Meanwhile, Interest earned from Interbank Loans Receivable and SPURA declined by ₱0.49 million to ₱61.04 million from ₱61.53 million. Interest earned from deposits with BSP was higher by ₱165.50 million to ₱179.41 million while interest income from other banks also improved by 17.36% to ₱2.61million.

Interest Expense on deposit liabilities increased by 33.39% to ₱3.21 billion with overall rise in total deposits in 2017 by 19.27%. Meanwhile, interest Expense on Tier 2 Unsecured Subordinated Notes declined to ₱191.06 million from ₱361.77 million in 2016. This was due to the redemption of the Bank's ₱3 billion Unsecured Subordinated Notes (Tier 2) notes issued in 2012 last February 2017.

The Bank recorded ₱58.95 million in Interest Expense on Bills Payable in 2017, ₱2.15 million higher compared to last year.

In 2017, Net Interest Income rose by 14.64% to ₱11.08 billion from ₱9.66 billion in 2016.

Net Service Fees and Commission Income increased by 21.07% to ₱1.38 billion from ₱1.14 billion in 2016.

Other Operating Income was lower in 2017 compared with previous year due to higher trading gains recorded in 2016. As a result, Other Operating Income slid by 14.55% to ₱1.43 billion. Also, the Bank registered a net trading loss of ₱65.24 million in 2017 compared to the ₱509.67 million in trading gains in 2016.

The Bank recorded a net gain on foreclosure and sale of chattel mortgage amounting to ₱584.95 million, ₱233.23 million higher compared with the ₱351.72 million during the same period last year. On the other hand, net gain on foreclosure and sale of investment properties decreased by ₱15.58 million to ₱348.81 million from ₱364.39 million in 2016.

Income on sale of property and equipment in 2017 was lower at ₱ 1.73 million versus ₱2.64 million in 2016.

Foreign Exchange gain was posted at ₱56.48 million, an improvement from ₱23.99 million in 2016. Miscellaneous Income was higher by ₱81.36 million to ₱507.51 million from ₱426.15 million in 2016.

Other Operating Expenses, excluding provision for impairment, was up by 15.06% to ₱8.77 billion from ₱7.62 billion a year ago. Compensation and Fringe Benefits was posted at ₱3.26 billion while Occupancy and equipment-related costs increased by ₱29.11 million or 4.09% to ₱740.05 million.

Depreciation and amortization of Bank's properties and leasehold improvements were ₱635.44 million from ₱557.65 million in 2016. Meanwhile, security, messengerial and janitorial services were recorded at ₱477.53 million. Amortization of intangible assets was recorded at ₱135.43 million. Miscellaneous Expenses were higher by 19.98% at ₱2.25 billion from ₱1.88 billion last year. Taxes and Licenses went up by 19.88% compared to last year to ₱1.27 billion.

The Bank set aside ₱2.27 billion in provisions for impairment and credit losses.

The Bank recorded its share in the net income of its investments in Sumisho Motor Finance Corporation at ₱71.84 million from ₱35.47 million in the same period last year. This was higher by 102.55% versus the same period last year.

Analysis of Financial Soundness Indicators

		2019	2018	2017
Return on Average Assets	ROAA	**1.31%**	1.15%	1.26%
Return on Average Equity	ROAE	**10.29%**	11.38%	12.51%
Net Interest Margin on Average Earning Assets	NIM	**5.82%**	5.79%	6.10%
Debt-Equity Ratio	DER	**5.53:1**	8.75:1	8.97:1
Asset-to-Equity Ratio	AER	**6.53:1**	9.75:1	9.97:1
Interest Rate Coverage Ratio	IRCR	**1.59:1**	1.59:1	1.84:1
Liquidity Ratio	LR	**19.70%**	23.47%	20.70%
Capital-to-Risk Assets Ratio	CAR	**17.76%**	13.88%	13.87%
Earnings per share	EPS	**₱8.03**	₱10.51*	₱10.48*

**Restated to show the effect of stock rights issued in January 2019*

2019 vs. 2018 Comparative highlights on Financial Soundness Indicators

a. Return on Average Assets (ROAA) increased to 1.31% in 2019 from 1.15% in 2018. ROAA is calculated by dividing the net income by the year-on-year average of the outstanding total assets.

b. Return on Average Equity (ROAE) decreased from 11.38% in 2018 to 10.29% in 2019. ROAE measures how well the Bank is using common shareholders' invested money. It is calculated by dividing the net income by the year-on-year average of the outstanding shareholders' equity.

c. Net Interest Margin on Average Earning Assets (NIM) slightly went up to 5.82% in 2019 from 5.79% in 2018. NIM is calculated by dividing the net interest income by the average earning assets.

d. Debt-to-Equity Ratio (DER) decreased to at 5.53:1 as of December 31, 2019 versus 8.75:1 as of December 31, 2018. DER measures the Bank's financial leverage. This is computed by dividing total liabilities by total stockholder's equity.

e. Asset-to-Equity Ratio (AER) decreased to 6.53:1 in 2019 versus 9.75:1 in 2018. AER is computed by dividing the total assets by total shareholder's equity.

f. Interest Rate Coverage Ratio (IRCR) was at 1.59:1 as of December 31, 2019 and 2018. IRCR is a measure of the Bank's ability to meet its interest payments on outstanding debt. It is calculated by dividing the total earnings before interest and taxes over interest expense.

g. Liquidity Ratio (LR) decreased in 2019 at 19.70% compared to 23.47% in 2018. LR measures the Bank's ability to meet its short-term liabilities. It is derived from dividing the current assets by current liabilities.

h. Capital-to-Risk Assets Ratio (CAR) increased from 13.38% to 17.76% in 2019. CAR is the measure of the Bank's capital strength. It is calculated by dividing the qualified capital by risk-weighted assets as defined by the Bangko Sentral ng Pilipinas (BSP).

i. Earnings per Share (EPS) decreased to ₱8.03 in 2019 from ₱10.51 in 2018. EPS is the net profit the Bank has generated per common share. It is computed by dividing the net income by the weighted average number of outstanding common shares. EPS for the year ended December 31, 2018 was restated to show the effect of stock rights issued in January 2019.

2018 vs. 2017 Comparative highlights on Financial Soundness Indicators

a. Return on Average Assets (ROAA) decreased to 1.15% in 2018 from 1.26% in 2017. ROAA is calculated by dividing the net income by the year-on-year average of the outstanding total assets.

b. Return on Average Equity (ROAE) decreased from 12.51% in 2017 to 11.38% in 2018. ROAE measures how well the Bank is using common shareholders' invested money. It is calculated by dividing the net income by the year-on-year average of the outstanding shareholders' equity.

c. Net Interest Margin on Average Earning Assets (NIM) went down from 6.10% in 2017 to 5.79% in 2018. NIM is calculated by dividing the net interest income by the average earning assets.

d. Debt-to-Equity Ratio (DER) decreased to at 8.75:1 as of December 2018 versus 8.97:1 as of December 31, 2017. DER measures the Bank's financial leverage. This is computed by dividing total liabilities by total stockholder's equity.

e. Asset-to-Equity Ratio (AER) decreased to 9.75:1 in 2018 versus 9.97:1 in 2017. AER is computed by dividing the total assets by total shareholder's equity.

f. Interest Rate Coverage Ratio (IRCR) decreased to 1.59:1 as of December 31, 2018 from 1.84:1 the same period last year. IRCR is a measure of the Bank's ability to meet its interest payments on outstanding debt. It is calculated by dividing the total earnings before interest and taxes over interest expense.

g. Liquidity Ratio (LR) increased in 2018 at 23.47% compared to 20.70% in 2017 as excess funds were placed in higher yielding investment securities. LR measures the Bank's ability to meet its short-term liabilities. It is derived from dividing the current assets by current liabilities.

h. Capital-to-Risk Assets Ratio (CAR) increased from 13.87% to 13.88% in 2018. CAR is the measure of the Bank's capital strength. It is calculated by dividing the qualified capital by risk-weighted assets as defined by the Bangko Sentral ng Pilipinas (BSP).

i. Earnings per Share (EPS) improved to ₱10.51 in 2018 from ₱10.48 in 2017. EPS is the net profit the Bank has generated per common share. It is computed by dividing the net income by the weighted average number of outstanding common shares. EPS for the years ended December 31, 2018 and 2017 were restated to show the effect of stock rights issued in January 2019.

2017 vs. 2016 Comparative highlights on Financial Soundness Indicators

a. Return on Average Equity (ROAE) increased from 12.50% in 2016 to 12.51% in 2017. ROAE measures how well the Bank is using common shareholders' invested money. It is calculated by dividing the net income by the year-on-year average of the outstanding shareholders' equity.

b. Return on Average Assets (ROAA) decreased to 1.26% in December 2017 from 1.34% in 2016. ROAA is calculated by dividing the net income by the year-on-year average of the outstanding total assets.

c. Net Interest Margin on Average Earning Assets (NIM) went down from 6.17% in 2016 to 6.10% in 2017. NIM is calculated by dividing the net interest income by the average earning assets.

d. Earnings per Share (EPS) improved to ₱10.48 in 2017 from ₱10.20 in 2016. EPS is the net profit the Bank has generated per common share. It is computed by dividing the net income by the weighted average number of outstanding common shares.

e. Capital-to-Risk Assets Ratio (CAR) decreased from 14.07% to 13.87% in 2017. CAR is the measure of the Bank's capital strength. It is calculated by dividing the qualified capital by risk-weighted assets as defined by the Bangko Sentral ng Pilipinas (BSP).

f. Liquidity Ratio (LR) decreased in 2017 at 20.70% compared to 23.46% in 2016 as excess funds were placed in higher yielding investment securities. LR measures the Bank's ability to meet its short-term liabilities. It is derived from dividing the current assets by current liabilities.

g. Debt-to-Equity Ratio (DER) increased to at 8.97:1 as of December 2017 versus 8.82:1in 2016. DER measures the Bank's financial leverage. This is computed by dividing total liabilities by total stockholder's equity.

h. Asset-to-Equity Ratio (AER) increased to 9.97:1 in 2017 versus 9.82:1 in 2016. AER is computed by dividing the total assets by total shareholder's equity.

i. Interest Rate Coverage Ratio (IRCR) decreased to 1.84:1 as of December 31, 2017 from 1.94:1 the same period last year. IRCR is a measure of the Bank's ability to meet its interest payments on outstanding debt. It is calculated by dividing the total earnings before interest and taxes over interest expense.

C. Key Variables and Other Qualitative and Quantitative Factors

Liquidity

PSBank manages its liquidity position to ensure that it has more than adequate funds to meet its obligations at any given time. The Bank monitors its daily liquidity and reserve position by determining inflows and outflows, short-term and long-term obligations, holdings and repayments. Short-term liquidity management identifies obligations and repayments in the next 12-months, aids in the determination of the securities trading strategy, and influences the Bank's pricing mechanism. On the other hand, long-term liquidity management covers maturing obligations and repayments of loans and investments beyond the next 12-months.

The level of liquid assets remained strong, exhibiting healthy growth in both placements with BSP/other banks and investments.

With the Bank's high capitalization, current liquidity position, strong deposit growth trend, continuing development of retail and corporate accounts, and prudent liquidity management, PSBank does not anticipate encountering any cash flow or liquidity problems in the next 12 months. It remains confident of its ability to meet its obligations and is committed to providing the necessary funding to support the projected loan growth, investment activities and expenditures for 2019.

The Bank also performs liquidity stress testing under various stress scenarios to ensure its ability to meet its funding obligations. The Bank has a Liquidity Contingency Funding Plan to anticipate and manage any funding crisis that may occur.

Events that will Trigger Direct or Contingent Financial Obligation

In the normal course of the Bank's operations, there are various outstanding commitments and contingent liabilities such as guarantees and commitments to extend credit, which are part of its lending and related businesses but due to their nature, may not be reflected in the accompanying financial statements. The Bank, however, does not anticipate significant losses as a result of these transactions.

Also, several suit and claims, in behalf or against the Bank in relation to its operations, including labor-related cases are pending before the courts and quasi-judicial bodies. In the opinion of management, these suits and claims, if decided adversely, will not involve an amount having a material effect on the financial statements.

Material Off-Balance Sheet Transactions, Arrangements and Obligations

The following is a summary of the Bank’s commitments and contingent liabilities at their equivalent peso contractual amounts:

	2019	2018	2017
Trust department accounts	**₱6,981,353,030**	₱6,400,841,134	₱5,596,171,367
Swap forward exchange - sold	**50,635,000**	2,602,710,000	2,653,256,032
Stand-by credit lines	**84,000,000**	70,500,000	81,664,196
Late deposits/payments received	**9,521,669**	9,521,669	5,625,757
Items held for safekeeping	**455,693**	296,024	1,298,438
Others	**488,280**	124,429	519,297

None of these off-balance sheet transactions, arising in the ordinary course, either individually or in the aggregate, are expected to have a material adverse effect on the Bank’s financial condition.

Material Commitments for Capital Expenditures

The Bank’s capital expenditures in 2019 included expenses for ten (10) new on-site & off-site ATMs, upgrade of bank premises including infrastructure, furniture, fixtures and equipment, IT-related activities on systems and licenses. Capital expenditures were sourced from the Bank’s capital.

Causes for Any Material Changes from Period to Period of Financial Statements

See previous discussion on Analysis of Statement of Condition and Discussion of Results of Operations.

Known Trends, Events or Uncertainties or Seasonal Aspects

The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The accounting policies adopted by the Bank are consistent with those of the previous financial year, except that it has adopted new accounting pronouncements starting January 1, 2019. These new and revised accounting standards are presented in Note 2 of the Audited Financial Statements.
Please refer to Annex A.

Unless otherwise indicated, these new and revised accounting standards have no impact to the Bank.

Item 7. Financial Statements

Please refer to Exhibit 4 for the Bank's Management's Responsibility for Financial Statements for the years ended December 31, 2019, 2018 and 2017 and Exhibit 5 for the Audited Financial Statements as of December 31, 2019 and 2018, respectively.

Independent Public Accountants

SyCip Gorres Velayo & Co. (SGV & Co.), independent certified public accountants, audited the Bank's financial statements without qualification and in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of its examination, in its report to the stockholders and Board of Directors.

The following table sets out the aggregate fees billed for each of the years ended December 31, 2019 and 2018 for professional services rendered by SGV & Co for the audit of the Bank's annual financial statements.

	2019	2018
Audit and Audit-Related Fees: Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	₱1,605,000*	₱2,205,000*

*Exclusive of 10% out-of-pocket expenses and (OPEs) and 12% value added tax (VAT).

Tax and All Other Fees for Services of External Auditor

The Bank has engaged the services of external auditor for compliance, advice, planning and any other form of services during the last three (3) years. The collective fees for each year ended December 31, 2019, 2018 and 2017 amounted to ₱3,704,400, ₱4,468,800 and ₱8,495,200, respectively.

In 2019, non-audit fees paid by the Bank to its external auditors did not outweigh its audit-related fees. These non-audit fees pertain to an engagement for the vulnerability assessment and penetration testing of the Bank's publicly-accessible servers, network, devices and services while audit-related fees pertain to regular year-end financial statement audit, as well as interim financial statement reviews and issuance of comfort letters in line with the Bank's peso fixed-rate bond issuances. Nonetheless, to ensure that the existing arrangements do not compromise our external auditor's independence, separate engagement agreements and teams handled the said services.

Fees for Services of other Tax Consultant

The Bank also engaged the services of Du-Baladad and Associates for tax consultancy. The collective fees amounted to ₱266,112, ₱891,352 and ₱288,288 for 2019, 2018 and 2017, respectively.

Audit Committee's Approval Policies and Procedures for Above Services

As Metrobank subsidiary, the Bank adopted the Parent's policies and procedures on audit engagement contract for external auditors. The same was discussed and approved by the Audit Committee.

Included in the duties and responsibilities of the Audit Committee as provided for in the Audit Committee Charter are to recommend to the Board the appointment, re-appointment and dismissal of external auditors; to review and evaluate the external auditors' qualifications, performance, independence, and objectivity; and to review the external auditors' audit plan and scope among others.

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

Name	Position
Eduardo A. Sahagun, Independent Director	Chairman
Samson C. Lim, Independent Director	Member
Vicente R. Cuna, Jr., Non-executive Director*	Member
Jose T. Pardo, Independent Director **	Member

** Membership ended in April 2019*
*** Appointed as member in April 2019*

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

SGV & Co. has acted as the Bank's external auditors since 1979. Ms. Veronica Mae A. Arce has been the certifying partner from SGV and Co. since 2019, in compliance with the 7-year rotation requirement.

The Bank has no disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period.

The same group of independent public accountants has been recommended by the Audit Committee to be re-appointed as the external auditors of the company for the year 2020. The re-appointment of SGV complies with the requirement of SEC under SRC Rule 68 (3) (b) (IV).

Representatives of SGV are expected to be present at the Annual Stockholders' Meeting and will have the opportunity to make a statement if they desire to do so and will be available to answer appropriate questions.

PART III. CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

A. Directors and Executive Officers

Directors

The following are the Directors for 2019 – 2020:

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4th Civil degree
Jose T. Pardo **Chairman/ Independent Director**	80	Filipino	Present Involvements • Chairman since Jan 2003/ Independent Director since May 2007, Philippine Savings Bank* • Chairman and Independent Director, Philippine Seven Corporation* since 2015 • Chairman and Independent Director, Philippine Stock Exchange* since 2011 • Chairman and Independent Director, Securities Clearing Corporation of the Philippines since 2011 • Chairman since 2011 /Independent Director since 2003, Bank of Commerce • Independent Director, National Grid Corporation of the Philippines since 2009 • Independent Director, JG Summit Holdings, Inc.* since 2003 • Independent Director, ZNN Radio Veritas since 2006 • Independent Director, Monte Oro Grid Resources Corporation since 2016 • Independent Director, Synergy Grid and Development Philippines, Inc. (Non-Operating) since 2014 • Independent Director, Araneta Hotels, Inc. since 2016 • Independent Director, League One Finance and Leasing Corporation since 2016 • Independent Director, Del Monte Philippines, Inc. since 2018 • Chairman, ECOP Council of Business Leaders since 2009 • Chairman, PCCI Council of Business Leaders since 2007 • Chairman, Philippine Business Center Inc. from 2011 to 2019 Past Experiences/ Positions Held • Chairman, De La Salle University, Inc. Co-Chairman, De La Salle Philippines • Chairman, Assumption (Antipolo) • Chairman, EDSA People Power Commission from 1999 to 2001 • President, Philippine Seven Corporation* (Philippine Area Licensee of 7- Eleven, USA) • Chairman, Wenphil Corporation (Philippine Area Licensee of Wendy's, USA) • Chairman, Asian Holdings Corporation • President, Land and Housing Development	None

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4th Civil degree
			Corporation • Chairman, ABC Development Corporation (ABC-5) • Chairman, Philippine Franchise Association • Senior Vice-President, Bancom Group, Inc. • Director, San Miguel Purefoods, Inc. • Director, GMA Network Inc. (Channel 7) • Director, Metropolitan Bank and Trust Company* (Metrobank) • Director, C.C. Unson Co., Inc. (Battery Manufacturing) • Director, Mabuhay Philippine Satellite Corporation in 2001 • Director, Coca - Cola Bottlers Philippines, Inc. <u>Past experiences/ Positions held in Government Service</u> • Cabinet Secretary, Department of Finance (DOF) from 2000 to 2001 • Cabinet Secretary, Department of Trade and Industry (DTI) from 1998 to 1999 • Governor for the Philippines, Asian Development Bank in 2000 • Alternate Governor for the Philippines, International Monetary Fund in 2000 • Governor, International Fund for Agricultural Development (IFAD) in 2000 • Chairman, Committee on Privatization (COP) from 2000 to 2001 • Chairman, Philippine Deposit Insurance Co. (PDIC) from 2000 to 2001 • Chairman, Trade and Investment Development Corp. from 1998 to 1999 • Vice Chairman, Economic Coordinating Council (ECC) from 1999 to 2000 • Member, Bangko Sentral Monetary Board from 1998 to 2001 <u>Academic Qualifications</u> • Master's Degree in Business Administration- First graduate under the Harvard- DLSU Advisory Program, De La Salle University Manila, Philippines • BS Commerce, Major in Accounting, De La Salle University Manila, Philippines • Doctor of Science in Finance, Honoris Causa De La Salle University, Manila Philippines • Doctor of Humanities, Honoris Causa, Gregorio Araneta University Foundation • Honorary Doctorate, Academy of Multi-Skills, United Kingdom	
Arthur V. Ty **Vice Chairman**	53	Filipino	<u>Present Involvements</u> • Vice Chairman, Philippine Savings Bank* since 2001 • Chairman, Metropolitan Bank & Trust Company* since 2012 • Vice Chairman/ Director, First Metro Investment Corporation since 2012 • Director, Federal Land, Inc. since 2002 • Chairman/ Director, Global Treasure	None

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4th Civil degree
			Holdings Inc. since 2006 • Chairman, Great Mark Resources Corp. since 2015 • President/ Director, Horizon Royale Holdings, Inc. since 2000 • Chairman, Metrobank Foundation, Inc. since 2018 • President/ Director, Phil. Securities Corp. since 2003 • Chairman, GT Capital Holdings Inc.* since 2016 • Chairman/ Director, Grand Titan Capital Holdings, Inc. since 2007 • President/ Chairman, Nove Ferum Holdings, Inc. since 2009 • Chairman, Metropolitan Bank (China) Ltd. since 2010 • Chairman, Ferum Cee Inc. since 2011 • Chairman, GT Metro Foundation Inc. since 2010 • Vice Chairman, AXA Philippines since 2017 • Chairman / President, Milgen Holdings Inc. since 2016 • Vice Chairman. Charter Ping An Insurance Corp. since 2018 Past Experiences/ Positions Held • President, Philippine Savings Bank* from 2000 to 2001 • President, Metropolitan Bank & Trust Company* from 2006 to 2012 • Vice Chairman, Great Mark Resources Corp. from 2012 to 2015 • Director, Global Business Power Corporation from 2009 to 2012 • Vice Chairman, GT Capital Holdings Inc.* from 2014 to 2016 • Vice Chairman, Cathay Int'l Resources Corp. from 2006 to 2012 • Director, AXA Philippines from 2016 to 2017 • Vice Chairman, Metrobank Foundation, Inc. since 2006 to 2018 • Chairman, Manila Medical Services, Inc. from 2017 to 2019 Academic Qualifications • MBA, Columbia University • BS Economics, University of California- Los Angeles	
Vicente R. Cuna, Jr. **Vice Chairman**	58	Filipino	Present Involvements • Vice Chairman, since 2018 / Director since 2013, Philippine Savings Bank* • Director, Metropolitan Bank and Trust Company* since 2014 • Senior Executive Vice President, Enterprise Services Sector – Metropolitan Bank and Trust Corporation* since 2018 • Chairman, ORIX Metro Leasing & Finance Corporation since 2016 • Chairman, ORIX Auto Leasing Philippines Corporation since 2016 • Chairman, ORIX Rental Corporation since	None

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4th Civil degree
			2016 • Chairman, OMLF International Trading Development Corp. since 2016 • Chairman, OMLF Insurance Agency, Inc. since 2016 Past Experiences/ Positions Held • President, Philippine Savings Bank* from 2013 to 2018 • Senior Executive Vice President/Head, Metrobank* – Institutional Banking Sector from 2012 to 2013 • Executive Vice President/Head, Metrobank* – Corporate Banking Group from 2006 to 2012 • Adviser, Metropolitan Bank and Trust Company* from 2007 to 2009 • Director, FMIC from 2011 to 2015 • Chairman, Metro Remittance Center, Inc. (California) from 2010 to 2013 • Vice Chairman, Metro Remittance Center Inc. (U.S.A) from 2010 to 2013 • Chairman, Metro Remittance Inc. (Canada) from 2010 to 2013 • Vice Chairman, MB Remittance Center Ltd. (Hawaii) from 2010 to 2013 • Vice Chairman, PSBank* from 2009 to 2011 • Director, Asia Pacific Top Mgt., Int'l., Resources Corp. from 2008 to 2013 • Adviser, FMIIC-HK from 2006 to 2008 • Director, SMBC Metro Investment Corp. from 2006 to 2009 • Vice - President, Citibank Manila from 1995 to 2006 Academic Qualifications • Pursued further studies (MBA) at the Ateneo de Manila Graduate School of Business • AB Economics, De La Salle University Manila	
Samson C. Lim **Independent Director**	71	Filipino	Present Involvements • Independent Director, Philippine Savings Bank* since 2008 • Chairman, BLIMS Lifestyle Group (BLG) since 2014 • Chairman, Collins International Trading Corp. since 2002 • Chairman, Francorp Philippines since 2002 • President, Canadian Tourism & Hospitality Institute since 2010 • Chairman Emeritus/ International Relation, Philippine Franchise Association since 2005 • Chairman Emeritus, Philippine Retailers Association since 2000 • Director for Tourism, Retail and Franchise, Philippine Chamber of Commerce and Industry since 2018 Past Experiences/ Positions Held • President, LG Collins Electronics Philippines, Inc. from 1988 to1999 • Vice Chairman for Asia, World Franchise Council from 2001 to 2002	None

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4th Civil degree
			• Chairman, Federation of Asian Retailers Association (FARA) from 1992 to1993 • Founding Member, Institute of Corporate Governance in 1999 • President and Adviser, Philippines - Korea Economic Council from 1987 to1999 • Director, USAID - Trade and Investment Policy Analysis and Advocacy in 1992 • Director, Chamber of Furniture Industries of the Philippines in 2001 <u>Past experiences/ Positions held in Government Service</u> • Undersecretary and General Manager, Department of Trade and Industry- National Dev't Company (NDC) from 1999 to 2000 • Chairman, First Cavite Industrial Estate from 1999 to 2000 • Philippine Representative, ASEAN Fertilizer Corp (Ventulu) from 1999 to 2000 <u>Academic Qualifications</u> • Master in Business Economics (MBE), University of Asia and the Pacific • Exchange Student, Sophia University, Tokyo, Japan • Special Training on International Business, Institute of International Studies and Training, Fujinomia, Japan • Top Management Program, Asian Institute of Management • BS Liberal Arts, Cum Laude, Ateneo de Manila University	
Benedicto Jose R. Arcinas **Independent Director**	63	Filipino	<u>Present Involvements</u> • Independent Director, Philippine Savings Bank* since 2012 • Director & General Manager, Arcinas Freres, Inc. since 1989 • Independent Director, Metrobank Card Corporation from 2018 to 2019 <u>Past Experiences/ Positions Held</u> • Executive Vice President and Chief Investment Officer, Government Service Insurance System (GSIS) from 2010 to 2011 • Director and Risk Oversight Committee Chairman, GSIS Family Bank from 2010 to 2011 • Consultant for Philippine Consumer Credit, Veda Advantage, Australia in 2012 • EVP and Treasurer, Export & Industry Bank from 2007 to 2010 • Director (ex-officio), Valuegen Financial Insurance Co., Inc. from 2009 to 2011 • Director (ex-officio), EIB Securities Inc. from 2009 to 2012 • Director, Asia Pacific Recoveries (SPV-AMC) Corporation from 2005 to 2010 • Director, Asia Special Situations M3P2 (SPV-AMC), Inc., from 2005 to 2011 • Managing Director, Structured Solutions, Inc. from 2002 to 2007	None

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4th Civil degree
			• Managing Director, ATR-Kim Eng Fixed Income, Inc. from 1998 to 2002 Academic Qualifications • Master of Science in Management, Arthur D. Little Management Education Institute (now Hult International Business School), Cambridge, Massachusetts • Certificate Courses in: Small Enterprise Mgt., Operations Research, Economics, Basic +, COBOL Programming, Harvard University, Cambridge, Massachusetts • Bachelor of Science in Business Economics, University of the Philippines, Diliman, Quezon City	
Jose Vicente L. Alde **Director/President**	53	Filipino	Present Involvements • President since April 2018, Philippine Savings Bank* • Director since 2016, Philippine Savings Bank* • Chairman/Director, Sumisho Motor Finance Corporation since 2016 • ELECOM Member, Chamber of Thrift Banks since 2018 Past Experiences/ Positions Held • Executive Vice President from July 2010-April 2018, Philippine Savings Bank* • Senior Vice President from 2007 – June 2010, Philippine Savings Bank* • Director, Metrobank Card Corporation from 2015 to 2016 • Vice President, ABN AMRO BANK from 1999 to 2007 • Assistant Vice President, ABN AMRO BANK from 1995 to 1999 • Business Development Manager, Household Development from 1993 to 1994 • Key Account Manager, Johnson and Johnson from 1992 to 1993 • Computer Programmer, World Health Organization from 1988 to 1990 Academic Qualifications • Master in Business Management, Asian Institute of Management • Bachelor of Computer Science, University of the Philippines, Diliman, Quezon City	None
Ma. Soledad D.S. De Leon **Director**	61	Filipino	Present Involvements • Director, Philippine Savings Bank* since 2016 • Chairman/ Treasurer, Casa Medica Inc. since 1995 • Chairman/ Treasurer, SODEL Milling Corp. since 1995 • President/ Treasurer, SODEL Realty, Inc. since 1995 • Director, Candelaria Rural Bank since 2017 • Director, St. Patrick College since 2002 • Director, Yaman Lahi Foundation Inc. (Emilio Aguinaldo College) since 1993	None

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4th Civil degree
			• Director, University Physician Services Inc. since 1993 • Director, Property Holdings, Inc. since 1993 • Director, Hospital Management Services Inc. (Medical Center Manila) since 1993 • Director, The Pearl Manila Pearl of the Orient & Seas Hotel & Recreational Resort, Inc. since 1993 • Vice President /Treasurer, Fil - Homes Realty Development Corp. since 1993 • Vice President, Lipa Golden Land Development Inc. since 1994 Past Experiences/ Positions Held • Consultant, Candelaria Rural Bank from 2016 to 2017 • Vice President/ Treasurer, Candelaria Rural Bank since 1998 to 2016 Academic Qualifications • International Management Studies, University of California, Los Angeles, USA • BS in Business Administration Major in Business Management, St. Paul College of Manila	
Eduardo A. Sahagun **Independent Director**	62	Filipino	Present Involvements • Independent Director, Philippine Savings Bank* since 2017 • Chairman, Edcommerce Corporation since 2017 • President & CEO, Union Galvasteel Corporation since 2017 • Director, Union Galvasteel Corporation since 2011 • President & CEO, Phinma Solar Energy Corporation since 2017 • President & CEO, Philcement Corporation since 2017 • Board of Trustees, Phinma Foundation Inc. since 2017 • Director, Phinma Renewable Energy Corporation since 2017 • Director, Phinma Property Holdings Corporation since 2016 • Director, T-O Insurance Brokers, Inc. since 2019 Past Experiences/ Positions Held • Director, Holcim Philippines, Inc.* from 2010 to 2017 • President, Holcim Philippines, Inc.* from 2013 to 2017 • Chief Executive Officer, Holcim Philippines Inc.* from 2013 to 2016 • Senior Vice President –Sales, Marketing, Technical Services & Commercial, Holcim Philippines, Inc.* from 2007 - 2012 • Chief Financial Officer, Holcim Philippines, Inc.* from 2002 - 2007 • Senior Vice President –Treasurer, Bacnotan Consolidated Industries, Inc. (part of Phinma	None

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4th Civil degree
			Group's Cement Division, which was acquired by Holcim) from 1995 to 2002 • Chairman, Holcim Mining and Development Corporation from 2013 to 2017 • Director, Holcim Philippines Manufacturing Corporation from 2013 to 2017 • Member, Board of Trustees, Cement Manufacturers Association of the Philippines from 2013 to 2016 • Member, Board of Trustees, Philippine Business for the Environment, Inc. from 2014 to 2016 • Treasurer, Phinma Cement Group (Central Cement Corporation, Davao Union Cement Corporation and Hi Cement Corporation since 1995 to 2002 <u>Academic Qualifications</u> • Masters in Management Science, Arthur D. Little Management Education Institute, (now Hult International Business School) Boston, USA • Masters in Business Administration, Ateneo Graduate School of Business • BS Commerce , Major in Accounting, Holy Angel University • Senior Management Program, Senior Leadership Program, Managing Change Program, IMD, Switzerland	
Rosanna F. De Vera **Director**	51	Filipino	<u>Present Involvements</u> • Director, Philippine Savings Bank* since 2018 • First Vice President & Credit Group Division Head, Metropolitan Bank & Trust Company* since 2008 <u>Past Experiences/ Positions Held</u> • Vice President – Team Head, Commercial Banking Group, Banco de Oro* from 2007 to 2008 • Vice President - Head of Small Business, Equitable PCI Bank from 2006 to 2007 • Assistant Vice President – Corporate Banking Group, Equitable PCI Bank from 2003 to 2006 • Senior Manager – Corporate Banking Group, Equitable PCI Bank from 2001 to 2002 • Manager – Corporate Banking Group , PCI Bank from 1999 to 2000 <u>Academic Qualifications</u> • MBA (36 Units), Ateneo Graduate School of Business • BSC-Accounting , University of Sto. Tomas	Antonell S. Interino Vice President 2nd degree relative by affinity

*Company listed at The Philippine Stock Exchange, Inc.

Executive Officers

Name/ Position	Age	Citizenship	Experience	Relatives up to 4th Civil degree
Jose Vicente L. Alde **President/Director**	53	Filipino	Present Involvements • President since April 2018, Philippine Savings Bank* • Director since 2016, Philippine Savings Bank* • Chairman/Director, Sumisho Motor Finance Corporation since 2016 • ELECOM Member, Chamber of Thrift Banks since 2018 Past Experiences/ Positions Held • Executive Vice President from July 2010-April 2018, Philippine Savings Bank* • Senior Vice President from 2007 – June 2010, Philippine Savings Bank* • Director, Metrobank Card Corporation from 2015 to 2016 • Vice President, ABN AMRO BANK from 1999 to 2007 • Assistant Vice President, ABN AMRO BANK from 1995 to 1999 • Business Development Manager, Household Development from 1993 to 1994 • Key Account Manager, Johnson and Johnson from 1992 to 1993 • Computer Programmer, World Health Organization from 1988 to 1990	None
Noli S. Gomez **Executive Vice President**	54	Filipino	Present Involvements • EVP and Head since March 2018 at PSBank's* Operations Group • Director, Sumisho Motor Finance Corporation since June 2018 Past Involvements • SVP and Head of PSBank's* Operations Group from January 2006 – February 2018 • Chief Finance Officer, from October 2001 to December 2005 at PSBank* • Head of Systems and Methods and Chief Risk Officer SAVP and VP, from September 1998 to October 2001 at DBS Bank Phils., Inc. • SAVP from February 1997 to August 1998 at Bank of Southeast Asia • System Management Officer of the AVP at Bank of the Philippine Islands* from August 1996 to January 1997 • Citytrust Banking Corporation from November 1992 to July 1996	None

Perfecto Ramon Z. Dimayuga, Jr. **Senior Vice President/Treasurer**	58	Filipino	Present Involvements • Treasurer since January 2017 and Head of Corporate Services Office since April 2019. • Corporate Secretary, Sumisho Motor Finance Corp. since December 2009 Past Involvements • SVP, Chief Finance Officer and Finance Group Head, PSBank* from March 2008 to December 2016 • FVP, Chief Finance Officer and Finance Group Head, PSBank* from Jan 2006 – March 2008 • Treasurer, PSBank* from June 2002 to June 2004 • Held various treasury positions in Development Bank of Singapore (DBS) Phils., Inc., Bank of the Philippine Islands*, Mindanao Development Bank, Citytrust Banking Corp. and Rizal Commercial Banking Corp.* from 1988 to 2002	None
Emmanuel A. Tuazon **Senior Vice President**	56	Filipino	Present Involvement • SVP and Head of PSBank's* Marketing Group since June 2016 Past Involvements • SVP and Head of PSBank's* Marketing and Customer Experience Group from July 2014 – June 2016 • Senior Vice President and Chief Marketing Officer, Philippine National Bank and Allied Bank Savings from January 2008 to July 2014 • Vice President for Marketing at Security Bank from 2005 – 2008 • Vice President for Marketing, Consumer Sales and Marketing at Robinsons Bank from 2002 - 2005 • Vice President for Sales Marketing at ABN AMRO Bank from 1999 to 2002 • Vice President for Marketing at Jardine Pacific Finance from 1997 to 1999	None
Neil C. Estrellado **Senior Vice President**	48	Filipino	Present Involvement • SVP since 2015 and Head of PSBank's* IT Group since 2002 Past Involvements • Held various positions in the following Banks: - Project Leader, Overseas Chinese Banking Corporation (OCBC), Singapore from 2001 - 2002 - Lead IT Analyst, Development Bank of Singapore from 2000 - 2001 - Manager, DBS Philippines Inc. (formerly Bank of Southeast Asia) from 1997 - 2000 - Assistant Manager, BPI* (formerly Citytrust Banking Corporation) from 1992 - 1996 - Systems Analyst, Bank of the Philippine Islands -	None

Francis C. Llanera **Senior Vice President**	48	Filipino	Present Involvement • SVP since October 2016 and Head of Branch Banking Group since October 2012. Past Involvements • FVP and Head of PSBank Loans Operations Group from January 2011 to October 2012. • Remedial Management Division Head from December 2007 to December 2010 • Held various positions in the following Banks: - Senior Manager and Credit Card Collections Head at Union Bank from May 2001 – November 2007 - Assistant Manager, Credit Risk at AIG from May 2000 – April 2001 - Assistant Cashier, Credit Card Department at Far East Bank & Trust Co from July 1993 – April 2000	None
Jose Jesus B. Custodio **Senior Vice President**	60	Filipino	Present Involvement • SVP since Oct 2013 and Head PSBank*-Indirect Sales Channel Group Past Involvements • FVP and Group Head of PSBank*-Indirect Sales Channel Group from 2010 to 2013 • Vice President and Division Head of Dealer Sales from 2004 to 2010 • AVP and Department Head of Dealer Sales from 2003 to 2004 • Senior Manager and Department Head of Dealer Sales from 2001 to 2003 • Head of Auto Loans-Retail Sales at Citytrust Banking Corp. • Head of Fleet and Floor Stock Department at BPI Family Savings Bank	None

* Company listed at The Philippine Stock Exchange, Inc.

None of the Bank's directors and officers works with the government. All of the above-mentioned officers have been involved in the banking industry for more than five years.

Significant Employees

Except for the above-mentioned executives, there are no other significant employees as contemplated under the Securities Regulations Code.

Nomination Procedures

1. A stockholder may submit nominations for directorial positions to the Corporate Governance Committee.

2. The nominating stockholder shall submit his proposed nomination in writing to the Corporate Governance Committee together with the biodata, acceptance and conformity by the would-be nominee. In case of a nominee for the position of an independent director, the would-be nominee is also required to submit a Certification that he/she has all the qualifications and none of the disqualifications to become an independent auditor.

3. The Corporate Governance Committee shall screen the nomination of directors prior to the submission of the Definitive Information Statement and come up with the Final List of Candidates.

4. Only nominees whose names appear in the Final List of Candidates shall be eligible for election as director.

5. The nomination process of the Bank is incorporated in the company's amended Code of By-Laws duly approved by the Securities and Exchange Commission as early as September 27, 2006 and also in the Bank's annually updated and Board-approved Corporate Governance Manual.

The following are the members of the Bank's Corporate Governance Committee:

Name	Position
Jose T. Pardo, Independent Director	Chairperson
Samson C. Lim, Independent Director	Member
Eduardo A. Sahagun, Independent Director	Member
Gilbert L. Nunag, Chief Compliance Officer	Secretary

Nominee Directors

In consideration of the COVID-19 pandemic and the Government's implementation of the Enhanced Community Quarantine (ECQ), the Bank, through its PSE filing, has informed the investing public and the appropriate authorities of the postponement of its Annual Stockholders' Meeting, originally scheduled on 21 April 2020, to a later date which shall be announced at a more appropriate time.

Involvement in Certain Legal Proceedings

To the knowledge and information of the Bank, none of its directors and executive officers are involved or have been involved for the past five (5) years in any legal proceeding which will have material or substantial effect to the Bank, its operation, reputation, or financial condition.

To the knowledge and information of the Bank, none of its directors and executive officers have been involved or subject of the following legal proceedings during the past five (5) years up to latest date that are material to an evaluation of their ability or integrity:

a. Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

b. Any conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign;

c. Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

d. Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Item 10. Executive Compensation

Name and Principal Position	2020 (estimate)	
	Salary	**Bonus**
Jose Vicente L. Alde – President		
Noli S. Gomez – Executive Vice President		
Jose Jesus B. Custodio – Senior Vice President		
Perfecto Ramon Z. Dimayuga, Jr. – Senior Vice President		
Emmanuel A. Tuazon – Senior Vice President		
Total	**₱54.89 million**	**₱32.27 million**
All Officers (AVP up) and Directors	**₱166.76 million**	**₱78.79 million**

Name and Principal Position	2019	
	Salary	Bonus
Jose Vicente L. Alde – President		
Noli S. Gomez – Executive Vice President		
Jose Jesus B. Custodio – Senior Vice President		
Perfecto Ramon Z. Dimayuga, Jr. – Senior Vice President		
Emmanuel A. Tuazon – Senior Vice President		
Total	₱51.30 million	₱30.16 million
All Officers (AVP up) and Directors	₱155.85 million	₱73.64 million

Name and Principal Position	2018	
	Salary	Bonus
Vicente R. Cuna, Jr. – President*		
Jose Vicente L. Alde –President**		
Noli S. Gomez – Executive Vice President***		
Perfecto Ramon Z. Dimayuga, Jr. – Senior Vice President		
Jose Jesus B. Custodio, Senior Vice President		
Total	₱54.78 million	₱24.76 million
All Officers (AVP up) and Directors	₱169.16 million	₱75.35 million

*President from January 2018 to April 2018
**President from April 2018 to present
*** Executive Vice President from April 2018 to present

The directors receive fees, bonuses and allowances that are already included in the amounts stated above. Aside from said amounts, they have no other compensation plan or arrangement with the bank. The executive officers receive salaries, bonuses and other usual bank benefits that are also included in the amounts stated above. Aside from these, they have no other compensation plan or arrangement with the bank.

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

Each director receives a monthly professional fee for attending Board and committee meetings. This is also in consideration of their valuable contributions in the formulation of the Bank's overall strategy. The total per diem and transportation allowance paid to directors for their attendance in Board meetings amounted to ₱19.0 million, ₱19.3 million and ₱19.4 million in 2019, 2018 and 2017, respectively. This translates to an average of ₱145,046, ₱145,181 and ₱139,120, per month/per director in 2019, 2018 and 2017, respectively. Aside from said amounts, they have no other compensation plan or arrangement with the Bank.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

Control and Compensation Information

Voting Securities and Principal Holders Thereof

a. No. of Shares outstanding as of March 31, 2020 : **426,859,416 Common Shares**
No. of votes to which each share is entitled : **one (1) vote per share**

b. Record date to determine stockholders entitled to Notice and to vote at the regular meeting : **February 28, 2020**

Majority vote is required for the election of directors. Security holders shall have the right to cumulative voting. Cumulative voting is allowed provided that the total votes cast by a stockholder shall not exceed the number of shares registered in the name of that security holder in the books of the Bank as of the record date multiplied by the whole number of directors to be elected. There is no condition precedent to the exercise of the right to cumulative voting.

c. Arthur V. Ty is the person authorized to vote the MBTC shares in PSBank.

d. Security Ownership of Certain Record and Beneficial Owners and Management

As of March 31, 2020, the following stockholder owns more than 5% of the common voting securities:

Title of Class	Name, address of Record Owner and relationship with issuer	Name of Beneficial Owner and relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common Stock	Metropolitan Bank and Trust Company Metrobank Plaza, Gil Puyat Avenue, Makati City 1200 (Parent Company of PSBank)	Arthur V. Ty, Chairman of Metrobank	Filipino	377,279,068	88.38%

There is no person who holds more than 5% of the Bank's securities lodged with PCD Nominee Corporation.

Security Ownership of Directors and Management as of March 31, 2019

Title of Class	Name of Stockholder	Position	Citizenship	No. of Shares	% of Ownership
Common stock	Jose T. Pardo*	Chairman / Independent Director	Filipino	2,063	0.00048%
Common stock	Arthur V. Ty**	Vice Chairman	Filipino	129	0.00003%
Common stock	Vicente R. Cuna, Jr.	Vice Chairman	Filipino	111	0.00003%
Common stock	Rosanna F. De Vera	Director	Filipino	111	0.00003%
Common stock	Maria Soledad D.S. De Leon	Director	Filipino	4,456,795	1.04409%
Common stock	Jose Vicente L. Alde	Director/President	Filipino	111	0.00003%
Common stock	Samson C. Lim*	Independent Director	Filipino	111	0.00003%
Common stock	Benedicto Jose R. Arcinas*	Independent Director	Filipino	111	0.00003%
Common stock	Eduardo A. Sahagun*	Independent Director	Filipino	111	0.00003%

* Independent director
** Includes 18 shares lodged with PCD Nominee Corp.

Voting Trust Holders of 5% or more

There is no person who holds more than 5% of the Bank's securities under a voting trust or similar agreement.

Changes in Control

There is no arrangement that may result in a change in control of the registrant. There is no change in control that has occurred since the beginning of the last fiscal year.

Item 12. Certain Relationships and Related Transactions

As required under existing BSP rules and regulations, the Bank discloses loans and other credit accommodations granted to its DOSRI. These loans and other credit accommodations were made substantially on the same terms as with other individuals and businesses of comparable risks and were subject of prior BOD approval and entailing BSP reportorial requirements.

Existing banking regulations also limit the total amount of credit exposure to each of the Bank's DOSRIs, at least 70.00% of which must be secured, to the total of their respective deposits and book value of their respective unencumbered deposits and, if any, book value of their respective paid-in capital contribution in the Bank. In the aggregate, the Bank's total credit exposure to all its DOSRIs should not exceed its net worth or 15.00% of its total loan portfolio, whichever is lower, with any unsecured portion thereof not exceeding the lower between 30.00% of the aggregate limit or of the total actual exposure. However, loans and other credit accommodations to DOSRIs that are secured by assets considered by the BSP as non-risk are exempt from these ceilings. As of December 31, 2019 and 2018, the Bank's credit exposures to DOSRI are within the said regulatory limits.

BSP Circular No. 423 dated March 15, 2004, as amended by BSP Circular No. 914 dated June 23, 2016, provide the rules and regulations governing credit exposures to DOSRI. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to BSP Circular No. 423 and new DOSRI loans and other credit accommodations granted under said circular as of December 31, 2019 and 2018 (in thousands):

	2019		2018	
	DOSRI Loans	**Related Party Loans**	DOSRI Loans	Related Party Loans
Total outstanding loans	**₱236,494**	**₱1,349,467**	₱234,161	₱1,378,978
Percent of DOSRI/Related Party loans to total loan portfolio	**0.1%**	**0.8%**	0.1%	0.9%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	**94.8%**	**89.7%**	96.3%	88.8%
Percent of past-due DOSRI /Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.00%**	0.00%	0.00%
Percent of non-performing DOSRI/Related Party loans to total DOSRI /Related Party loans	**0.00%**	**0.00%**	0.00%	0.00%

Total interest income from DOSRI loans amounted to ₱5.7 million in 2019, and ₱5.8 million in 2018 and 2017.

Further discussion on transactions with related parties are found in Note 29 of the Audited Financial Statements.

Others

No director has resigned or declined to stand for re-election because of any disagreement with the Bank on any matter relating to the Bank's operations, policies or practices.

No director has informed the Bank in writing that he intends to oppose any action to be taken by the Bank at the Annual Stockholders' Meeting.

PART IV. CORPORATE GOVERNANCE

Item 13. Compliance with Leading Practices on Corporate Governance

OUR CORPORATE GOVERNANCE CULTURE

We see our compliance with applicable laws, rules, and regulations as a minimum requirement. Going beyond such minimum is the true essence of good corporate governance. We always aim to continually build the trust and confidence of our stakeholders by running our business in a prudent and sound manner, being fair and transparent in all our dealings, providing reliable and better service in response to the ever-growing expectations of our customers, and working with integrity and accountability.

OUR CORE GOVERNANCE POLICIES

The policies and guidelines embodied in our updated Corporate Governance Manual are posted in our website, www.psbank.com.ph, and in our intranet site, InfoChannel, for the guidance of all our stakeholders. These primarily revolve around the following three (3) basic values that we observe:

Fairness

We see to it that all dealings with counterparties and other stakeholders are fairly conducted. We ensure that such dealings, especially with our related parties, are made in the regular course of our business, and upon terms not less favorable to us than those offered to others. Our Board-level Related Party Transactions Committee (RPTC), entirely composed of non-executive directors, and Management-level Related Party Transactions Management Committee (RPTMC) help ensure that our transactions with related parties are conducted at arm’s length, and that our resources are not misappropriated, in accordance with our Board-approved Related Party Transactions (RPT) policy and its specific guidelines and handling procedures, vis-à-vis set transaction materiality thresholds and exposure limits.

Our transaction materiality thresholds for RPTs were set on a per transaction type basis considering the high-end of their historical ticket sizes, their nature and the Bank’s risk appetite. These thresholds are applied on a per single transaction basis for one-time/non-recurring transactions or the aggregate amount of multiple transactions expected in a year’s time for some arrangements with recurring/ continuing transactions. Except for loan transactions to Directors, Officers, Stockholders, and Related Interests (DOSRI) as well as to subsidiaries and affiliates requiring prior approval of the Board of Directors under existing Bangko Sentral ng Pilipinas (BSP) rules regardless of their amounts, RPTs amounting within said thresholds are subject to the review and approval of the Management-level RPTMC and endorsement of the Board-level RPTC for the Board of Directors’ confirmation. On the other hand, those beyond such thresholds are considered “material” and shall pass through the Board -level RPTC for review and endorsement for the Board of Directors’ approval prior to their consummation and then Stockholders’ confirmation in the Annual Stockholders’ Meeting. In 2019, the following “material” RPTs were entered into between the Bank and its related parties (see also Note 29 of the Audited Financial Statements section):

MATERIAL RELATED PARTY TRANSACTIONS

Related Parties	Relationship	Nature of Transaction	Terms & Conditions	In Millions of PhP Original Amount	Dec. 31, 2019 Balance
INSURANCE					
Charter Ping An Insurance Corporation (CPAIC)	Affiliate	**Annual Renewal of Bank's Money, Securities, Payroll & Robbery Insurance Coverage**	Total sum insured is PhP425 Million with a net annual premium rate of 1.67% thereof	**8.30**	N/A
		Annual Renewal of the Bank's Fire Insurance Coverage for ROPA-Real Estate Properties	Total sum insured is PhP4.259 Billion with a net annual premium rate of 0.1500% thereof	**8.24**	N/A
INTERCOMPANY COUNTERPARTY LINES					
Metropolitan Bank & Trust Company (MBTC)	Parent-Bank	**Annual Renewal of Related Intercompany Counterparty Lines of Treasury Group**	Clean/unsecured lines for Interbank Call Loan (IBCL) only; secured lines are collateralized by non-risk assets i.e. Government Securities (GS)	**Clean – 2,000.00; Secured - 16,000.00; Settlement – 1,500.00 & Pre-Settlement - 750.00**	N/A
First Metro Investment Corporation (FMIC)	Affiliate		Clean/unsecured lines for Interbank Call Loan (IBCL) only; secured lines are collateralized by non-risk assets i.e. Government Securities (GS)	**Clean –1,000.00; Secured - 4,000.00 & Pre-Settlement – 85.00**	N/A
ORIX Metro Leasing & Financing Corporation (OMLFC)	Affiliate		Clean/unsecured lines for Interbank Call Loan (IBCL) only	**Clean –1,000.00**	N/A
Metrobank Card Corporation (MCC)	Affiliate		Clean/unsecured lines for IBCL only; secured lines are collateralized by non-risk assets i.e. GS	**Clean –1,000.00 & Secured - 500.00**	N/A
Metropolitan Bank & Trust Company (MBTC)	Parent-Bank	**Annual Renewal of Related Intercompany Counterparty Lines of Trust Division**	Counterparty line for fixed income securities (i.e., Corporate Bonds, Government Securities)	**Pre-Settlement – 5.00 & Settlement – 50.00**	N/A
First Metro Investment Corporation (FMIC)	Affiliate		Counterparty line for fixed income securities (i.e., Corporate Bonds, Government Securities)	**Pre-Settlement – 20.00 & Settlement – 200.00**	N/A
First Metro Securities & Brokerage Corporation (FMSBC)	Affiliate		Counterparty line for equity transactions of various trust accounts	**Pre-Settlement – 500.00 & Settlement – 500.00**	N/A
LOANS AND OTHER CREDIT ACCOMMODATIONS					
Director of parent-MBTC	Corresponding Persons of Affiliated Companies	**Home Loan**	Five (5)-year loan with interest rate of 7.25% p.a. fixed for two (2) years subject to 2-year re-pricing cycle	**18.00**	**17.25** *(aggregate balance inclusive of other outstanding loans: 19.19, all in current status)*

First Metro Securities & Brokerage Corporation (FMSBC)	Affiliate	**Credit /Domestic Bill Purchase Lines**	Availability via 30 to 360-day PN; not to exceed line expiry; renewable for an agreed period; interest rate is at the prevailing regular lending rate at the time of loan availment and re-pricing; interest is payable monthly in arrears and principal payable upon maturity	**600.00**	-
Director of parent-MBTC	Corresponding Persons of Affiliated Companies	**Renewal and increase of Business Credit Line**	One (1) year credit line subject to annual renewal with interest rate of 7.00% p.a.	**30.00**	**21.84** *(aggregate balance inclusive of other outstanding loans: 37.72, all in current status)*
OTHERS					
Toyota Manila Bay Corporation (TMBC)	Affiliate	**Renewal of Stand-by booking line facility**	Booking arrangement for auto loan accounts via Online Dealer System Standby Line Facility terminal	**30.00**	N/A
Parent-MBTC	Parent-Bank	**Provision of Services -** Amendments to the existing Collections Services Agreement	Increase in service fees and higher collection efficiency targets	Total recurring service fees to be received in a year's time could exceed the Bank's materiality threshold	N/A
		Provision of Services - Amended service fee rate under the existing IT Services Agreement on the use of various Bank's systems	Increase in service fee rates for project management and system implementation; development, maintenance and enhancement; back-office facility; etc.		
		Provision of Services –New field credit verification services through the Bank's accredited agencies	New in-sourcing arrangement on residence, employment and business verification for the parent-Bank's consumer loan applications with acceptable service fee per account for supervision and administration		
		Receipt of Services - Amendments to the existing Deposit Pick-up and Cash Delivery Services Agreement	Increase in service fee rate per trip and expansion of currency coverage	Total recurring service fees to be paid in a year's time could exceed the Bank's materiality threshold	
First Metro Investment Corporation (FMIC)	Affiliate	**Receipt of Services** – FMIC as the Bank's underwriter for its Stock Rights Offer (SRO) and arranger for its Medium Term Note issuance	Subject to the agreed rates of underwriting and arranger's fees	**73.83**	N/A
Sumisho Motor Finance Corporation (SMFC)	Affiliate	**Renewal of existing Multi-Purpose Loan (MPL) Accreditation for SMFC employees' MPL accounts**	Automatic debit-credit arrangement for the MPL accounts of their employees; subject to the same handling fee payable to PSBank and penalty rate per month in case of late remittance; accredited company does not act as co-maker, guarantor or surety thereof	**7.00**	N/A
ORIX Metro Leasing & Finance Corporation (OMLFC)	Affiliate	**Renewal of existing Multi-Purpose Loan Accreditation for OMLFC employees' MPL accounts**		**11.00**	N/A
First Metro Asset Management, Inc. (FAMI)	Affiliate	**Lease Arrangement -** Renewal of existing lease agreement with PSBank as lessor	One (1)-year lease term for an office space with six (6) parking slots	**8.85**	N/A
Metropolitan Bank & Trust Company (MBTC)	Parent-Bank	**Lease Arrangement -** Renewal of existing lease agreement with PSBank as lessor	Five (5)-year lease term for a branch office space with two (2) parking slots with monthly rental rate subject to 5% annual escalation rate	**7.70**	N/A

PSBank Officer	Bank Officer	**Sale of ROPA-Real Estate Property**	ROPA sale in accordance with the Bank's standard pricing and bidding process	**12.75**	N/A
Federal Land, Inc. (FLI)	Affiliate	**Accredited real estate developer-FLI's buy-back of past due Home Loan accounts**	Settlement of fourteen (14) past due home loan accounts	**55.93**	N/A

Our RPT policy likewise requires our directors and officers with personal interest in the Bank's transaction (e.g. they themselves or any of their close family members acting as the Bank's counterparty) to inhibit/abstain from the discussion, approval and management of such transaction except in order to provide material information to the RPTC/Board about the transaction. Provisions against conflict of interest situations are likewise stipulated in the Bank's Board-approved "Code of Conduct" such as the prohibition of self-dealing transactions.

Pursuant to Memorandum Circular No. 10 s2019 of the Securities and Exchange Commission (SEC) re: "Rules on Material Related Party Transactions for Publicly-Listed Companies," the Bank also adopted since August 2019 a Board-approved Material Related Party Transactions (MRPT) policy that exclusively applies to related party transaction(s) amounting to at least ten percent (10%) of the Bank's Total Assets based on its latest Audited Financial Statement (AFS), either individually or in aggregate over a twelve (12)-month period with the same related party. Save for a few differences in terms of scope, approval, reportorial and disclosure requirements, this separate policy espouses the same key principles in handling related party transactions and is likewise posted in the Bank's corporate website.

We also ensure that our stockholders are treated equally and without discrimination by preserving stockholders' rights and protecting our minority stockholders' interests, including the latter's right to nominate candidates to our Board of Directors.

Integrity and Accountability

We uphold at all times the value of honesty as the best policy. We believe that our reputation precedes us in the business of trust and confidence. We continue to enhance a working culture of integrity, guided by a Code of Conduct that defines the standards that we must follow in our business dealings and relationships.

Code of Conduct

Our Code of Conduct is our guide in defining the norms, rules, and responsibilities of each and every PSBanker. It includes provisions on:

- Disciplinary process;
- General policies to establish a professional working environment and secure a favorable reputation for our Bank;
- Corrective measures for unacceptable behavior or failure to comply with our rules, such as on Financial Consumer Protection and on Anti-Money Laundering/Terrorism Financing, policies and procedures;
- Schedule of penalties for attendance and punctuality, required corporate attire, conduct and behavior, dishonesty, health, safety and security, reporting of violations, and information security; and
- Provisions on management of personal finances, conflict of interest, anti-sexual harassment, non-disclosure of information and insider information.

Insider Trading

Under our Policy Against Insider Trading, reporting insiders are required to disclose their and their associates' initial beneficial ownership in PSBank shares and any changes thereof within two (2) trading days after their election/appointment in office and from the date of said changes, respectively. They are likewise prohibited from selling or buying PSBank shares during "blackout periods," i.e., upon obtaining material on non-public information up to two (2) trading days after such information is disclosed. The Bank did not have any trading transactions with reporting insiders and/or their associates in 2019. Directors' level of share ownership and movements from beginning to end of the year 2019 are summarized as follows:

#	Name of Director	Position	Rollforward of Common Shares					
			Beginning		Movements		End	
			12/31/2018	%	Additions	Deductions	12/31/2019	%
1	Jose T. Pardo	Chairman and Independent Director	1,852	0.000771	-	-	1,852	0.000483
2	Arthur V. Ty	Vice-Chairman	117	0.000049	-	-	117	0.000031
3	Vicente R. Cuna, Jr.	Vice-Chairman	100	0.000042	-	-	100	0.000026
4	Samson C. Lim	Independent Director	100	0.000042	-	-	100	0.000026
5	Benedicto Jose R. Arcinas	Independent Director	100	0.000042	-	-	100	0.000026
6	Eduardo A. Sahagun	Independent Director	100	0.000042	-	-	100	0.000026
7	Jose Vicente L. Alde	President and Director	100	0.000042	-	-	100	0.000026
8	Ma. Soledad D.S. De Leon	Director	4,000,000	1.664915	-	-	4,000,000	1.044088
9	Rosanna F. De Vera	Director	100	0.000042	-	-	100	0.000026
	Total		4,002,569	1.665987	-	-	4,002,569	1.044758

Whistleblowing
PSBank's whistleblower policy requires our employees to report any impropriety or malpractice committed by co-employee/s or third party or parties to their Group Heads or to the Human Resources Group Head, the Fraud Management Group Head/ Division Heads, or the Chief Audit Executive/ Internal Audit Group Head for evaluation if it would warrant an investigation. Under the Code of Conduct, concealment or non-reporting is considered as an impropriety or malpractice in itself. The whistleblower is protected from any form of harassment as a result of any disclosure which was made in good faith believing the disclosure to be true and was not made maliciously or for personal gain. The policy considers any attempt to determine the whistleblower's identities as a breach of confidentiality which is subject to disciplinary sanctions.

Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT)
PSBank subscribes to and adopts the State's policy to protect the: (1) integrity and confidentiality of accounts and to ensure that it shall not be used as a money laundering/terrorism financing site and/or conduit for the proceeds of unlawful activities; and (2) life, liberty and property from acts of terrorism by condemning such acts and those who support and finance it as a crime against the Filipino people, against humanity and against the law of nations.

We ensure that we execute transactions with our customers in accordance with the AML/CFT policy guidelines, procedures, tools, and controls set forth in our regularly updated Money Laundering & Terrorism Financing Prevention Program (MLTFPP). Our MLTFPP, as posted in our intranet site for the guidance of all our implementing personnel, primarily revolves around the basic AML/CFT controls required under existing AML/CFT laws, rules and regulations, namely:

1. Know Your Customer (KYC)/Customer Due Diligence (CDD) and Know Your Employee (KYE);
2. Ongoing Monitoring of Customers and their Transactions;
3. Covered and Suspicious Transactions Reporting;
4. Records Keeping and Retention; and
5. Employee Training and Continuing Education.

The Bank's MLTFPP was updated in April 2019 to incorporate the amendments effected to the AML rules and regulations per BSP Circular No. 1022, the Anti-Money Laundering Council's (AMLC) Revised AML Implementing Rules & Regulations and related AMLC issuances; to adopt the recommendations of the BSP in its last general examination; and to reflect certain functionalities of the Bank's new electronic AML monitoring and reporting system. Compliance with the requirements of this MLTFPP is continuously monitored by our Board-designated AML Compliance Officer (AMLCO) under the Compliance Office as lead implementer.

Transparency and Open Communication
We abide by the various disclosure requirements of the Bangko Sentral ng Pilipinas (BSP), the Securities and Exchange Commission (SEC), and the Philippine Stock Exchange (PSE) -- PSBank being a publicly listed company. We ensure that we are transparent to our stakeholders by posting the latest public disclosures on the Investor Relations section of our website and in our press releases. In compliance with SEC Memorandum Circular No. 11 s2014, we regularly update our website to include all required disclosures in accordance with the SEC-prescribed web template for our stakeholders to readily check our corporate governance practices.

We also maintain an open communication line and use feedback from our stakeholders to develop better policies, products, and services. We likewise accommodate requests for information on the management of our Bank, stockholders rights, or any other Bank-related matters, while remaining mindful of disclosure limitations under existing laws on the secrecy of bank deposits and data privacy.

Our Corporate Governance Manual (CGM) serves as a valuable guide and reference in our implementation of corporate governance rules and regulations, and standards of both the BSP and the SEC.

Financial Consumer Protection
With customers at the forefront of our priorities and in compliance with BSP Circular No. 857 (BSP Regulations on Financial Consumer Protection), our corporate governance system/culture includes a Financial Consumer Protection (FCP) Framework to ensure that consumer protection standards and practices are duly observed and embedded in our business operations.

This framework is comprised of FCP Policies and Procedures, FCP Code of Conduct, Consumer Assistance Management System, FCP Training Program, FCP Risk Management System, FCP Compliance Program, FCP Audit Program, and Financial Consumer Education and Awareness Program. The framework revolves around the core principles of consumer protection, namely:

1. Disclosure and transparency;
2. Protection of client information;
3. Fair treatment;
4. Effective recourse; and
5. Financial education and awareness.

This FCP Framework is currently undergoing review and revision to incorporate the amendments effected to the FCP rules & regulations per BSP Circular No. 1048 in order to achieve full compliance therewith not later than September 2020.

The Board of Directors, jointly with the Senior Management, is ultimately responsible in establishing an effective oversight over the Bank's consumer protection programs as well as in ensuring that consumer protection practices are embedded in the Bank's business operations.

As part of the Bank's corporate-wide risk management system spearheaded by its Risk Management Office (RMO), an FCP Risk Management System (FCPRMS) is instituted to identify, measure, monitor, and control consumer protection risks (both risks to the financial consumers and the Bank) inherent in the Bank's operations.

PSBank aims to differentiate itself from other banks by providing excellent customer experience. Being attentive and proactive to all customer feedback is one of the more powerful means of doing so. While positive feedback is welcome, we are more vigilant about negative feedback or complaints as they cover areas for improvement. Complaints received from clients are lodged in an automated tracking system in order to manage our defined TAT in resolving them and to serve as a database of all customer complaints including the record of actions taken thereon for analytics purposes. This process is implemented in four (4) steps, namely: (1) Acknowledgement, (2) Decision/Disposition by Designated Senior Officers, (3) Investigation and Communicating Feedback to the Customer, and (4) Closing of Complaint.

While all personnel are given access to the said system for the reporting of customer complaints and feedback, the investigation and resolution shall be handled by the following:

- **Service Recovery Team (SRT)** - consists of the Consumer Assistance Management Department. The Team is responsible for investigation, resolution, and documentation of all customer complaints and feedback received across all channels. The SRT also works with other Departments, Divisions, or Groups in the implementation of interim and long-term resolution (i.e. process improvement efforts, policy revision, system enhancement, personnel training, etc.).

- **Designated Senior Officers** - consists of Senior Officers or Group Heads who are tasked to provide decision/disposition to the customer complaint.

- **Emergency Recovery Team (ERT)** - All complaints/feedback that are qualified under fraud or those that may be classified as high risk are immediately escalated to the ERT which consists of the Executive Vice President (EVP), the Customer Experience Head, and the Process Owner Representative. Issues requiring PR solution or those with media impact are also submitted to the PR and Corporate Communications Head.

- **Process Owner Representative** - are the respondents to the complaint. They can also be subject matter experts who may provide valuable inputs in the immediate resolution of the complaint.

- **Customer Experience (CX) Council** - The CX Council is a top-level advisory and action group of Senior Officers. The Council is composed of holistic organizational leaders who review the biggest issues and recommends actions that will lead to continuous structural improvements.

At the end of each day, all customer issues received are reported to a pool of Senior Officers including the President and the EVP. The consolidated report is likewise submitted to the RMO on a monthly basis as part of the Key Risk Indicator (KRI) reports. Each valid complaint arising from a service/process lapse shall have a corresponding one (1) demerit point against the responsible personnel’s performance rating.

CUSTOMER INTERACTION: Aside from the branches, the Bank offers other channels for customer-interaction. The Customer Experience Group (CXG) handles loan and deposit inquiries, requests and complaints coursed through the Direct Banking, Call Banking, email, LiveChat, SMS, website, PSBank Online, PSBank Mobile and social media. All these channels are managed 24/7, except for Direct Banking which caters to walk-in clients.

BOARD OVERSIGHT

The Board of Directors sets the Corporate Governance tone in our organization by ensuring adherence to principles and standards. It is accountable to our stakeholders in running our Bank in a prudent and sound manner to ensure long-term sustainability and success. It is primarily responsible for developing, reviewing and approving our strategic objectives annually and thereafter monitoring and overseeing the effective implementation with due consideration of our risk strategies, corporate governance and corporate values. It monitors Management’s performance against set targets and makes sure that appropriate controls and systems of checks and balances are in place and operating effectively.

At the end of 2019, there are nine (9) directors in our Board, four (4) of whom are independent directors, four (4) are non-executive directors and one (1) is an executive director, who is also the President of the Bank. They are all qualified business professionals with the required expertise and experience in directing our strategic path. These directors were selected based on their qualifications (i.e., integrity/probity, physical/mental fitness, competence, relevant education/financial literacy/training, diligence and knowledge/experience) without discrimination on gender, age, and ethnic, political, religious, or cultural backgrounds, hence, achieving diversity in the Board.

In accordance with the Bank’s By-Laws, directors are elected by the vote of the holders of common stock of the Bank in accordance with Section 23 of the Revised Corporation Code of the Philippines and other pertinent applicable laws. Any stockholder may submit nominations for directorial positions to the Corporate Governance Committee. The Committee then screens the qualifications of the nominees in accordance with screening policies and procedures, and parameters, including alignment with the Bank’s strategic directions by attaining an optimal mix of skills and talents and balanced Board membership. In identifying or screening potential candidates, the Committee may consult whatever resources it deems appropriate, including but not limited to, referrals from existing directors and officers, recommendations from a third party search firm or suggestions from stockholders or by checking on the external databases of the Institute of Corporate

Directors or other professional search firms. Only nominees whose names appear in the final list of candidates are considered for election as directors at the annual meeting of the stockholders.

We have consistently maintained independent directors who provide independent judgment, outside experience, and objectivity. Of our nine (9)-seat Board, we have four (4) independent directors, including our Board Chairman. This is more than the required minimum number of independent directors. We do not have any non-executive director holding a total of more than five (5) board seats in publicly listed companies. Non-executive directors, including independent directors, meet regularly on an annual basis, other than in meetings of the Audit, Risk Oversight, Corporate Governance and other Board-level committees in the absence of any executive director and Senior Management, with the external auditor and the heads of internal audit, compliance and risk management functions to scrutinize Management's performance particularly in meeting the Bank's goals and objectives and to determine the integrity of the Bank's internal controls and effectiveness of risk management systems. Further, the Board of Directors also meets annually with the Audit Committee without the presence of the President/Chief Executive Officer (CEO) and any other Management team members to discuss and resolve any significant issues.

Our Board Chairman provides active leadership by ensuring that our Board and its various committees function effectively, including maintaining a relationship of trust among Board members. Our Chairman also ensures that our Board follows a sound decision-making process.

Individual directors are tasked to observe the fit and proper rule. They are expected to conduct fair business dealings, avoid conflict of interest, and observe confidentiality. They must act honestly, judiciously and in good faith, and uphold the best interest of our Bank and its stakeholders. They must also devote time and attention to their duties and responsibilities and contribute to our Board's decision-making process. They must exercise independent judgment and have a working knowledge of laws, rules and regulations applicable to our Bank.

All new members of the Board of Directors are furnished with a copy of their duties and responsibilities and are provided with a comprehensive training on corporate governance, as part of the BSP's requirements in confirming elected bank directors. Together with our principal officers, our directors attended in 2019 an annual refresher program on Corporate Governance pursuant to SEC Memorandum Circular No. 20 s2013, including Anti-Money Laundering (AML) and Data Privacy, as conducted by the Institute of Corporate Governance (ICD), a SEC-accredited training provider.

Our Board has access to our Corporate Secretary who manages the flow of information to the Board prior to the meetings. The Office of the Corporate Secretary plays a significant role in supporting the Board in discharging its responsibilities. It administers, attends, prepares the agenda and minutes of Board meetings, and ensures that notices required under the By-Laws are given to all directors and stockholders. Beginning 2020, regular Board meetings have already been scheduled in advance as set every third Thursday of the month.

Our Board also reviews and approves all policy manuals to ensure that regulatory changes and best practices are included. They have access to a permanent compilation of documents related to past Board activities. They can readily seek clarification from Senior Management should they have concerns about our Bank or any item submitted for their consideration.

Board Committees. A number of Board-level committees were created to aid our Board in its various tasks to ensure efficiency and provide greater focus. Four of these committees are in charge of governance oversight functions, as follows:

The **Corporate Governance Committee (CGC)** is tasked to assist our Board in fulfilling its duties and responsibilities and monitoring our adherence to the corporate governance principles and guidelines set forth in our Corporate Governance Manual including the functions formerly assigned to the Nomination Committee and Compensation and Remuneration Committee which were both dissolved and integrated into this committee since 2017. It also oversees the development and effective implementation of our compliance system. The Committee is composed of three (3) Directors, all of whom are independent directors, including the committee chairperson. The Committee meets monthly and is supported by our Compliance Office (CO).

CORPORATE GOVERNANCE COMMITTEE			
Members	**Position**	**2019 Attendance**	**%**
JOSE T. PARDO, *Independent Director*	Chairperson	12/12	100%
EDUARDO A. SAHAGUN, *Independent Director*	Member	9/12	75%
SAMSON C. LIM, *Independent Director*	Member	11/12	92%
GILBERT L. NUNAG, *Chief Compliance Officer*	Secretary	12/12	100%

The **Risk Oversight Committee (ROC)** is responsible for the development and oversight of our risk management program. The Committee is currently composed of three (3) members of the Board of Directors and one (1) non-voting member appointed as advisor. Two (2) or majority of its voting members are independent directors, including its Chairperson, who is not the Chairman of the Board of Directors or of any other Board-level committee. The ROC members possess a range of expertise and adequate knowledge of our risk exposures, which is needed to develop appropriate strategies for preventing or minimizing losses. The Committee meets monthly and is supported by our Risk Management Office (RMO).

RISK OVERSIGHT COMMITTEE			
Members	**Position**	**2019 Attendance**	**%**
BENEDICTO JOSE R. ARCINAS, *Independent Director*	Chairman	10/12	83%
EDMUND A. GO, *Independent Professional*	Adviser	11/12	92%
JOSE VICENTE L. ALDE, *President*	Member	12/12	100%
EDUARDO A. SAHAGUN, *Independent Director*	Member	11/12	92%

The **AML Oversight Committee** is tasked to assist our Board in fulfilling its oversight responsibility over our AML compliance management. It ensures that we comply with the provisions of the Anti-Money Laundering Act (AMLA), as amended, its Revised Implementing Rules and Regulations (RIRRs), and BSP AML regulations to the end that the Bank shall not be used as a vehicle to legitimize the proceeds of unlawful activity or to facilitate or finance terrorism. This committee is composed of three (3) Directors – two (2) non-executive directors including the Chairperson and an independent director. The committee meets monthly and is supported by our Compliance Office (CO).

AML OVERSIGHT COMMITTEE			
Members	**Position**	**2019 Attendance**	**%**
VICENTE R. CUNA, JR., *Non-executive Director*	Chairperson	10/12	83%
BENEDICTO JOSE R. ARCINAS, *Independent Director*	Member	11/12	92%
ROSANNA F. DE VERA, *Non-executive Director*	Member	11/12	92%
GILBERT L. NUNAG, *Chief Compliance Officer*	Secretary	12/12	100%

The **Audit Committee** is designated to provide independent oversight for the Bank's financial reporting process, corporate governance, system of internal control and risk management, internal and external audit as well as fraud management functions, and monitoring of compliance with Bank policies, applicable laws, rules, regulations, and Code of Conduct. It is entirely comprised of three (3) non-executive directors, all of whom now are independent, including the committee Chairperson, who is not the Chairman of the Board of Directors or of any other Board-level committee. The committee members have accounting, auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Bank. The committee meets monthly and as needed, and is supported by our Internal Audit Group (IAG) and the Fraud Management Group (FMG).

AUDIT COMMITTEE			
Members	**Position**	**2019 Attendance**	**%**
EDUARDO A. SAHAGUN, *Independent Director*	Chairperson	12/16	75%
SAMSON C. LIM, *Independent Director*	Member	12/16	75%
VICENTE R. CUNA, JR. , *Non-executive Director**	Member	6/6	100%
JOSE T. PARDO, *Independent Director***	Member	10/10	100%
ATTY. EMMA B. CO, *Chief Audit Executive*	Secretary	16/16	100%

** Membership ended in April 2019*
*** Appointed as member in April 2019*

Other Board-level committees are as follows:

The **Executive Committee** is tasked to regularly review and approve credit proposals within its limits. It recommends additional conditions and requirements on loan applications for Board approval. The committee is composed of four (4) Directors, including the President, and our Credit & Collections Sector Head.

EXECUTIVE COMMITTEE			
Members	**Position**	**2019 Attendance**	**%**
ARTHUR V. TY, *Non-executive Director*	Chairman	11/12	92%
VICENTE R. CUNA, JR., *Non-executive Director*	Member	6/8	75%
JOSE VICENTE L. ALDE, *President*	Member	12/12	100%
ROSANNA F. DE VERA, *Metrobank Representative*	Member	12/12	100%
MARY MYLEEN M. MASANQUE, *PSBank Representative*	Member	11/12	92%
JOSE M. MANUEL, JR.	Secretary		
EMMELYN B. DE PEDRO**	Alternate Secretary		
ARLYN S. MONTEBON***		12/12	100%

**Appointed as Member in April 2019*
***Designation as Alternate Secretary ended June 2019*
****Appointed as Alternate Secretary in June 2019*

The **Related Party Transactions Committee (RPTC)** is tasked to assist the Board in ensuring that transactions with related parties are reviewed, appropriate restrictions are followed, and corporate resources are judiciously used. The committee is entirely composed of three (3) Non-executive Directors, two (2) or majority of whom are independent directors, including the committee Chairperson. The committee meets monthly and is supported by our Compliance Office (CO).

RELATED PARTY TRANSACTIONS COMMITTEE			
Members	**Position**	**2019 Attendance**	**%**
SAMSON C. LIM, *Independent Director*	Chairperson	11/12	92%
JOSE T. PARDO, *Independent Director*	Member	12/12	100%
MA. SOLEDAD D.S. DE LEON, *Non-executive Director*	Member	10/12	83%
ATTY. EMMA B. CO, *Chief Audit Executive*	Resource	12/12	100%
GILBERT L. NUNAG, *Chief Compliance Officer*	Resource and Secretary	12/12	100%

The **Trust Committee** is a special committee tasked to be primarily responsible for overseeing the fiduciary activities of the Bank. It is composed of five (5) members: the President, the Trust Officer, a non-executive director, an independent director, and an independent professional who is the committee Chairperson. It meets quarterly, and is supported by our Trust Division.

TRUST COMMITTEE			
Members	**Position**	**2019 Attendance**	**%**
EDMUND A. GO, *Independent Professional*	Chairperson	4/4	100%
JOSE VICENTE L. ALDE, *President*	Member	4/4	100%
MA. SOLEDAD D.S. DE LEON, *Non-executive Director*	Member	2/4	50%
BENEDICTO JOSE R. ARCINAS, *Independent Director*	Member	3/4	75%
REUEL R. JAVIER, *Trust Officer*	Member	4/4	100%

Board and Board Committee Meetings. In 2019, our Board had 12 regular meetings, in addition to the annual stockholders' and organizational meetings. Our directors logged a 93% attendance rate. Attendance records to Board and Board Committee meetings in 2019 are summarized as follows:

Directors	Position	Attendance	%	ASM
JOSE T. PARDO	Chairman and Independent Director	12/12	100%	Yes
ARTHUR V. TY	Vice Chairman and Non-executive Director	11/12	92%	Yes
VICENTE R. CUNA, JR.	Vice Chairman and Non-executive Director	12/12	100%	Yes
SAMSON C. LIM	Independent Director	11/12	92%	Yes
BENEDICTO JOSE R. ARCINAS	Independent Director	11/12	92%	Yes
EDUARDO A. SAHAGUN	Independent Director	9/12	75%	Yes
JOSE VICENTE L. ALDE	President and Executive Director	12/12	100%	Yes
MA. SOLEDAD D.S. DE LEON	Non-executive Director	10/12	83%	Yes
ROSANNA F. DE VERA	Non-executive Director	12/12	100%	Yes

SENIOR MANAGEMENT OVERSIGHT

Senior Management. Our Senior Management Team, headed by our President as the Chief Executive Officer (CEO), consists of a core group of senior officers who manage our day-to-day operations and business affairs.

They exercise good governance by ensuring that line managers under their respective areas of responsibility, execute their activities in a manner consistent with Board –approved policies and strategic directions. These should be aligned with applicable laws, rules and regulations, as well as standards of good practice.

Management Committees. To achieve efficiency and provide greater focus for our Senior Management in overseeing key areas of banking operations, various Management-level committees were also maintained, as follows:

- The **Assets and Liabilities Committee (ALCO)** is tasked to manage our assets and liabilities consistent with our liquidity, capital adequacy, growth, risk tolerance and appetite, and profitability goals.

- The **Credit Committee (CRECOM)** is tasked to regularly review and approve credit proposals within the authority and limits set by our Board.

- The **Anti-Money Laundering Compliance Committee (AMLCC)** is designated by the Board to receive, evaluate, and decide whether or not a Suspicious Transaction Report (STR) and/or Report on Crimes and Losses (RCL) shall be filed with the Anti-Money Laundering Council Secretariat (AMLCS) and/or with the BSP for cases or incidents reported or elevated by various business or operating units of the Bank. It also provides support to the Bank's Compliance Office in terms of AML policy review/development, and in addressing AML deficiencies/adverse findings.

- The **Outsourcing Oversight Committee (OOC)** is tasked to oversee the accreditation of service providers, performance monitoring, post-implementation reviews and contract renewals in accordance with the Bank's Board-approved risk-based Outsourcing Policy Guidelines pursuant to existing BSP rules and regulations on outsourcing.

- The **IT Steering Committee (ITSC)** is tasked to cohesively monitor IT performance and institute appropriate actions to ensure achievement of desired results. It is accountable for designing and implementing our Board-approved Information Technology Risk Management System (ITRMS).

- The **Emergency Committee (EMCOM)** is tasked to manage and monitor the effective implementation of our Business Continuity Plan (BCP). It aims to provide our Bank with the capability to continue its critical functions and processes by identifying, assessing and managing emergency scenarios and other business interruptions.

- The **Policy Committee (POLCOM)** is tasked to resolve policy-related issues that require escalation or cross-functional discussion for resolution.

- The **Personnel Committee (PERCOM**) is tasked to assist our Senior Management in evaluating the performance and career advancement of our employees, deciding on employee offenses/administrative cases, and in maintaining personnel policies and procedures, including the Bank's Code of Conduct.

- The **Retirement Committee (RETCOM)** is exclusively tasked to administer our Gratuity and Retirement Benefit Plan.

- The **Related Party Transactions Management Committee (RPTMC)** is tasked to assist the Board-level RPTC and the Board of Directors in ensuring that transactions with related parties, with respect to those considered as "non-material" (i.e., within the set transaction materiality thresholds) are conducted at arm's length/fair terms and conditions.

- The **Investment Committee (IC)** is tasked to establish investment guidelines and oversee the investment activities of the Bank. It monitors and reports the overall investment results and reviews compliance with investment objectives and guidelines.

OUR GOVERNANCE VANGUARDS

Our compliance, risk management, and internal audit functions are the forerunners in our relentless drive to promote and uphold the noblest tenets and highest standards of good corporate governance across all our business operations.

Compliance

Ensuring our compliance with applicable laws, rules and regulations, as a minimum requirement, is our collective duty and team effort. It begins with our Board and Senior Management at the top, and down the line to our various business and operating units in accordance with our Board- approved compliance system. The design and implementation of this program is administered and annually updated by our Compliance Office, led by our Chief Compliance Officer (CCO) who directly reports to our Corporate Governance Committee and to our Board.

Our Compliance Program adopts a three-pronged, risk-based approach to effectively manage our compliance risks by ensuring compliance with pertinent banking laws, rules and regulations, codes of conduct, policies and standards of good practice. Its priority, focus and compliance testing frequency depends on the pre-assessed level of risk the business/operating units are inherently exposed relative to the number and magnitude or severity of pertinent requirements applicable to them.

This three-pronged strategy is structured to be operated by three (3) key players, namely:

1. The line units as the first line of defense being the risk owners and managers;

2. The Compliance Office (CO) as the second line of defense and the compliance risk overseers; and

3. The Internal Audit Group (IAG) as the third line of defense as the independent assurance provider.

Aside from monitoring and controlling compliance risk, our Chief Compliance Officer (CCO) also tracks our Bank's adherence to our Corporate Governance Manual, which is aligned with the SEC's Revised Code of Corporate Governance for Publicly Listed Companies, and embodies all CG-related rules and regulations of the BSP. Cases of non-compliance are required to be reported to our Board Chairman who ensures due process and determines appropriate sanctions. The Bank fully and continually complies with the material requirements of the SEC's Revised Code of Corporate Governance for Publicly-Listed Companies as embodied in its Board-approved Corporate Governance Manual.

Our Compliance Office continually strives to maintain our strong compliance culture in the midst of an ever-dynamic banking regulatory landscape. It proactively identifies and monitors, assesses, and addresses emerging compliance issues, vigorously promotes continuing education through formal/informal trainings, compliance awareness testing, compliance checking, and advisory service through a clear and open communication line; and fosters good corporate governance culture by benchmarking against industry best practices and standards.

Internal Audit
Internal Audit Group (IAG) is established by the Board of Directors. Its responsibilities are defined by the Audit Committee (AuditCom) as part of their oversight function. The mission of internal auditing within an organization is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

The role of the IAG is to assist the Bank in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and control processes. IAG is headed by the Chief Audit Executive (CAE) who reports functionally to the Board through the Audit Committee and administratively to the President. The CAE confirms annually to the Board the organizational independence of the internal audit activity.

IAG governs itself by adherence to The Institute of Internal Auditors' (IIA's) mandatory guidance which includes the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

IAG, with strict accountability for confidentiality and safeguarding records and information, is authorized to:

1. have full, free, and unrestricted access to all Bank functions, records, properties, and personnel pertinent to carrying out any engagement;

2. have direct and unrestricted access to senior management and the Audit Committee;

3. allocate resources, set frequencies, select subjects, determine scopes of work, apply the procedures and techniques required to accomplish audit objectives, and issue reports; and,

4. obtain necessary assistance from personnel in other units of the Bank where they perform audits, as well as other specialized services from within or outside the Bank.

IAG remains free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude.

OUR REMUNERATION POLICY

Our directors and officers are provided with an industry competitive compensation package to attract, motivate, and retain highly qualified people. The salary scales of our officers, including that of our President or Chief Executive Officer (our sole Executive Director), are generally based on the nature of their jobs, positions, and ranks. These are reviewed yearly vis-à-vis annual performance scorecards so structured to achieve business objectives.

The Bank's compensation package for its non-officers / rank and file employees is in accordance with the labor law requirements and is linked to both performance and the Bank's contractual obligation under a collective bargaining agreement which include loyalty bonuses to reward loyal employees.

The Bank also grants fixed bonuses, including a 13th-month pay in accordance with law and performance bonus (non-guaranteed) based on the Bank's overall performance, individual performance and market conditions.

Our Board sees to it that this remuneration strategy is regularly reviewed to ensure that the policy is commensurate with corporate and individual performance, aligned with the Bank's long-term interests, compliant with labor laws & regulations and benchmarked against our industry peers and other market considerations, while also maintaining internal equity.

Except for the President/Chief Executive Officer (our sole Executive Director), each director receives a monthly professional fee for attending Board and committee meetings. This is also in consideration of their valuable contributions in the formulation of our Bank's overall strategy.

The total per diem and transportation allowance paid to directors for their attendance in Board meetings for the period January to December 2019 was PhP15.665 million. Our remuneration policy for directors indicates that the Chairman, Vice Chairmen, and each of the Directors receive reasonable per diems for attendance at any Board meeting. There is nothing in our by-laws that prevents any director from serving any other capacity and receiving compensation.

We have been consistent in preaching the philosophy of meritocracy, such that our compensation and rewards programs are geared towards providing incentives to employees who have contributed to the success of the Bank.

- **Merit Increase.** Annual increases are given to employees based on their relative performance within the organization. The Bank has adapted an increase matrix that rewards high performers without neglecting those rated as 'standard' performers, or those who were able to perform as expected. Rewarding the most productive encourages others to likewise perform better. This procedure on merit increase comes immediately after the performance appraisal exercise, in order for the employees to relish the fruits of their hard work and contributions to the growth of the Bank.

- **Other Performance Incentives.** Based on the overall company performance, i.e., attainment by the Bank of a stipulated income, we grant a return on equity (ROE) bonus to rank and file employees.

- **HEIGHTS: Reaching the Peak of Topnotch Performance.** This productivity-based award is given quarterly and annually to an individual or group for achieving exceptional performance. We also regularly review all our policies and programs such as this primary employee recognition to ensure that the organization is always at par with trends in the industry.

- **Job Evaluation.** We regularly conduct job evaluation on new positions resulting from our re-organization. This happens after a bank-wide job evaluation conducted every three years, which is aimed at measuring and benchmarking all Bank positions vis-à-vis the banking industry.

- **Salary Structure Program.** We conduct salary restructuring to ensure that the salaries of our employees are equitable to what the industry is offering. The Bank acknowledges that it needs to attract and retain top talent, thus a review of the existing scale is done periodically to ensure competitiveness.

OUR SELECTION PROCESS FOR SENIOR MANAGEMENT

The Bank has pre-defined Job Descriptions (JDs) for its senior management positions (i.e. those to be held by officers ranking at least an Assistant Vice President) whereby the qualifications of any internal and/or external candidates to any such available roles are to be assessed on. Each candidate undergoes a series of interview by the Line Head, Customer Experience and Human Resources Group Head and the President. Any hiring or appointment to the role shall be endorsed by the Management-level Personnel Committee for approval of the President and the Board of Directors.

OUR RETIREMENT AND SUCCESSION POLICY

As a matter of policy, the compulsory retirement age for the Bank's regular employees (officers and staff) is at fifty-five (55) years old. Such has been established in the Bank's Retirement and Gratuity Plan, duly approved by the Bureau of Internal Revenue. To aid in workforce planning, we review the roster of employees who shall be reaching the compulsory retirement age before the end of the applicable year. Appropriate notification is arranged, and deferential treatment is accorded the retired employees, ensuring that they receive the compensations for their loyal service within thirty (30) days after their effective date of retirement.

The Bank has instituted a succession planning program to ensure continuity and viability of the business. Positions that are critical to the business have identified "Ready Now" and "Ready Later" replacements, which is reviewed annually. Potential successors are subjected to Individual Development Plans, which is a combination of classroom training, cross postings, immersions, and development assignments. Furthermore, strategic workforce planning is also in effect annually to ensure that critical positions are filled up and that Talent Acquisition is ready to provide external talents if deemed necessary.

Except for certain persons such as Filipino citizens with recognized stature, influence and reputation in the banking and business community and whose business practices stand as testimonies to good corporate governance, we are also considering the adoption of an age limit of 75 years old as a general rule for directors, as patterned after that of our parent bank. Upon the recommendation of the Corporate Governance Committee, said age limit for directors may be waived by the Board if such a waiver is deemed to be for the best interest of the Bank. As for the Bank's independent directors, they may only serve as such for a maximum cumulative term of nine (9) years reckoned starting 2012, after which, the independent director shall be perpetually barred from reelection as such, but may continue to qualify for nomination and election as a non-independent or regular director. If the Bank wants to retain an independent director who has already served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the Annual Shareholders' Meeting. Succession or filling up any vacancies in the Board of Directors shall be made by the vote of at least a majority of the remaining directors, if still constituting a quorum. Vacancies occurring by reason of removal by the stockholders, by expiration of term, or by an increase in the number of directors, however, shall be filled by the stockholders in a regular or special meeting called for this purpose.

OUR DIVIDEND POLICY

Dividends to be paid in cash are subject to the approval by a majority of the Board of Directors. Dividends to be paid in the form of stocks require the approval of a majority of the Board and the approval of shareholders representing no less than two-thirds of the Bank's outstanding capital stock.

Consistent with SEC rules, cash dividends declared by the Bank must have a record date of not less than 10 but not more than 30 business days from the date the cash dividends are declared/approved by the Board. With respect to stock dividends, the record date should not be less than 10 but not more than 30 business days from the date of the stockholders' approval; provided however, that the set record date should not be less than 10 business days after the Philippine Stock Exchange (PSE) has received the notice of declaration of stock dividend. BSP regulations have since allowed banks to fix the record date and payment date on the date of dividend declaration, and pay such dividends without prior BSP approval, with the exception of banks with major supervisory concerns. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

Unless approved via majority vote of the Board of Directors at a different rate depending on the Bank's earnings/results of operations, cash flow, financial condition and other factors or otherwise restricted/prohibited from declaring/paying dividends, the Bank regularly declares out of its unrestricted retained earnings and pays cash dividends at a payout ratio of ₱3.00 per share per annum or ₱0.75 per share per quarter, provided that the regulatory requirements of both the SEC and the BSP are complied with. Circumstances which could restrict the payment of cash dividends include, but are not limited to, when the Bank undertakes major projects and developments requiring substantial cash expenditures or when it is restricted from paying cash dividends by its loan covenants.

Provided likewise that the Bank is not restricted/prohibited from declaring/paying dividends and that all such regulatory requirements are complied with, the Bank may also declare out of its unrestricted retained earnings and pay out special cash dividends (on top of its regular quarterly cash dividends) at such rate as may also be approved via majority vote of the Board of Directors.

The aggregate amount of quarterly cash dividends declared by the Bank in 2019 stood at ₱1.15 billion. Details are shown under Note 21 of the Audited Financial Statements section.

OUR GOVERNANCE EVALUATION

Annually within the first quarter of each year, our Board, individual Directors, their respective oversight committees, and all other Board-level committees, as well as the President and all Management-level committees conduct annual self-rating exercises on their performance during the immediately preceding calendar year through the use of scorecards. This aims to gauge their effectiveness and determine areas of improvement vis-à-vis set performance standards that are consistent with the Bank's strategic objectives and business plans designed to continuously create value to all our stakeholders. Items subject to rating are the pertinent standards, as well as their duties and responsibilities, under a 3-point rating scale, to wit: "3"-Meets

Standards (MS), “2”-Needs Improvement (NI), and “1”-Not Observed (NO), with an enjoinder to provide suggestions on how to address the deficiencies/improve performance on items rated either “1” or “2”. The scorecard results are reviewed by our Corporate Governance Committee, reported to our Board of Directors and, thereafter, regularly tracked in terms of the status of addressing the areas needing improvement. This annual performance rating exercises also include that of the Chairman of the Board, the Chief Risk Officer, the Chief Audit Executive, the Chief Compliance Officer, directors/officers with multiple/interlocking positions and of the entire Bank.

Corporate Social Responsibility

PSBank believes that Corporate Social Responsibility awareness starts with small initiatives that produce a culture of concern when combined.

Below are the Bank’s continuing initiatives:

- Continued partnership with TREK (Trails to Empower Kids) where volunteer PSBankers go with other volunteer trekkers to remote mountain areas bringing school supplies and materials to indigenous and largely marginalized communities.

- Partnership with Manila Doctors Hospital on the Restoration of the Arroceros Park, Coastal Cleanup and Brigada Eskwela.

- Quarterly Bloodletting Activities in partnership with Philippine Children’s Medical Center (PCMC).

- Medical and Surgical Mission in Mambajao, Camiguin in collaboration with the Department of Health’s Philippine Center or Specialized Health Care.

- PSBank Cebu-based employees’ collaboration with Light of Hope Project, a non-profit, non-government organization to promote renewable energy and provide solar lamps to secluded islands in the country, These solar lamps are made from recycled bottles and powered by solar energy cells which our employees themselves assembled.

Health, Safety and Welfare of Employees

PSBank advocates a work environment free of hazards, which is conducive to the well-being and professional development of employees. We continuously seek ways to reach out to our employees. The Bank’s leadership, represented by our Senior Officers, goes around the branches to personally meet with employees to conduct engagement sessions, check on the employees’ welfare and needs, as well as the kind of customer experience we provide to our customers. Facilities are also checked to see if they are in accordance with our occupational health and safety standards.

In addition, we strictly adhere and even go beyond general labor standards, such as:

- **Occupational Health and Safety Program (OHSP) and the Health and Safety Committee (HASCOM)**. The OHSP provides for the organization of a local committee on Health and Safety found in the branches. This program ensures that adequate guidelines, programs, and measures are adopted to ensure employees’ health and safety.

- **First Aid Certification Program.** Our HR team regularly coordinates with the Philippine National Red Cross (PNRC) in conducting certification seminars for head office and branch employees, ensuring all branches have at least one certified First-Aider.

- **Fire and Earthquake Drills.** The Bank conducted fire and earthquake drills that aim to strengthen the awareness of PSBank employees on what to do during emergencies, and test individual and organizational response during the occurrence of an emergency.
  In May 2019, a total of 1,166 employees in the Head Office participated in the Fire Drill and evacuated the building within 14 minutes, which is within the standard evacuation time of 15 minutes.

In April – May 2019, a total of 1,664 employees across the Branches performed the initial earthquake response of "duck-cover-hold" and evacuated their branch within the 5-minute standard, except for 3 Branches which completed evacuation in 6 minutes.

PSBank supports a healthy and safe work environment through programs designed to safeguard the well- being of all employees. The Bank conducts regular branch visits and facilities check-ups to see if all are in accordance with occupational health and safety standards.

Health and Wellness Programs. We ensure that employees have a healthy work-life balance by offering programs that would develop engagement, camaraderie, and healthy working environment.

The Bank launched Mind over Matter as its primary program on Mental Health. Activities include sessions on mindfulness, positive psychology, and mental well-being. Through this initiative, the Bank also helps employees understand that their first line of defense is awareness.

Sports activities are also among the Bank's most anticipated events. The Laro ng Lahi: Gilas at Galing Sportsfest 2019 gathered employees from different head office teams and branches. It also had runs in Central and South Luzon segments. Paintball, Basketball, Volleyball, Bowling, and Badminton tournaments were also conducted.

PSBank also provides subsidies for Runs for a Cause like the Tytana Founders Run and World Vision Run. In 2019, employees also participated and represented the Bank in the Philippine Red Cross's Million Volunteer Run – the largest humanitarian run in the Philippines.

Health advisories and e-bulletins on frozen shoulder and stiff neck, malaria, and leptospirosis, as well as infomercials on obesity, caring for the lungs, nutrition, and neutral positioning of fingers, were disseminated to all PSBankers for information and proper guidance. The annual physical exam remains as a way for the Bank to provide basic health care for all. The PSBank Clinic is open daily for all employees. Intellicare doctors are available from Tuesday to Friday, while nurses are on duty every day.

PSBank branches are also equipped with first-aid kits.

PSBankers were also given a chance to exhibit their professionalism and sportsmanship through interbank competitions. These are:

- 2019 Bankers Athletic Association (BAA) Bowling Competition;
- 2019 Bankers Athletic Assocation (BAA) Badminton Competition;
- 2019 Philippine Finance Association (PFA) Ten Pin Handicap Bowling Tournament where PSBank's bowling team bagged the championship trophy for the second time; and
- 2019 Philippine Bankers' League (PBL) Basketball Tournament

Spiritual Needs. PSBankers celebrate the Holy Eucharist every First Friday and during Holy Days of Obligation such as Ash Wednesday and Immaculate Conception. PSBank groups and divisions take turns in sponsoring each mass, while the PSBank Glee Club serves as the mass choir. In 2019, the Bank also launched a Christian Fellowship program open to all religious denominations.

Family Welfare Program. PSBank is also a family-oriented institution which allows participation of family members in such occasions as Halloween or Christmas season where employees and their children get to enjoy quality bonding time.

Learning and Development Programs. In 2019, the Bank launched **PSBank Business Campus**, its official training arm and its most progressive approach to learning yet, adopting an Open University – a first in the industry**.** The Business Campus operates under these pillars: *Flexible Learning, Faculty Excellence, and Choose-Your-Career Dynamics.*

With Sales Productivity being a business focus in 2019, various sales programs were designed and implemented including the following:

- **Branch Sales Clinic –** which covered 641 Branch Tellers and New Accounts Clerk nationwide

- **Sales Bootcamp –** for 51 average and below average performing Branch Heads

- **i-LEAD –** for 25 Branch Heads on Developmental Assignment (DA), including those who recently completed their DA

- **Solution Selling –** for 26 Head Office-based and product-specific Account Officers

Staff Professional Enhancement and Educational Program (SPEED) Accelerated Learning (AX-L)

- Twenty-four (24) out of twenty-five (25) candidates completed 598 hours of learning 35 different subjects under 47 faculty members to complete the Operations Track – the first batch to do so.

Information Technology (IT) Training

To respond to the Bank's need for more future-ready IT workforce – the Bank's IT personnel were subjected to Industrial Revolution 4.0-relevant learning opportunities. Four (4) of which are firsts for PSBankers:

- **Customized DevOps Agile Essentials** – for 49 IT and business unit leads

- **DevOps Fundamentals –** for 25 IT Project Managers and other leads

- **Agile Scrum Foundation** – for 25 IT Project Managers and other leads

- **Agile Scrum Master Certification –** for two (2) Key Heads

Other IT trainings included these programs: Modern React.js Development Training, Basic and Advance iOS Mobile Application Development Training, Automating Administration with Windows PowerShell (10961), Certified Data Center Professional, Comptia Linux+: System Administration, Wireshark Certified Network Analyst, Mobile Programming Using Android, among others – which covered 59 IT personnel.

For 2019, PSBank Business Campus covered a total of 181 training programs – 73 of this are external and 108 are internal ones – under the following program family: professional development, technical/systems, functional, sales & marketing, organizational/institutional, leadership & management, regulatory compliance, internal controls & risk management, human capital management, credit/loan processes, customer experience, products & processes.

PART V. EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Reports on SEC Form 17-C

Refer to Exhibit 3 for the reports filed during the year to the date of filing the SEC Form 17-A.

(b) Exhibits

1	Schedule of Bank/Branch Sites Owned by the Bank
2	Schedule of Bank/Branch Sites Under Lease Agreements
3	SEC Form 17-C
4	Statement of Management's Responsibility
5	Audited Financial Statements as of December 31, 2019 and 2018 and for the Years Ended December 31, 2019, 2018 and 2017 and Independent Auditor's Report
6	Independent Auditors' Report on Supplementary Schedules
7	Independent Auditors' Report on Components of Financial Soundness Indicators
8	Index to the Financial Statements and Supplementary Schedules
Annex 1	• Reconciliation of retained earnings available for dividend declaration
Annex 2	• Map showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, and associates, wherever located or registered
Annex 3	• Supplementary schedules as required by Revised SRC Rule 68 - Annex 68- J
Annex 4	• Schedule of financial soundness indicators
9	Sustainability Report

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on **14 April 2020.**

JOSE VICENTE L. ALDE
President

NOLI S. GOMEZ
Principal Operating Officer

PERFECTO RAMON Z. DIMAYUGA, JR.
Treasurer

NOEL C. ANG
Principal Accounting Officer

LEAH M. ZAMORA
Controller

POCHOLO V. DELA PEÑA
Corporate Secretary

SUBSCRIBED AND SWORN to before me at Makati City this________________, affiants exhibiting to me their passports/social security as follow:

Name	**Passport/SSS No.**	**Date of Issue**	**Place of Issue**
Jose Vicente L. Alde	EC8083957	06/21/2016	Manila
Noli S. Gomez	EC5750770	10/21/2015	DFA NCR Central
Perfecto Ramon Z. Dimayuga Jr.	P3556753A	07/03/2017	DFA NCR Northeast
Leah M. Zamora	P2244078A	03/11/2017	Manila
Noel C. Ang	33-541-2120-5	-	-
Pocholo V. Dela Peña	P3958028B	11/24/2029	DFA NCR East

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Series of 2020

Exhibit 1

PHILIPPINE SAVINGS BANK
SCHEDULE OF BANK/BRANCH SITES OWNED BY THE BANK
As of December 31, 2019

NO.	BRANCH NAME	LOCATION
1	Head Office	G/F PSBank Center, 777 Paseo De Roxas cor. Sedeno St., Makati City
2	Angeles	Miranda Ext. cor. Sadie St. San Nicolas, Angeles City
3	Baguio	35 G Perfecto St., Malcolm Square, Baguio City, Benguet
4	Binakayan	PSBank Bldg., Tirona Highway, National Rd. Binakayan, Kawit, Cavite
5	Blumentritt	PSBank Bldg., 1680 Blumentritt cor. Oroquieta Sts., Sta. Cruz Manila
6	Camiling	Arellano St., Poblacion Camiling, Tarlac
7	Candelaria	Argao St., cor. Rizal Ave. Candelaria, Quezon
8	Cebu-Jones	Osmena Blvd. cor. Sanciangko St., Cebu City
9	Dasmarinas	PSBank Bldg., E. Aguinaldo Highway cor. Mangubat St., Dasmarinas, Cavite
10	Gil J. Puyat - Tindalo	G/F Skyland Plaza Condominium, Sen. Gil Puyat Ave. cor. Tindalo St., Makati City
11	J.P. Rizal	PSBank Bldg., J.P. Rizal, cor. Legaspi Sts., Makati City
12	Laoag	F.R. Castro St., Laoag City, Ilocos Norte
13	Las Pinas - Almanza	G/F PSBank Bldg. Alabang Zapote Rd., Brgy. Almanza Las Pinas Metro Manila
14	Lemery	Ilustre Avenue cor. J.P. Rizal St., Lemery, Batangas
15	Lipa	C.M. Recto Ave cor. Soliman St., Lipa City
16	Los Banos	PSBank Bldg., Lopez Ave., Batong Malake, Los Banos, Laguna
17	Lucena	Quezon Ave. cor. Evangelista St. Lucena City, Quezon
18	Marikina - Concepcion	20 Bayan-Bayanan Avenue, Concepcion, Marikina City
19	Maypajo	132 A. Mabini St. near cor. Dimasalang, Maypajo, Caloocan City
20	Meycauayan	PSBank Bldg., McArthur Highway, Calvario, Meycauayan, Bulacan
21	Paniqui	Paniqui Commercial Complex, McArthur Highway Ext., Poblacion Norte, Paniqui, Tarlac
22	Pasay Taft	2336 Taft Ave., near cor. Villareal St., Pasay City
23	Quezon Boulevard	358 Quezon Blvd. cor. Arlegui Sts., Quiapo, Manila.
24	Roosevelt	PSBank Bldg. 348 Roosevelt Ave., San Francisco Del Monte, Quezon City
25	San Juan	No. 5 F. Blumentritt cor. N. Domingo Sts., San Juan City
26	San Pedro	Casa Hacienda Commercial Center, A. Mabini St., San Pedro, Laguna
27	Tanauan	J.P. Laurel Highway, Tanauan City, Batangas
28	Tarlac	PSBank Bldg., F. Tanedo St., Tarlac, Tarlac
29	Valenzuela	ARTY Subdivision, Mc Arthur Highway cor. J.P. Rizal St., Karuhatan, Valenzuela City

Exhibit 2

PHILIPPINE SAVINGS BANK
SCHEDULE OF BANK/BRANCH SITES UNDER LEASE AGREEMENTS
As of December 31, 2019

NO.	BRANCH	LOCATION / ADDRESS	RENTAL RATE PER MONTH	TERM	CONTRACT PERIOD	
					FROM	TO
1	ACROPOLIS (formerly Libis)	G/F The Spa Bldg. No. 80 E. Rodriguez Jr. Avenue Bagumbayan Quezon City	285,486.36	12 Years	1-Mar-09	28-Feb-21
2	ADRIATICO	Ground Floor, Unit 1E, 1535 M. Adriatico St. Malate Manila	214,500.00	9 Years	25-May-18	24-Oct-27
3	AKLAN - KALIBO	19 Martyr's corner G. Pastrana St. Kalibo, Aklan	97,978.62	5 Years	16-Jan-16	15-Jan-21
4	ALABANG	Estrellita Bldg. 236 Montillano St. Alabang Muntinlupa City	243,101.25	20 Years	1-Sep-05	31-Aug-25
5	ALABANG - ACACIA	Kingston Tower, Acacia Ave. Ayala Alabang Muntinlupa City	209,809.67	10 Years	15-Oct-11	14-Oct-21
6	ALABANG - MADRIGAL PARK	Ground Floor Admiralty Bldg., 1101 Alabang Zapote Rd., Madrigal Business Park, Ayala Alabang, Muntinlupa City	254,111.78	10 Years	1-Sep-11	31-Aug-21
7	ALABANG - ZAPOTE	G/F Sycamore Arcade Building, Alabang-Zapote Road, Alabang, Muntinlupa City 1770 PH	233,219.08	8 Years	16-Dec-13	15-Dec-21
8	ALAMINOS	# 24 Quezon Ave. Brgy. Poblacion, Alaminos City, Pangasinan.	65,884.50	6 Years	15-Sep-15	14-Sep-21
9	ALBAY - TABACO	Unit A to D, VICAR Bldg., Ziga Ave., Brgy Basud, Tabaco City, Albay	115,762.50	10 Years	15-Oct-15	14-Oct-25
10	AMORANTO	N.S. Amoranto corner Retiro St. Quezon City	160,280.17	15 Years	1-Feb-13	31-Jan-28
11	ANGELES – BALIBAGO	G/F Fields Plaza Condominium, McArthur Hi-way, Balibago, Angeles City	378,229.33	15 Years	1-Jul-10	30-Jun-25
12	ANTIPOLO	75 Circumferential Road, Brgy. San Roque, Antipolo City	121,246.65	10 Years	1-Nov-12	31-Oct-22
13	ANTIPOLO - M.L. QUEZON	World Citi Colleges Bldg. M.L Quezon St. Brgy. San Roque, Antipolo City, Rizal	122,351.78	5 Years	16-Nov-15	15-Nov-20
14	ANTIPOLO - MASINAG	G/F Tripolee Building, Marcos Highway, Brgy. Mayamot, Antipolo, Rizal	306,922.94	10 Years	1-Jul-11	30-Jun-21
15	ANTIQUE - SAN JOSE	GF, D123C Bldng., Moscoso St. cor. Tobias Fornier St. San Jose De Buenavista, Antique	77,175.00	10 Years	1-Jun-14	31-May-24
16	ARNAIZ AVE.	G/F Ginbo Bldg., 824 Arnaiz Ave., Makati City	165,416.93	10 Years	15-Jan-13	14-Jan-23
17	BACLARAN	Bagvpi Trade Center, FB Harrison St., cor. Ortigas st., pasay city	194,633.00	6 Years	1-May-14	30-Apr-20
18	BACOLOD	G/F A. Yu Building, Bonifacio Street, Bacolod City	118,795.95	15 Years	1-Jul-05	30-Jun-20
19	BALANGA	G/F SHP Building II, Don Manuel Banzon Avenue, Balanga, Bataan	107,179.44	20 Years	1-Oct-08	30-Sep-28
20	BALIC-BALIC	G. Tuazon Corner Calabash A Streets, Balic-Balic, Sampaloc Manila	231,578.95	5 Years	15-Nov-19	14-Nov-22

21	BALINTAWAK	1238 GO SOC Bldg. Edsa Balintawak Q.C.	143,248.19	5 Years	1-Sep-17	31-Aug-22
22	BANAWE	PPSTA BLDG 3, 245 Banawe Street, Quezon City.	85,571.77	3 Years	7-May-17	6-May-20
23	BATANGAS	P. Burgos St., Batangas City,	44,091.69	5 Years	1-Dec-17	30-Nov-22
24	BATANGAS - BALAYAN	G/F New Commercial Bldg, Plaza Rizal St. corner Fe St., Balayan, Batangas	88,743.53	10 Years	15-Aug-14	14-Aug-24
25	BATANGAS - BAUAN	Kapitan Ponso St. corner Ilagan St. Poblacion IV, Bauan, Batangas	151,938.28	10 Years	1-Oct-11	30-Sep-21
26	BATANGAS - STO. TOMAS	G/F New Bldng Maharlika Hway, Brgy. San Antonio, Sto. Tomas, Batangas	128,483.26	10 Years	21-Jul-14	20-Jul-24
27	BENGUET - LA TRINIDAD	G/F Ramon Bldg. JB-25 Km 4, Brgy. Pico, La Trinidad, Benguet	93,712.50	15 Years	1-Jul-14	30-Jun-29
28	BF HOMES	#11 President Ave.corner Elizalde St., BF Homes Paranaque City	272,820.39	5 Years	1-Sep-16	31-Aug-21
29	BF RESORT	#1 Alice Crisostomo cor. BF Resort Drive, BF Resort Village, Las Pinas City 1740	44,407.07	15 Years	1-Apr-09	31-Mar-24
30	BICUTAN	#40 Doña Soledad Ave., Better Living Subd., Paranaque City 1711	178,947.48	5 Years	8-Oct-19	7-Oct-22
31	BIÑAN	A.Bonifacio Cor. Burgos St, Binan, Laguna	198,000.00	16 Years	15-Apr-19	11-Apr-20
32	BONI AVE.	641 Cifra Bldg. Boni Avenue, Mandaluyong City	140,072.63	10 Years	8-Oct-13	7-Oct-23
33	BONI SERRANO (St. Ignatius)	PSMBFI Building, Boni Serrano Avenue, corner 1st and 2nd Streets, West Crame, San Juan City	60,882.36	5 Years	1-Jun-14	31-May-19
34	BONIFACIO GLOBAL CITY	Unit 1 G/F Bonifacio Technology Center, 31st St cor 2nd St Bonifacio Global City, Taguig	172,631.52	3 Years	1-Jan-18	31-Dec-21
35	BUKIDNON - MALAYBALAY	Fortich Street, Malaybalay City, Bukidnon 8700F	93,979.99	10 Years	1-Oct-10	30-Sep-20
36	BUKIDNON - VALENCIA	G/F Tamay Lang Arcade. Alkuino St. cor. Manuel A. Roxas St. Valencia City Bukidnon	107,041.65	10 Years	1-Jul-10	30-Jun-20
37	BULACAN - BALAGTAS	BAGS building Mc Arthur Highway San Juan Balagtas Bulacan	121,550.63	15 Years	1-Oct-11	30-Sep-26
38	BULACAN - BALIUAG	B.S. Aquino Ave. cor Lopez Jaena St. Bagong Nayon, Baliwag, Bulacan	63,310.75	15 Years	1-Aug-11	31-Jul-26
39	BULACAN - MARILAO	G/F RCH Bldg., Mc Arthur Highway corner Magalang St., Brgy. Ibayo, Marilao, Bulacan	77,445.70	10 Years	30-Sep-14	30-Sep-24
40	BULACAN - PLARIDEL	G/F Javier Building, Pan Philippine Highway, Banga 1st, Plaridel Bulacan	121,622.98	10 Years	1-Mar-14	28-Feb-24
41	BULACAN - PULILAN	Doña Remedios Trinidad Highway, Sto Cristo, Pulilan, Bulacan	80,289.07	12 Years	1-Dec-10	30-Nov-22
42	BULACAN - SAN JOSE DEL MONTE	G/F FLB Building Provincial Road Brgy. Tungkong Mangga San Jose Del Monte Bulacan	116,266.7	10 Years	15-Nov-12	14-Nov-22
43	BUSTILLOS – LEGARDA	G/F #415 EEC Bldg. J. Figueras St., Sampaloc, Manila	220,500.00	10 Years	31-Jul-15	30-Jul-25
44	BUTUAN	J.C. Aquino Avenue corner Ochua Avenue, Butuan City, Agusan Del Norte	51,066.69	20 Years	30-Oct-08	29-Oct-28

45	CABANATUAN	782 – 784 Century Ent. Bldg., Melencio St. cor. Paco Roman St., Cabanatuan City 3100	122,567.19	10 Years	1-Jan-12	31-Dec-21
46	CAGAYAN DE ORO	BJS Building Don Apolinar Velez corner A. Mabini Sts. Cagayan de Oro, Misamis Oriental	116,730.66	15 Years	31-Mar-06	30-Mar-21
47	CAGAYAN DE ORO - LAPASAN	Unit 11-12, Puregold CDO, Claro M. Recto Ave., Lapasan, Cagayan de Oro City, Misamis Oriental	94,757.39	10 Years	4-Nov-15	3-Nov-25
48	CAINTA	G/F Ortigas Royale Condominium, Ortigas Avenue Extension, Brgy. San Juan, Cainta, Rizal	198,107.60	10 Years	16-Sep-18	15-Sep-19
49	CAINTA - FELIX AVE.	Cainta Business Center Building, Felix Ave., Cor Vista Verde Ext., Gate 2, Cainta, Rizal	124,573.59	5 Years	15-May-16	14-May-21
50	CALAMBA	Ground Floor Andenson Building I, Parian, National Highway, Calamba City	136,136.7	10 Years	1-Jan-17	31-Dec-26
51	CALOOCAN - SAMSON ROAD	G/F Erlinda Go Bldg. Samson Road corner Torres St. Caloocan City	155,825.43	10 Years	1-Sep-11	30-Aug-21
52	CAMARIN	G/F Zabarte Town Center 588 Camarin Road, Kalookan City	148,178.15	11 Years	1-Jan-14	31-Dec-24
53	CAMARINES NORTE - DAET	G/F New Bldng., F. Pimentel Ave. corner V. Basit St. Brgy. 8, Daet, Camarines Norte	88,200.00	10 Years	1-Jul-14	30-Jun-24
54	CAPITOL HILLS DRIVE	G/F Sofia Bellevue Commercial Building, Capitol Hills Drive, Quezon City	83,349.00	10 Years	1-Jul-14	30-Jun-24
55	CAVITE - BACOOR	G/F Heritage Bldg. KM 16 Aguinaldo Hiway Niog Bacoor, Cavite	97,207.93	5 Years	1-Apr-16	31-Mar-21
56	CAVITE – CARMONA	G/F 88 Bldg., Gov. Drive, Brgy. Maduya, Carmona, Cavite	69,526.96	10 Years	30-Aug-14	29-Aug-24
57	CAVITE - GEN. TRIAS	G/F The Plaza, Florida Sun Estates, Governor's Drive, Brgy. Manggahan, Gen. Trias, Cavite	183,784.80	1Year & 8months	1/1/2018	8/31/2019
58	CAVITE - GMA	Gov. Drive, Gen. Mariano Alvarez, Cavite	63,319.52	15 Years	16-Jan-12	15-Jan-27
59	CAVITE - IMUS ANABU	Kingsway Commercial Complex No. 9040 E. Aguinaldo Highway, Anabu, Imus, Cavite	89,339.71	10 Years	1-Feb-12	1-May-22
60	CAVITE - IMUS TANZANG LUMA	G/F VCV Bldg. Aguinaldo Highway Brgy. Tanzang Luma Imus City, Cavite	133,705.69	10 Years	1-Jan-15	31-Dec-24
61	CAVITE - MOLINO	G/F golden Oasys Bldg.,Molino 4, Bacoor Cavite	185,564.11	10 Years	16-Nov-10	15-Nov-20
62	CAVITE – IMUS LANCASTER	The Square, Retail 2 Unit 101, Advincula Ave., Lancaster New City, Brgy. Alapan 2, Imus City, Cavite	76,230.00	10 Years	14-Apr-14	13-Apr-24
63	CAVITE - TAGAYTAY	Rotonda Star Plaza, Brgy. Silang Junction, Tagaytay City, Cavite	182,325.94	10 Years	1-May-13	30-Apr-23
64	CAVITE - TANZA	G/F Annie's Plaza A. Soriano Highway, Daang Amay, Tanza Cavite	97,240.00	5 Years	16-Sep-15	15-Sep-20
65	CAVITE - TRECE MARTIRES	G/F New Bldg., Governors Drive, Trece Martires, Cavite	115,795.20	10 Years	22-Sep-14	21-Sep-24
66	CAVITE-SILANG	G/F O.C. Building, M.H. Del Pilar cor. Kiamzon Sts., Silang, Cavite	62,791.86	5 Years	1-Jun-16	31-May-21
67	CEBU - AYALA BUSINESS	G/F Insular Life Cebu Business Centre, Mindanao Avenue corner	214,652.54	5 Years	16-May-16	15-May-21

	PARK	Biliran Road, Cebu Business Center, Cebu City, Cebu 6000				
68	CEBU - CAPITOL	The Strip, Osmena Blvd., Capitol Site, Cebu City	202,541.42	5 Years	1-Sep-15	31-Aug-20
69	CEBU - COLON	Pelaez corner Colon Sts., Cebu City	105,000.00	15 Years	3-Apr-11	2-Apr-26
70	CEBU - LAPU-LAPU	Gaisano Mactan Island Mall, Lapu Lapu City, Cebu	89,339.71	4 Years	1-Sep-15	31-Aug-19
71	CEBU - MANDAUE A.C. CORTEZ	N & N Cortes Arcade, A.C. Cortes ave., Mandaue City Cebu	75,425.97	20 Years	1-Aug-04	31-Jul-24
72	CEBU - MANDAUE-CONSOLACION	Units 1A-1C Orosia Bldg., Cansaga, Consolacion, Cebu	128,355.50	5 Years	1-Aug-18	31-Jul-23
73	CEBU – IT PARK	G/F Stall 101, eBlock 4, Jose Maria Del Mar St., Cebu IT Park, Cebu City	76,797.00	10 Years	1-Aug-11	30-Sep-21
74	CEBU-BANILAD	G/F Gaisano Country Mall, Banilad, Cebu City	223,608.00	5 Years	1-Feb-14	31-Jan-19
75	CEBU-CARBON	Plaridel cor. Progreso Sts. Cebu City, 6000	207,767.16	4 Years	1-Jan-18	31-Dec-22
76	CENTRAL MARKET	1633 Fugoso St., cor M. Natividad St., Sta Cruz Manila	73,500.00	10 Years	1-Feb-09	31-Jan-19
77	CHINO ROCES	G/F ENCM Bldg., 1099 Chino Roces Ave., cor. Mascardo St., Sta. Cruz, Makati City	143,343.00	10 Years	26-Sep-13	25-Sep-23
78	COMMONWEALTH	2211 F&L Centre Commonwealth Avenue, Quezon City	315,683.83	10 Years	1-Jun-16	31-May-26
79	CONGRESSIONAL AVENUE (Visayas Ave.)	45 Congressional Avenue Extension,Quezon City	100,000.00	5 Years	31-Oct-17	30-Oct-22
80	QUIRINO AVENUE	Filipina Bldg. 484 Quirino Hi-way Talipapa Novaliches Quezon City	185,000.00	10 Years	8-Nov-18	08-Nov-28
81	DAGUPAN	43 Burgos Street Dagupan City, Pangasinan 2400	242,105.26	20 Years	1-Jul-08	30-Jun-28
82	DAVAO - BAJADA	88 building, J.P. Laurel Street, Bajada Davao City	150,491.25	10 Years	1-Oct-15	30-Sep-25
83	DAVAO - DIGOS	G/F Gaisano Grand Mall of Digos, Quezon Avenue, Digos City	134,026.32	10 Years	1-Jul-12	30-Jun-22
84	DAVAO - MADRAZO	PSBank Bldg. Quirino St. corner Cayetano Bangoy St. (formerly Ponciano Reyes) Davao City, Davao Del Sur	174,613.44	30 Years	1-Dec-07	30-Nov-37
85	DAVAO - MATINA	G/F Saito Building, McArthur Highway, Matina, Davao City	171,227.85	8 Years	15-Mar-11	14-Mar-19
86	DAVAO-MONTEVERDE	88 T. Monteverde Avenue, Davao City	171,033.93	20 Years	1-Jun-07	31-May-27
87	DAVAO-TAGUM	PSBank Bldg. National Highway corner Pioneer Ave. Tagum City, Davao Del Norte	50,000.00	20 Years	1-Jun-04	31-May-24
88	DEL MONTE	182 A Del Monte Avenue, Barangay St. Peter, Quezon City.	234,256.00	10 Years	1-Oct-14	30-Sep-24
89	DIPOLOG	Lopez Skyroom, Corner Rizal Ave. cor C.P. Garcia St. Dipolog City	86,331.42	10 Years	1-May-09	30-Apr-19
90	DOWNTOWN CENTER	628 Wellington Bldg. Plaza Lorenzo Ruiz Binondo Manila	558,128.45	10 Years	1-Jan-16	31-Dec-25
91	DUMAGUETE	G/F Hotel Palwa, Dr. V. Locsin St., Dumaguete City, Negros Oriental	94,495.41	10 Years	5-Nov-14	4-Nov-24
92	E. RODRIGUEZ	Seneca Plaza Building, 1152 E. Rodriguez Sr. Ave. New Manila, Quezon City	147,840.00	10 Years	8-Oct-11	7-Oct-21
93	PASIG BOULEVARD (former EDSA CENTRAL	G/F 162 Vision Building, Pasig Blvd, Bagong Ilog Pasig City	168,000.00	5 Years	1-Nov-18	10/31/2023
94	ESPAÑA	Unit G, G/F España Tower, 2203 España Blvd. Manila	110,114.24	10 Years	1-Jan-14	31-Dec-23

95	FAIRVIEW	G/F, No 71 Commonwealth Ave., Brgy. East Fairview, Quezon City	128,992.50	10 Years	15-Jul-16	14-Jul-26
96	G. ARANETA AVE.	314 G. Araneta Avenue, Brgy. Dona Imelda, Quezon City 1113	169,995.00	10 Years	8-Dec-18	8-Dec-28
97	GENERAL SANTOS	Santiago Boulevard, Corner Naranjita St., General Santos City, South Cotabato	147,339.64	10 Years	1-Aug-11	31-Jul-21
98	GIL PUYAT - N. GARCIA	Unit 101-A. ITC Bldg., Sen. Gil Puyat Ave., Makati City 1200 PH	132,740.19	10 Years	1-Mar-09	28-Feb-19
99	GILMORE HEIGHTS	G/F Gilmore Heights Condominium, #18 Granada cor Castilla St., Brgy Valencia Quezon City	168,507.45	10 Years	1-Jan-13	31-Dec-22
100	GLOBAL CITY - 4TH AVENUE	Shop 4 The Luxe Residence 28th St., cor. 4th Avenue, Global City, Taguig City, 1634 PH	600,224.00	5 Years	1-Sep-14	30-Aug-19
101	GRACE PARK	647 Rizal Avenue Ext., 10th Avenue, Grace Park, Kalookan City	215,823.73	12 Years	15-Jan-09	14-Jan-21
102	GREENHILLS	#3 Missouri cor Nevada Sts. Northeast Greenhills, San Juan	285,035.13	20 Years	8-Sep-04	7-Sep-24
103	HARRISON PLAZA	F8 G/F Harrison Plaza Shopping Mall, Mabini Street, Malate, Manila	125,192.26	4 Years	1-Sep-17	31-Aug-21
104	HOLY SPIRIT DRIVE	Unit L1, Lot 7,8,10, Blk 7, Holy Spirit Drive, Isidora Hills Subd., Quezon City	168,955.37	10 Years	29-Nov-15	28-Nov-25
105	ILOCOS SUR - CANDON	G/F, Imperial Building, National Highway, Poblacion, Brgy San Jose, Candon City, Ilocos Sur	159,720.00	10 Years	1-Aug-13	31-Jul-23
106	ILOILO - IZNART	533 Iznart St., Iloilo City	90,693.01	15 Years	1-Jan-11	31-Dec-25
107	ILOILO - JARO	E. Lopez corner Jalandoni St. Jaro, Iloilo City	51,426.48	25 Years	1-Jun-12	31-May-37
108	ILOILO - QUEZON	23 C Quezon Street, Iloilo City	156,368.55	10 Years	15-Feb-12	14-Feb-22
109	ISABELA - CAUAYAN	#135 National Highway, San Fermin, Cauayan City, Isabela	154,350.00	9 Years	14-Sep-16	13-Jan-25
110	J. ABAD SANTOS	1939 Jose Abad Santos Avenue Tondo, Manila 1012 PH	149,144.06	5 Years	1-Oct-15	30-Sep-20
111	JABONEROS	467 Jaboneros Corner Ilang-Ilang Sts., Binondo Manila	163,692.23	15 Years	1-Aug-05	1-Jul-20
112	KALENTONG	55 Shaw Blvd. near corner Kalentong St. Mandaluyong City	143,342.64	20 Years	15-Oct-07	14-Oct-27
113	KAMIAS	PHA Building,14 Kamias Road Quezon City	140,072.62	5 Years	1-Aug-16	31-Jul-21
114	KATIPUNAN	Ground Level, Unit 103, Elizabeth Hall Lot 1 Blk 41 Katipunan Ave., Loyola Heights Quezon City	354,233.25	5 Years	1-Aug-16	31-Jul-21
115	LA UNION	G/F Nisce Building Quezon Ave. San Fernando, La Union	72,126.17	10 Years	1-Jul-12	30-Jun-22
116	LAGRO	Lot 5 Blk 2 Sacred Heart Village, Quirino Highway, Lagro, Quezon City	98,772.07	10 Years	1-Nov-12	31-Oct-22
117	LAGUNA - CABUYAO	GF, New Bldg, JP Rizal St. corner A. Bonifacio St. Brgy. 2, Cabuyao, Laguna	153,153.79	10 Years	15-Sep-14	14-Sep-24
118	LAGUNA - CALAMBA CROSSING	GF, The Calamba Executive Center, Brgy. Uno, Crossing, Calamba City, Laguna	136,136.70	10 Years	1-Jul-14	30-Jun-24

119	LAGUNA - SAN PABLO MAHARLIKA HWAY	GF, Acosta Bldg. II Km. 80, Maharlika Hway, Brgy. San Rafael San Pablo City, Laguna	104,737.50	10 Years	15-Oct-15	14-Oct-25
120	LAGUNA - SAN PEDRO NATIONAL HWAY	GF, Sunshine Square Bldg., National Hway, Brgy. Landayan, San Pedro City, Laguna	99,750.00	10 Years	8-Jan-16	7-Jan-26
121	LAS PIÑAS	G/F Fairland Bldg., Alabang-Zapote Road Cor V. Guinto St., Pamplona, Las Pinas City	261,360.00	16 Years	10-Sep-04	10-Sep-20
122	LAS PIÑAS - PAMPLONA	Alabang Zapote Road, Pamplona 2, Las Pinas City	255,819.40	5 Years	1-Nov-16	31-Oct-21
123	LEGASPI - PALANCA	Doña Angela Garden Condominium, 110 C. Palanca St., Legaspi Vill., Makati City	194,530.69	5 Years	**14-Jan-19**	**13-Jan-24**
124	LEGASPI - SALCEDO	G/F 195 Casmer Bldg Salcedo St, Legaspi Vill Makati City	198,509.84	10 Years	1-Dec-12	30-Nov-22
125	LEGAZPI	Ground Floor, Tower Bldg. II, Landco Business Park, Legazpi City, Albay 4500	108,830.42	10 Years	1-Jun-09	31-May-24
126	LIPA - JP LAUREL HIGHWAY	Autoplex building JP laurel Highway Sabang, Lipa City	72,553.95	8 Years	1-Mar-14	31-Dec-21
127	LUCENA - ENRIQUEZ	G/F, AQC Building, Enriquez St. corner San Fernando St. Brgy. 6, Lucena City	140,710.04	10 Years	1-Apr-12	31-Mar-22
128	MAGALLANES	1052 MPI Building, EDSA cor Lapu-lapu Avenue, Magallanes Village Makati City	171,833.93	10 Years	1-Jun-14	31-May-24
129	MAKATI AVE.	690 Makati Avenue cor. Jupiter St., Bel-Air Village, Makati	218,256.31	10 Years	1-Jun-12	31-May-22
130	MALABON	685 Rizal Ave. ext. San Agustin St.,Malabon City	117,722.04	10 Years	1-Nov-12	31-Oct-22
131	MALABON - GOV. PASCUAL	Gov. Pascual corner Maria Clara St. Acacia, Malabon City	60,160.29	20 Years	1-May-11	30-Apr-31
132	MALOLOS	Paseo Del Congreso, Barangay Liang, Malolos City, Bulacan	275,625.00	10 Years	1-Dec-17	30-Nov-27
133	MALOLOS - MCARTHUR	Units 2, 3 & 4, Twins Plaza Complex, McArthur Highway, Bulihan, Malolos, Bulacan	75,000.00	10 Years	1-Jun-14	31-May-24
134	MANDALUYONG WACK WACK	Unit 1-A Ground Floor , Lee Gardens Condominium, Shaw Blvd ., Mandaluyong City	212,458.09	10 Years	1-May-09	30-Apr-19
135	MANDAUE-SUBANGDAKU	Unit 101-102 G/F KRC Bldg., National Highway , Subangdaku, Mandaue City , Cebu 6014	149,118.84	10 Years	16-Sep-11	15-Sep-21
136	MANGGAHAN	454 Amang Rodriguez Avenue, Manggahan, Pasig City	153,266.60	5 Years	1-Sep-15	31-Aug-20
137	MARIKINA - BLUE WAVE	Bluewave Strip Mall, Sumulong Highway cor. Fernando Ave., Marikina City	148,367.23	5 Years	1-May-17	30-Apr-22
138	MARIKINA - MARCOS HIGHWAY	Unit 13 G/F M&R Complex Marcos Highway corner Gil Fernando Avenue and Marcos Highway, San Roque, Marikina	203,729.52	5 Years	1-Feb-17	31-Jan-22

139	MARIKINA - PARANG	76 B.G. Molina corner E. Rodriguez Streets., Parang, Marikina City 1809	83,771.73	20 Years	1-Jan-09	31-Dec-28
140	MARIKINA - SUMULONG	G/F Algers Bldg. Sumulong Highway Cor. E. Jacinto St. Brgy. Sto. Nino, Marikina City	300,102.43	10 Years	1-Aug-11	31-Jul-21
141	MARIKINA RIVERBANKS	A1-24 Riverbanks Arcade, Riverbanks Center, 84 A. Bonifacio Avenue, Marikina City	166,712.26	5 Years	16-Aug-15	15-Aug-20
142	MATALINO - Q.C.	G/F Sir Thomas Square Bldg. 18 Matalino cor Matatag Sts., Brgy. Central, Quezon City	415,562.40	5 Years	1-Nov-15	31-Oct-20
143	MINDANAO AVE.	Unit A & B, L Bldg., 4 Mindanao Ave. cor. Congressional Ave., Bahay Toro, Proj. 8, QC.	108,241.93	10 Years	5-Nov-13	4-Nov-23
144	MINDORO - CALAPAN	GF HM Home Mark Building, JP Rizal St., Brgy. Camilmil, Calapan City, Oriental Mindoro	127,628.16	10 Years	1-Mar-14	28-Feb-24
145	MUNTINLUPA	DLA BLDG., Ground fl National Road Bgy Putatan Muntinlupa	134,291.52	10 Years	16-Feb-11	15-Feb-21
146	N. DOMINGO	Joyce Appartelle 128 N. Domingo St., San Juan City	169,067.50	10 Years	16-Dec-12	15-Dec-22
147	NAGA	G/F DECA Centro Bldg., cor dinaga street Panganiban drive Naga City Camarines Sur	147,861.61	15 Years	17-Jan-11	16-Jan-26
148	NAVOTAS	873 M. Naval St. ,Sipac-Almacen, Navotas City	114,865.34	17 Years	1-Jan-08	31-Dec-24
149	NOVALICHES	877 G/F Gatmaitan Building, Quirino Highway, Gulod, Novaliches, Quezon City	153,537.63	10 Years	3-Nov-15	2-Nov-25
150	NUEVA ECIJA - GAPAN	GF, Planters Bldng., Tinio St., Bucana, Gapan City, Nueva Ecija	112,204.14	10 Years	1-Aug-14	31-Jul-24
151	NUEVA ECIJA - SAN JOSE	GF, Mario O. Salvador Bldg., Maharlika Highway, Brgy. Malasin, San Jose City, Nueva Ecija	103,037.38	10 Years	1-Oct-14	30-Sep-24
152	NUEVA VIZCAYA - SOLANO	G/F, Ongtao Bldg., Mabini St., Brgy. Quezon, National Hway, Solano, Nueva Vizcaya	109,395.56	10 Years	15-Jul-14	14-Jul-24
153	OLONGAPO	KT Tower, Lot 1147 Rizal Avenue Cor. 18th st., East Bajac Bajac, Olongapo City, Zambales	229,730.68	10 Years	28-Jul-13	27-Jul-23
154	ONGPIN	G/F Ongpin Commercial Center Cor. Gonzalo St. Ongpin Sta. Cruz Manila	274,977.65	15 Years	25-Apr-05	24-Apr-20
155	ORMOC	Units 1 & 2 G/F Ormoc Centrum Aviles cor. San Pedro St., Ormoc City, Leyte	109,395.56	20 Years	29-Sep-05	28-Sep-25
156	ORTIGAS	Unit 110 Parc Chateau Condominium, Onyx cor. Sapphire & Garnet Road, Ortigas Center, Pasig City	127,338.75	10 Years	1-Nov-12	31-Oct-22
157	ORTIGAS - SAN MIGUEL	Ground level, The Crescent Bldg., 21 San Miguel Ave., Ortigas Center, Pasig City.	187,425.00	10 Years	1-Nov-12	31-Oct-22
158	OZAMIZ	Rizal Ave. corner Capistrano St. Ozamiz City, Misamis Occidental	99,071.08	5 Years	16-Apr-19	15-Apr-24

159	P. TUAZON (Murphy)	247 P. Tuazon Blvd., cor. 15th Ave.,Cubao, Quezon City	175,877.55	11 Years	1-Jun-12	31-May-23
160	P. TUAZON - 7TH AVE.	G/F Universal Aquarius Building, 158 P. Tuazon corner 7th Avenue, Cubao, Quezon City	163,772.10	5 Years	15-Sep-14	14-Sep-19
161	PACO	G/F Unit 14 & 15, JCS Building, 1521 Paz Street, Paco, Manila	190,477.57	5 Years	1-Jan-17	31-Dec-21
162	PADRE FAURA	G/F Padre Faura Wing, Robinsons Place Manila, Padre Faura St., Ermita, Manila	388,811.00	5 Years	11-Nov-17	10-Nov-22
163	PAGADIAN	G/F MENDOZA BUILDING, J.P. RIZAL AVENUE , corner B. Aquino Street, Pagadian City	93,079.70	10 Years	16-Jan-16	15-Jan-26
164	PALLOCAN WEST	G/f CS Rayos Bldg. Pallocan West, Batangas City	135,503.77	15 Years	1-Jun-10	31-May-25
165	PAMPANGA - APALIT	G/F ABCDEQQ Bldg., McArthur Highway San Vicente, Apalit, Pampanga	60,775.31	10 Years	15-Oct-15	14-Oct-25
166	PAMPANGA - GUAGUA	G/F, MPS Plaza, Plaza Burgos, Guagua, Pampanga	118,056.04	10 Years	15-Oct-13	14-Oct-23
167	PAMPANGA – SAN FERNANDO SINDALAN	GF, Pinmara Square Bldg., Mc Arthur Hway, Sindalan, San Fernando City, Pampanga	86,590.35	10 Years	1-Jul-15	30-Jun-25
168	PANGASINAN - URDANETA	Poblacion, Mc- Arthur Hi-way, Urdaneta City, Pangasinan	63,814.08	20 Years	1-Sep-12	31-Aug-32
169	PARAÑAQUE	8387 Dr. A. Santos Ave., San Antonio Parañaque City	199,260.00	5 Years	1-Dec-16	30-Nov-21
170	PARAÑAQUE - LA HUERTA	Quirino Avenue Corner M. Rodriguez St., La Huerta, Paranaque 1700	262,801.53	5 Years	22-Dec-15	21-Dec-20
171	PASIG – C. RAYMUNDO AVE.	#1 C. Raymundo Ave. Cor. Mercedes Ave., Caniogan, Pasig City	180,000.00	12 Years	1-Dec-11	30-Nov-23
172	PASIG MUTYA	Mariposa Bldg. Caruncho Ave., Corner Suarez Ave. Palatiw, Pasig City 1600	159,712.37	2 Years	1-Oct-18	30-Sep-21
173	PATEROS	G/F Sanz Building, 506 M. Almeda St., San Roque, Pateros, Metro Manila	120,608.61	10 Years	1-Jul-10	30-Jun-20
174	PLAZA BONIFACIO	A. Mabini Street corner Alcalde Jose St., Kapasigan Pasig City	425,427.19	10 Years	1-Feb-13	31-Jan-23
175	PUERTO PRINCESA	248 Rizal Avenue, Puerto Princesa City, Palawan	222,353.00	10 Years	25-Aug-14	24-Aug-24
176	QUEZON AVE.	GF, Coher Center, 1424 Quezon Ave., South Triangle, Quezon City	96,579.00	10 Years	15-Jun-16	14-Jun-26
177	QUIAPO PALANCA	202 Carlos Palanca St. cor. Villalobos St. Quiapo Manila 1001	189,193.55	10 Years	1-Nov-14	31-Oct-24
178	RIZAL - ANGONO	G/F ARC One Bldg., Quezon Ave., Sunstrip, Angono, Rizal	108,483.93	10 Years	1-Apr-12	31-Mar-22
179	RIZAL - MONTALBAN	Imelda Nocon Bldg., #240 E. Rodriguez Highway, Montalban, Rizal	98,497.03	10 Years	1-Oct-12	30-Sep-22
180	RIZAL - SAN MATEO	GF, Saint Claire Bldg., Gen Luna St., Brgy Ampid 1, San Mateo, Rizal	76,576.89	10 Years	15-Sep-14	14-Sep-24
181	RIZAL - TANAY	GF, Tanay Market Center, Market Road, Brgy. Plaza Aldea, Tanay Rizal	121,550.63	10 Years	1-Aug-14	30-Jul-24
182	RIZAL AVENUE	552-554 Rizal Avenue Sta. Cruz, Manila	177,300.00	10 Years	1-Aug-14	31-Jul-24
183	ROXAS CITY	Arnaldo Boulevard cor Datiles St., Brgy Tanque, Roxas City, Capiz	89,157.89	5 Years	16-Apr-19	15-Apr-24
184	SAN FERNANDO	HPT Building Mc Arthur Highway, Dolores, City of San Fernando, Pampanga.	171,974.04	10 Years	1-Jun-10	31-May-20

185	SAN PABLO	Rizal Avenue, San Pablo City, Laguna	186,782.14	25 Years	1-Aug-03	31-Jul-28
186	SANTIAGO	G/F Insular Life Bldg., Maharlika Highway Brgy. Villasis , Santiago City, Isabela	79,017.67	5 Years	1-Nov-15	31-Oct-20
187	SOLER	Athena Tower, 1258 Soler St. Cor Benavidez St, Binondo, Manila	277,350.00	5 Years	1-Mar-14	28-Feb-19
188	SORSOGON	UGF, Sorsogon Shopping Center, Magsaysay St., Sorsogon City, Sorsogon	175,993.73	10 Years	15-Jan-15	14-Jan-25
189	STA. MARIA	Corazon de Jesus St. Poblacion, Sta. Maria , Bulacan	96,000.00	15 Years	1-May-18	30-Apr-23
190	STA. ROSA	Dragon Arcade Balibago- Tagaytay National Road Brgy Don Jose Sta. Rosa Laguna	150,491.25	20 Years	1-Jun-04	31-May-24
191	TABORA	817-819 Tabora st.. Binondo, Manila	243,800.00	20 Years	16-Feb-08	15-Feb-28
192	TACLOBAN	Ground Floor Tacloban Plaza Bldg., Justice Romualdez St., Tacloban City, Leyte	129,600.00	5 Years	11-Jan-18	10-Jan-23
193	TAGBILARAN	#152 Ideal Cinema Bldg., CPG Avenue, Tagbilaran City, Bohol	256,780.50	10 Years	1-Jan-13	31-Dec-22
194	TAGUIG - GEN. LUNA	G/F Paulina Bldg. # 8 Gen. Luna Ave., Tuktukan, Taguig City	136,084.03	10 Years	1-Sep-11	30-Aug-21
195	TAGUIG - KALAYAAN	Shop 10 Philplans Corporate Center, 1012 North Triangle Drive, Bonifacio Global City, Taguig	352,386.00	5 Years	1-Apr-19	31-Mar-24
196	TAGUIG - MCKINLEY HILL	GF, Morgan Suites Executive Residences, McKinley Hill, Fort Bonifacio, Taguig City	203,762.00	4 Years & 9 months	1-Aug-19	31-Jul-20
197	TANDANG SORA	Amina Building Tierra Bella Subd, Tandang Sora Ave., Tandang Sora Quezon City	100,800.00	4 Years	6-Jan-19	5-Jan-29
198	TARLAC - CAPAS	Ground Floor Puregold Supermarket Sto. Domingo 1st, Capas, Tarlac	95,721.12	15 Years	1-Oct-10	30-Sep-25
199	TARLAC - MC ARTHUR HWAY	GF, Conrado Bldg., Mc Arthur Hway, San Sebastian Village, Tarlac City	79,702.48	10 Years	12-Oct-15	11-Oct-25
200	TAYTAY	Ison Bldg. JP Rizal Ave., corner Ison St. Brgy Dolores,Taytay Rizal	134,774.98	20 Years	1-Jan-05	31-Dec-24
201	TAYTAY - MANILA EAST	Manila East Road corner Ignacio St Brgy San Juan Taytay	100,507.17	20 Years	15-Feb-12	14-Feb-32
202	TIMOG	#58 Castro Bldg. Barangay Laging Handa, Timog Ave. Quezon City	226,497.43	5 Years	1-Apr-18	31-Mar-23
203	TM KALAW	G/F Sunview Palace Condominium T.M. Kalaw cor M.H. del Pilar Sts. Ermita, Manila	194,573.13	10 Years	1-May-14	30-Apr-24
204	TUGUEGARAO	GSM Building Luna cor Del Rosario Streets, Tuguegarao City	120,393.00	20 Years	14-Sep-05	13-Sep-25
205	UN AVENUE	G/F Linsangan Admiralty Bldg. 1225 UN Avenue Paco, Manila.	108,592.97	10 Years	31-Oct-13	30-Oct-23
206	VALENZUELA - MALANDAY	G/F One Centrum Place, #618 Mc Arthur Highway, Malanday, Valenzuela City	140,710.04	10 Years	1-Sep-11	31-Aug-21
207	VALENZUELA - PASO DE BLAS	141 Paso De Blas St., Valenzuela City	68,963.00	20 Years	1-Jul-10	30-Jun-30
208	VIGAN	G/F PM Prime Bldg. Florentino St. Vigan City, Ilocos Sur	160,051.77	5 Years	20-Jun-19	19-Jun-24
209	VITO CRUZ	G/F Burgundy Westbay Tower, 820 Pablo Ocampo Street, Malate	141,835.72	10 Years	1-Jan-14	31-Dec-23

		Manila				
210	WEST AVE.	49 West Avenue, Quezon City	172,746.70	10 Years	1-Mar-10	28-Feb-20
211	WILSON	#1 Barasoain cor. Wilson St., Greenhills, San Juan	149,676.91	10 Years	1-Dec-12	30-Nov-22
212	YLAYA	999 – 1003 Ylaya Street Tondo, Manila 1012	151,464.95	20 Years	21-Apr-04	20-Apr-24
213	ZAMBALES - IBA	GF, Iba Town Center, National Hi-way Zone 1, Poblacion, Iba Zambales	143,672.10	5 Years	15-Aug-14	14-Aug-19
214	ZAMBALES - SUBIC TOWN	GF, ATAW Bldg., National Highway, Baraca - Camachile, Subic, Zambales	109,395.56	10 Years	21-Nov-15	20-Nov-25
215	ZAMBOANGA	Mayor Vitaliano Agan Avenue, Camino Nuevo, Zamboanga City	77,613.31	20 Years	15-Jul-04	14-Jul-24
216	ZAMBOANGA - GUIWAN	Maria Clara Lobregat National Highway, Guiwan, Zamboanga City	42,350.00	10 Years	1-Apr-11	31-Mar-21
217	ZAMBOANGA - PILAR	G/F Martha Bldg. Pilar Street, Zamboanga City	125,583.71	10 Years	1-Sep-10	31-Aug-20
218	BACOLOD NORTH DRIVE	G/F Riverside Pharmacy Bldg., BS Aquino Drive, Bacolod City	188,168.73	10 Years	1-Sep-08	20-Dec-19
219	CALOOCAN – EDSA	382 Galauran compound Edsa Caloocan City	133,865.55	5 Years	1-Sep-18	31-Aug-23
220	QUIRINO AVENUE	484 Quirino Highway, Novaliches Quezon City	172,897.20	10 Years	8-Nov-18	8-Nov-28
221	PASEO DE STA. ROSA	Paseo De Sta. Rosa, Arcadia Bldng, Unit 1, Upper Ground Floor, San Bruno Drive corner Tagaytay-Balibago Road, Sta. Rosa City, Laguna	398,550.90	2 Years	16-Sep-19	15-Sep-21

Exhibit 3

PHILIPPINE SAVINGS BANK
EVENTS REPORTED UNDER FORM 17-C
(Reports filed during the year 2019)

No.	Particulars	Date Reported
1	PSBank reported the following information as of December 31, 2018: 1. Top 20 Stockholders 2. Top 100 Stockholders 3. Statement of Beneficial Ownership 4. Summary Report on Distribution of Stockholdings by Nationality 5. List of Major PSBank Stockholders Owning 5% or more 6. List of Stockholders and their Stockholdings 7. Changes in Stockholdings of Stockholders	January 11, 2019
2	PSBank reported the final consolidated report dated January 16, 2019 for the stock rights offering of Philippine Savings Bank. The actual subscription of the Rights Shares will become effective only upon listing of the Rights Shares on the Philippine Stock Exchange on January 18, 2019.	January 18, 2019
3	PSBank reported that the Board of Directors, in its meeting held on 17 January 2019, passed a resolution on the following: 1. Scheduling of the Annual Stockholders Meeting on April 15, 2019 at 3 o'clock in the afternoon at the 19th Floor, PSBank Center, Paseo de Roxas corner Sedeno Street, Makati City; 2. Setting March 1, 2019 as the Record Date for determining stockholders entitled to notice and to vote in the Meeting; and 3. Granting of authority to Mr. Jose Vicente L. Alde, PSBank President, to change the date, time and place of the Meeting as well as the record date and to decide on such other related matters as may be required by the regulators and other exigencies; and to sign, execute and deliver any and all documents and to do and perform any and all acts as may be necessary to carry into effect the intents and purposes of the foregoing.	January 21, 2019
4	PSBank reported that the Board of Directors, in its meeting held on 17 January 2019, passed a resolution declaring a 7.5% Regular Cash Dividend for the fourth quarter of 2018 amounting to ₱287.33 million equivalent to ₱0.75 per share. This will be payable to all common stockholders as of the Record Date of 01 February 2019 and will be paid no later than the Payment Date of 18 February 2019.	January 22, 2019
5	PSBank reported the attendance of its Board of Directors in Corporate Governance Seminars for the year 2018 and the corresponding certification issued by the Corporate Secretary, Mr. Pocholo V. Dela Peña.	January 31, 2019
6	PSBank reported that the Board of Directors, in its meeting held on February 15, 2019, passed a resolution approving the request to exercise the option to call on PSBank's Unsecured Subordinated Debt – Tier 2 Notes amounting to ₱3.0 billion issued on 23 May 2014.	February 20, 2019
7	PSBank reported that the Board of Directors, in its meeting held on March 12, 2019, passed a resolution approving the following matters: 1. Increase in the authorized capital stock of PSBank by Php 1.75 Billion with corresponding amendment of the Bank's Articles of Incorporation to reflect such increase; and 2. Declaration of Php 437.50 Million in stock dividends in relation to the increase in the authorized capital stock	March 18, 2019
8	PSBank reported that the Board of Directors, in its meeting held on March 12, 2019, passed a resolution approving the issuance of up to ₱40.0 billion in Peso Dominated Bonds in multiple tranches.	March 18, 2019
9	PSBank reported its financial results for year-end 2018.	March 25, 2019
10	PSBank reported the following information as of March 31, 2019: 1. Top 20 Stockholders 2. Top 100 Stockholders 3. Statement of Beneficial Ownership 4. Summary Report on Distribution of Stockholdings by Nationality 5. List of Major PSBank Stockholders Owning 5% or more 6. List of Stockholders and their Stockholdings 7. Changes in Stockholdings of Stockholders	April 15, 2019

11	PSBank reported that the Board of Directors, in its meeting held on 15 April 2019, passed a resolution declaring a 7.5% Regular Cash Dividend for the first quarter of 2019 amounting to Php 287.33 million equivalent to Php 0.75 per share. This will be payable to all common stockholders as of the Record Date of 03 May 2019 and will be paid no later than the Payment Date of 15 May 2019.	April 17, 2019
12	PSBank reported the results of its Annual Stockholders' Meeting held on 15 April 2019.	April 17, 2019
13	PSBank reported the results of its Organizational Meeting held on 15 April 2019.	April 17, 2019
14	PSBank reported its financial results for first quarter of 2019.	May 15, 2019
15	PSBank reported the following information as of June 30, 2019: 1. Top 20 Stockholders 2. Top 100 Stockholders 3. Statement of Beneficial Ownership 4. Summary Report on Distribution of Stockholdings by Nationality 5. List of Major PSBank Stockholders Owning 5% or more 6. List of Stockholders and their Stockholdings 7. Changes in Stockholdings of Stockholders	July 10, 2019
16	PSBank reported that the Board of Directors, in its meeting held on 19 July 2019, passed a resolution declaring a 7.5% Regular Cash Dividend for the second quarter of 2019 amounting to ₱287.33 million equivalent to ₱0.75 per share. This will be payable to all common stockholders as of the Record Date of 05 August 2019 and will be paid no later than the Payment Date of 19 August 2019.	July 23, 2019
17	PSBank reported the listing of its Fixed Rate Bonds Due 2021 with a total issue size of ₱6.3 Billion; approximately twice its initial target of ₱3.0 Billion.	July 30, 2019
18	PSBank reported its financial results for first half of 2019.	August 14, 2019
19	PSBank reported the following information as of September 30, 2019: 1. Top 20 Stockholders 2. Top 100 Stockholders 3. Statement of Beneficial Ownership 4. Summary Report on Distribution of Stockholdings by Nationality 5. List of Major PSBank Stockholders Owning 5% or more 6. List of Stockholders and their Stockholdings 7. Changes in Stockholdings of Stockholders	October 7, 2019
20	PSBank reported that the Board of Directors, in its meeting held on 14 October 2019, passed a resolution declaring a 7.5% Regular Cash Dividend for the third quarter of 2019 amounting to ₱287.33 million equivalent to ₱0.75 per share. This will be payable to all common stockholders as of the Record Date of 29 October 2019 and will be paid no later than the Payment Date of 13 November 2019.	October 16, 2019
21	PSBank reported its financial results for third quarter of 2019.	November 8, 2019
22	PSBank reported that the Bank's application for the increase of its authorized capital stock to ₱6,000,000,000.00 divided into 600,000,000 common shares with a par value of ₱10.00 per share including the corresponding amendments to its Articles of Incorporation (Article VII) had been approved by the SEC on November 20, 2019 and received by the Bank on December 11, 2019. Further, the Commission approved January 31, 2020 as the Record Date for the stock dividend equivalent to 437,500,000.00 common shares that shall be applied as payment of the required subscription to the increase in capital stock.	December 16, 2019

PSBank
PHILIPPINE SAVINGS BANK
Metrobank Group

Exhibit 4

SECURITIES AND EXCHANGE COMMISSION
G/F Secretariat Building
PICC Complex, Roxas Boulevard
Pasay City, 1307

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Philippine Savings Bank** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019 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 company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the company'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 or members.

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

JOSE T. PARDO	**JOSE VICENTE L. ALDE**	**LEAH M. ZAMORA**
Chairman of the Board	President	Controller

Signed this day of FEB 2 0 2020.

PSBank Center, 777 Paseo de Roxas corner Sedeno St., Makati City 1226
Telephone: 885-8208 • 944-1772 • Fax: 845-0007 • www.psbank.com.ph

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

MAKATI CITY FEB 2 1 2020

SUBSCRIBED AND SWORN TO before me this____________ affiants exhibiting to me their passports as follow:

Name	Passport No.	Date of Issue	Place of Issue
Jose T. Pardo	P1032165A	11/29/2016	Manila
Jose Vicente L. Alde	EC8083957	06/21/2016	Manila
Leah M. Zamora	P2244078A	03/11/2017	Manila

ATTY. GERVACIO B. ORTIZ, JR.
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
PTR NO. 7335104/01-03-2019 MAKATI
IBP NO 656155 LIFETIME MEMBER
APPT. NO. M104/2017/ROLL NO. 40091
MCLE COMPLIANCE NO. V-0006934
GROUND FLOOR 8747 PASEO DE
ROXAS, LEPANTO BLDG

Doc. No. 119
Page No. 25
Book No. XVI
Series of 2020.

Exhibit 5

Philippine Savings Bank

Financial Statements
December 31, 2019 and 2018
and for the Years Ended December 31, 2019,
2018 and 2017

and

Independent Auditor's Report

SGV
Building a better
working world

A member firm of Ernst & Young Global Limited

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

SEC Registration Number

1	5	5	5	2						

C O M P A N Y   N A M E

PHILIPPINE SAVINGS BANK

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

PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City

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

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
	8885-8208	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,458	04/21	12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Leah M. Zamora	LMZamora@psbank.com.ph	(632) 8845-8816	

CONTACT PERSON's ADDRESS

777 Paseo de Roxas corner Sedeño St., Makati City, Philippines

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

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

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philippine Savings Bank
PSBank Center
777 Paseo de Roxas corner Sedeño Street
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Philippine Savings Bank ("the Bank"), which comprise the statements of condition as at December 31, 2019 and 2018 and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2019 and 2018, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2019, 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 Financial Statements* section of our report. We are independent of the 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 financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Adoption of PFRS 16, Leases
Effective January 1, 2019, the Bank adopted PFRS 16, *Leases*, under the modified retrospective approach and resulted in significant changes in the Bank's accounting policy for leases. The Bank's adoption of PFRS 16 is significant to our audit because the Bank has high volume of lease agreements; the recorded amounts are material to the financial statements; and adoption involves application of significant judgment and estimation in determining the lease term, including evaluating whether the Bank is reasonably certain to exercise options to extend or terminate the lease and determining the incremental borrowing rate. This resulted in the recognition of right of use assets and lease liability amounting to ₱1.4 billion and ₱1.6 billion, respectively, as of January 1, 2019 and the recognition of depreciation expense of ₱373.1 million and interest expense of ₱113.6 million , for the year ended December 31, 2019.

The disclosures related to the adoption of PFRS 16 applied by the Bank, are included in Notes 2, 11, 19 and 25 to the financial statements.

Audit response
We obtained an understanding of the Bank's process in implementing the new standard, including the determination of the population of the lease contracts covered by PFRS 16, the application of the short-term and low value assets exemptions, the selection of the transition approach and any election of available practical expedients. We tested the completeness of the population of lease agreements by comparing the number of leases per operational report against the master lease schedule. On a test basis, we inspected lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements) from the master lease schedule, identified their contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management, which covers the calculation of the financial impact of PFRS 16, including the transition adjustments.

For selected lease contracts with renewal and/or termination option, we reviewed the management's assessment of whether it is reasonably certain that the Bank will exercise the option to renew or not exercise the option to terminate. We tested the parameters used in the determination of the incremental borrowing rate by reference to market data. We test computed the lease calculation prepared by management on a sample basis, including the transition adjustments.

We reviewed the disclosures related to the transition adjustments based on the requirements of PFRS 16 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

Adequacy of allowance for credit losses
The Bank's application of the Expected Credit Loss (ECL) model in calculating the allowance for credit losses is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Bank's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset and expected recoveries from defaulted accounts; and incorporating forward-looking information (called overlays) in calculating ECL.

Allowance for credit losses as of December 31, 2019 for the Bank amounted to ₱3.9 billion. Provision for credit losses of the Bank in 2019 using the ECL model amounted to ₱2.2 billion.

Refer to Note 15 of the financial statements for the disclosure on the details of the allowance for credit losses using the ECL model.

Audit response

We obtained an understanding of the board-approved methodologies and models used for the Bank's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information. We also inspected and considered the results of PFRS 9 model validation performed by management's specialist.

We (a) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place; (b) tested the Bank's application of internal credit risk rating system by reviewing the ratings of sample credit exposures; (c) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations; (d) tested exposure at default considering outstanding commitments and repayment scheme; and (e) checked the reasonableness of forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Bank's lending portfolios and broader industry knowledge.

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

We recalculated impairment provisions on a sample basis. We reviewed the completeness of the disclosures made in the financial statements.

We involved our internal specialists in the performance of the above procedures.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17-A, SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2019, but does not include the financial statements and our auditor's report thereon. The SEC Form 17-A, SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

In preparing the 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.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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 Bank to cease to continue as a going concern.

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 36 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine Savings Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Veronica Mae A. Arce.

SYCIP GORRES VELAYO & CO.

Veronica Arce

Veronica Mae A. Arce
Partner
CPA Certificate No. 0117208
SEC Accreditation No. 1740-A (Group A),
February 7, 2019, valid until February 6, 2022
Tax Identification No. 234-282-413
BIR Accreditation No. 08-001998-135-2018,
December 17, 2018, valid until December 16, 2021
PTR No. 8125206, January 7, 2020, Makati City

February 20, 2020

PHILIPPINE SAVINGS BANK
STATEMENTS OF CONDITION

	December 31	
	2019	2018
ASSETS		
Cash and Other Cash Items	**₱2,281,813,055**	₱3,776,087,269
Due from Bangko Sentral ng Pilipinas (Note 16)	**6,814,865,832**	15,156,184,418
Due from Other Banks (Note 29)	**1,138,642,148**	1,682,806,080
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (Note 7)	**–**	1,891,820,000
Fair Value Through Profit or Loss (FVTPL) Investments (Note 8)	**43,674**	10,107,022
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 8)	**4,775,388,467**	12,931,601,524
Investment Securities at Amortized Cost (Note 8)	**34,233,974,816**	35,646,765,264
Loans and Receivables (Note 9)	**164,384,202,213**	156,260,362,775
Investment in a Joint Venture (Notes 10 and 29)	**755,781,369**	691,425,681
Property and Equipment (Note 11)	**3,312,836,126**	2,257,379,905
Investment Properties (Note 12)	**3,765,748,696**	4,036,317,716
Deferred Tax Assets (Note 27)	**1,398,136,782**	1,327,667,084
Intangible Assets and Goodwill (Note 13)	**480,456,498**	655,446,833
Other Assets (Note 14)	**1,564,931,514**	1,405,320,467
	₱224,906,821,190	₱237,729,292,038

LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities (Note 16)		
Demand	**₱22,490,617,234**	₱20,367,043,344
Savings	**35,691,639,304**	33,399,725,991
Time	**105,912,878,349**	138,525,888,196
Long-term Negotiable Certificates of Deposits	**8,409,975,273**	8,395,281,852
	172,505,110,160	200,687,939,383
Bills Payable (Note 17)	**4,189,736,932**	2,968,567,431
Bonds Payable (Note 17)	**6,254,701,780**	–
Subordinated Notes (Note 17)	**–**	2,981,673,382
Treasurer's, Cashier's and Manager's Checks	**1,297,680,147**	1,615,520,188
Accrued Taxes, Interest and Other Expenses (Note 18)	**1,409,451,987**	2,014,522,713
Financial Liabilities at FVTPL (Note 8)	**–**	2,895,073
Income Tax Payable	**374,977**	637,607
Other Liabilities (Note 19)	**4,792,491,744**	3,063,388,051
	190,449,547,727	213,335,143,828

(Forward)

	December 31	
	2019	2018
Equity		
Common Stock (Note 21)	**₱3,831,094,160**	₱2,402,524,910
Capital Paid in Excess of Par Value (Note 21)	**9,287,650,873**	2,818,083,506
Surplus Reserves (Note 30)	**1,037,214,639**	1,035,899,409
Surplus (Note 21)	**21,269,544,274**	19,391,850,112
Fair Value Reserves on Financial Assets at FVOCI (Note 8)	**(18,931,431)**	(782,896,279)
Remeasurement Losses on Retirement Plan (Note 24)	**(937,954,589)**	(470,611,677)
Equity in Remeasurement Gains on Retirement Plan of a Joint Venture (Note 10)	**941,681**	3,131,435
Cumulative Translation Adjustment	**(12,286,144)**	(3,833,206)
	34,457,273,463	24,394,148,210
	₱224,906,821,190	₱237,729,292,038

See accompanying Notes to Financial Statements.

PHILIPPINE SAVINGS BANK
STATEMENTS OF INCOME

	Years Ended December 31		
	2019	2018	2017
INTEREST INCOME			
Loans and receivables (Note 9)	**₱15,481,189,433**	₱14,268,805,623	₱12,477,133,237
Financial assets at FVOCI/AFS investments and investment securities at amortized cost/HTM investments (Note 8)	**1,896,257,446**	1,985,357,651	1,773,020,358
Interbank loans receivable and securities purchased under resale agreements (Note 7)	**30,140,459**	89,723,370	61,037,150
Due from other banks	**4,066,446**	4,338,859	2,608,271
Due from Bangko Sentral ng Pilipinas	**831,792**	16,662,587	179,406,826
FVTPL investments (Note 8)	**2,152**	9,088,886	50,570,958
	17,412,487,728	16,373,976,976	14,543,776,800
INTEREST EXPENSE			
Deposit liabilities (Note 16)	**5,327,625,405**	4,818,493,359	3,214,665,720
Bills payable (Note 17)	**319,718,630**	55,857,635	58,953,437
Bonds payable (Note 17)	**167,596,354**	–	–
Subordinated notes (Note 17)	**125,118,285**	167,675,686	191,058,261
Lease liabilities	**113,560,729**	–	–
	6,053,619,403	5,042,026,680	3,464,677,418
NET INTEREST INCOME	**11,358,868,325**	11,331,950,296	11,079,099,382
Service fees and commission income (Note 22)	**1,951,941,673**	1,721,745,423	1,470,202,440
Service fees and commission expense (Note 22)	**88,437,296**	96,107,664	94,428,291
NET SERVICE FEES AND COMMISSION INCOME	**1,863,504,377**	1,625,637,759	1,375,774,149
OTHER OPERATING INCOME (CHARGES)			
Gain on foreclosure and sale of investment properties - net (Note 12)	**611,833,898**	421,975,957	348,813,362
Gain (loss) on foreclosure and sale of chattel mortgage properties – net (Note 14)	**(84,902,195)**	232,063,012	584,947,874
Trading and securities gains (losses) - net (Note 8)	**223,992,445**	(133,297,506)	(65,237,826)
Foreign exchange gain - net	**65,884,165**	88,032,388	56,483,920
Gain on sale of property and equipment (Note 11)	**8,132,940**	7,918,569	1,731,001
Miscellaneous (Notes 12, 23 and 25)	**554,897,890**	624,299,435	507,510,359
	1,379,839,143	1,240,991,855	1,434,248,690
TOTAL OPERATING INCOME	**14,602,211,845**	14,198,579,910	13,889,122,221
OTHER EXPENSES			
Compensation and fringe benefits (Notes 24 and 29)	**3,520,613,973**	3,363,828,408	3,260,605,852
Provision for credit and impairment losses (Note 15)	**2,214,989,857**	2,137,972,532	2,270,178,805
Taxes and licenses	**1,549,754,043**	1,627,741,446	1,268,907,979
Depreciation (Note 11)	**910,341,824**	622,182,083	635,436,103
Security, messengerial and janitorial services	**453,062,842**	493,737,524	477,533,030
Occupancy and equipment-related costs (Note 25)	**322,330,030**	763,766,590	740,050,501
Amortization of intangible assets (Note 13)	**135,054,994**	159,089,068	135,432,343
Miscellaneous (Notes 12 and 26)	**2,023,191,282**	2,140,897,722	2,251,333,506
	11,129,338,845	11,309,215,373	11,039,478,119

(Forward)

	Years Ended December 31		
	2019	2018	2017
INCOME BEFORE SHARE IN NET INCOME OF A JOINT VENTURE AND INCOME TAX	**₱3,472,873,000**	₱2,889,364,537	₱2,849,644,102
SHARE IN NET INCOME OF A JOINT VENTURE (Notes 10 and 29)	**105,905,423**	82,376,569	71,836,533
INCOME BEFORE INCOME TAX	**3,578,778,423**	2,971,741,106	2,921,480,635
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	**414,828,340**	381,369,781	394,082,636
Deferred	**135,612,443**	(71,774,541)	(127,021,129)
	550,440,783	309,595,240	267,061,507
NET INCOME	**₱3,028,337,640**	₱2,662,145,866	₱2,654,419,128
Basic/Diluted Earnings Per Share (Note 28)	**₱8.03**	₱10.51*	₱10.48*

*Restated to show the effect of stock rights issued in January 2019

See accompanying Notes to Financial Statements.

PHILIPPINE SAVINGS BANK

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
NET INCOME	**₱3,028,337,640**	₱2,662,145,866	₱2,654,419,128
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that recycle to profit or loss in subsequent periods:			
Fair value reserves on debt securities at FVOCI (Note 8)	**762,418,992**	(713,972,048)	–
Cumulative translation adjustment	**(8,452,938)**	242,833	(5,518,027)
Net unrealized gain (loss) from Available-for-sale investments (Note 8)	**–**	–	431,398,146
	753,966,054	(713,729,215)	425,880,119
Items that do not recycle to profit or loss in subsequent periods:			
Remeasurement gains (losses) on retirement plan (Note 24)	**(667,632,731)**	106,829,806	(5,273,354)
Equity in remeasurement gains (losses) on retirement plan of a joint venture (Note 10)	**(2,189,754)**	1,886,291	(198,455)
Fair value reserves on equity securities at FVOCI (Note 8)	**1,545,856**	222,501	–
Income tax effect (Note 27)	**200,289,819**	(32,048,942)	1,582,006
	(467,986,810)	76,889,656	(3,889,803)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**285,979,244**	(636,839,559)	421,990,316
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**₱3,314,316,884**	₱2,025,306,307	₱3,076,409,444

See accompanying Notes to Financial Statements.

PHILIPPINE SAVINGS BANK
STATEMENTS OF CHANGES IN EQUITY

	Common Stock (Note 21)	Capital Paid in Excess of Par Value (Note 21)	Surplus Reserves (Note 30)	Surplus (Note 21)	Fair Value Reserves on Financial Assets at FVOCI / Net Unrealized Loss on Available-for-Sale Investments (Note 8)	Remeasurement Losses on Retirement Plan (Note 24)	Equity in Remeasurement Gains on Retirement Plan of a Joint Venture (Note 10)	Cumulative Translation Adjustment	Total
Balance at January 1, 2019	**₱2,402,524,910**	**₱2,818,083,506**	**₱1,035,899,409**	**₱19,391,850,112**	**(₱782,896,279)**	**(₱470,611,677)**	**₱3,131,435**	**(₱3,833,206)**	**₱24,394,148,210**
Issuance of stock rights (Note 21)	**1,428,569,250**	**6,469,567,367**	**–**	**–**	**–**	**–**	**–**	**–**	**7,898,136,617**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**3,028,337,640**	**763,964,848**	**(467,342,912)**	**(2,189,754)**	**(8,452,938)**	**3,314,316,884**
Cash dividends (Note 21)	**–**	**–**	**–**	**(1,149,328,248)**	**–**	**–**	**–**	**–**	**(1,149,328,248)**
Appropriation of surplus to trust business (Note 30)	**–**	**–**	**1,315,230**	**(1,315,230)**	**–**	**–**	**–**	**–**	**–**
Balance at December 31, 2019	**₱3,831,094,160**	**₱9,287,650,873**	**₱1,037,214,639**	**₱21,269,544,274**	**(₱18,931,431)**	**(₱937,954,589)**	**₱941,681**	**(₱12,286,144)**	**₱34,457,273,463**
Balance at January 1, 2018	₱2,402,524,910	₱2,818,083,506	₱1,035,402,901	₱17,097,046,504	(₱411,510,218)	(₱545,392,541)	₱1,245,144	(₱4,076,039)	₱22,393,324,167
Effect of the adoption of PFRS 9	–	–	–	353,911,723	342,363,486	–	–	–	696,275,209
Balance at January 1, 2018, as restated	₱2,402,524,910	₱2,818,083,506	₱1,035,402,901	₱17,450,958,227	(₱69,146,732)	(₱545,392,541)	₱1,245,144	(₱4,076,039)	₱23,089,599,376
Total comprehensive income (loss) for the year	–	–	–	2,662,145,866	(713,749,547)	74,780,864	1,886,291	242,833	2,025,306,307
Cash dividends (Note 21)	–	–	–	(720,757,473)	–	–	–	–	(720,757,473)
Appropriation of surplus to trust business (Note 30)	–	–	496,508	(496,508)	–	–	–	–	–
Balance at December 31, 2018	₱2,402,524,910	₱2,818,083,506	₱1,035,899,409	₱19,391,850,112	(₱782,896,279)	(₱470,611,677)	₱3,131,435	(₱3,833,206)	₱24,394,148,210
Balance at January 1, 2017	₱2,402,524,910	₱2,818,083,506	₱1,035,275,317	₱15,163,512,433	(₱842,908,364)	(₱541,701,193)	₱1,443,599	₱1,441,988	₱20,037,672,196
Total comprehensive income (loss) for the year	–	–	–	2,654,419,128	431,398,146	(3,691,348)	(198,455)	(5,518,027)	3,076,409,444
Cash dividends (Note 21)	–	–	–	(720,757,473)	–	–	–	–	(720,757,473)
Appropriation of surplus to trust business (Note 30)	–	–	127,584	(127,584)	–	–	–	–	–
Balance at December 31, 2017	₱2,402,524,910	₱2,818,083,506	₱1,035,402,901	₱17,097,046,504	(₱411,510,218)	(₱545,392,541)	₱1,245,144	(₱4,076,039)	₱22,393,324,167

See accompanying Notes to Financial Statements.

PHILIPPINE SAVINGS BANK
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,578,778,423**	₱2,971,741,106	₱2,921,480,635
Adjustments to reconcile income before income tax to net cash provided by operations:			
Provision for credit and impairment losses (Note 15)	**2,214,989,857**	2,137,972,532	2,270,178,805
Depreciation (Note 11)	**910,341,824**	622,182,083	635,436,103
Amortization of premium (discount) on financial assets at fair value through other comprehensive income and investment securities at amortized cost	**1,038,248,791**	(565,582,794)	–
Loss (Gain) on foreclosure and sale of:			
Investment properties (Note 12)	**(611,833,898)**	(421,975,957)	(348,813,361)
Chattel mortgage properties (Note 14)	**84,902,195**	(232,063,012)	(584,947,873)
Amortization of:			
Intangible assets (Note 13)	**135,054,994**	159,089,068	135,432,343
Debt issuance costs (Note 17)	**51,072,480**	12,466,263	3,265,585
Accretion of lease liabilities (Note 25)	**113,560,729**	–	–
Realized loss (gain) on sale of financial assets at fair value through other comprehensive income (FVOCI) (Note 8)	**(224,424,552)**	92,278,733	–
Share in net income of a joint venture (Note 10)	**(105,905,423)**	(82,376,569)	(71,836,533)
Fair value loss (gains) on fair value through profit or loss investments (Note 8)	**(9,784)**	16,941,771	(12,181,153)
Gain on sale of property and equipment (Note 11)	**(8,132,940)**	(7,918,569)	(1,731,001)
Amortization of premium (discount) on available-for-sale investments and held-to-maturity investments	**–**	–	345,911,497
Realized loss on sale of available-for-sale investments (Note 8)	**–**	–	49,756,366
Loss on sale of a joint venture	**–**	–	2,052,642
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Fair value through profit or loss investments	**7,178,059**	1,512,257,295	941,420,934
Loans and receivables	**(13,941,308,215)**	(15,682,534,934)	(22,428,511,076)
Other assets	**9,737,244**	(177,995,072)	(35,731,437)
Increase (decrease) in:			
Deposit liabilities	**(28,187,004,930)**	11,765,973,830	30,523,557,488
Treasurer's, cashier's and manager's checks	**(317,840,041)**	(598,349,515)	453,363,881
Accrued taxes, interest and other expenses	**(415,997,141)**	356,099,813	464,596,545
Other liabilities	**(338,670,707)**	(500,120,437)	329,104,407
Cash generated from (used in) operations	**(36,007,263,035)**	1,378,085,635	15,591,804,797
Income taxes paid	**(415,090,970)**	(381,107,451)	(394,158,858)
Dividends received from joint venture investment (Note 10)	**39,359,981**	–	–
Net cash provided by (used in) operating activities	**(36, 382,994,024)**	996,978,184	15,197,645,939
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
Financial assets at FVOCI	**(1,924,784,626)**	(6,318,566,676)	–
Property and equipment (Note 11)	**(124,268,752)**	(182,350,588)	(227,119,984)
Other intangible assets (Note 13)	**(44,356,459)**	(99,611,845)	(345,190,531)
Investment securities at amortized cost	**–**	(1,863,449,350)	–
Available-for-sale investments	–	–	(9,380,635,227)
Held-to-maturity investments	–	–	(6,917,136,761)

(Forward)

	Years Ended December 31		
	2019	2018	2017
Proceeds from sale/maturities of:			
Financial assets at FVOCI (Note 8)	**₱10,879,133,032**	₱4,919,018,184	₱–
Chattel mortgage properties (Note 14)	**2,688,067,819**	2,346,032,425	2,146,956,711
Investment properties (Note 12)	**1,276,797,669**	701,479,408	784,512,544
Investment securities at amortized cost	**557,776,500**	–	–
Property and equipment (Note 11)	**47,736,237**	45,609,973	24,120,404
Available-for-sale investments (Note 8)	**–**	–	5,879,947,979
Held to maturity investments (Note 8)	**–**	–	324,545,000
Investment in a joint venture (Note 10)	**–**	–	189,960,000
Net cash provided by (used in) investing activities	**13,356,101,420**	(451,838,469)	(7,520,039,865)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of bills payable (Note 32)	**382,498,646,855**	87,840,542,536	–
Settlement of bills payable (Note 32)	**(381,298,646,855)**	(86,365,497,487)	(4,601,585,608)
Issuance of stock rights (Note 21)	**7,898,136,617**	–	–
Issuance of bonds payable (Note 17 and 32)	**6,243,125,419**	–	–
Settlement of subordinated notes (Note 17 and 32)	**(3,000,000,000)**	–	(3,000,000,000)
Dividends paid (Note 21)	**(1,149,328,248)**	(720,757,473)	(720,757,473)
Payment of lease liabilities (Notes 25 and 32)	**(439,476,020)**	–	–
Net cash provided by (used in) financing activities	**10,752,457,768**	754,287,576	(8,322,343,081)
Effect of exchange rate differences	**(180,999)**	6,116	(225,564)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(12,274,615,835)**	1,299,433,407	(644,962,571)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items	**3,776,087,269**	2,596,872,801	2,778,009,185
Due from Bangko Sentral ng Pilipinas (Note 16)	**15,159,012,316**	15,265,387,772	13,986,784,696
Due from other banks	**1,685,106,753**	1,508,489,309	1,838,630,022
Interbank loans receivable and securities purchased under resale agreements (Note 7)	**1,892,000,000**	1,842,023,049	3,254,311,599
	22,512,206,338	21,212,772,931	21,857,735,502
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	**2,281,813,055**	3,776,087,269	2,596,872,801
Due from Bangko Sentral ng Pilipinas (Note 16)	**6,816,092,181**	15,159,012,316	15,265,387,772
Due from other banks	**1,139,685,267**	1,685,106,753	1,508,489,309
Interbank loans receivable and securities purchased under resale agreements (Note 7)	**–**	1,892,000,000	1,842,023,049
	₱10,237,590,503	₱22,512,206,338	₱21,212,772,931
OPERATIONAL CASH FLOWS FROM INTEREST			
Interest paid	**₱6,468,552,306**	₱4,669,014,050	₱5,012,646,483
Interest received	**18,507,292,047**	15,413,717,174	10,936,013,646

See accompanying Notes to Financial Statements.

1. Corporate Information

Philippine Savings Bank (the Bank) was incorporated in the Philippines primarily to engage in savings and mortgage banking. The Bank's shares are listed in the Philippine Stock Exchange (PSE). The Bank offers a wide range of products and services such as deposit products, loans, treasury and trust functions that mainly serve the retail and consumer markets. On September 6, 1991, the Bank was authorized to perform trust functions.

As of December 31, 2019 and 2018, the Bank had 250 branches. In 2019, the Bank had 288 Automated Tellering Machines (ATMs) in Metro Manila and 269 in provincial locations, bringing its total number of ATMs to 557 as of December 31, 2019 and 575 as of December 31, 2018.

The Bank's original Certificate of Incorporation was issued by the Securities and Exchange Commission (SEC) on June 30, 1959. On March 28, 2006, the Board of Directors (BOD) of the Bank approved the amendment of Article IV of its Amended Articles of Incorporation to extend the corporate term of the Bank, which expired on June 30, 2009, for another 50 years or up to June 30, 2059. This was subsequently approved by stockholders representing at least two-thirds of the outstanding capital stock of the Bank on April 25, 2006. The Amended Articles of Incorporation was approved by the SEC on September 27, 2006.

On April 27, 2010, by majority vote of the BOD and by stockholders representing two-thirds of the outstanding capital stock, the amendment of Article VI of its Amended Articles of Incorporation reducing the number of directors from a maximum of eleven (11) to a maximum of nine (9) has been approved. This was approved by the SEC on August 26, 2010.

On March 24, 2014, the BOD approved Article III of Articles of Incorporation to specify its principal address from Makati City to PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City 1226. The Amended Articles of Incorporation was approved by the SEC on December 22, 2014.

As of December 31, 2019 and 2018, Metropolitan Bank & Trust Company (MBTC), the Bank's ultimate parent, owned eighty-eight percent (88%) and eighty-three percent (83%) of the Bank, respectively. The increase was due to the stock rights offering of the Bank last January 11, 2019.

2. Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) that have been measured at fair value. All values are rounded to the nearest peso unless otherwise stated.

The financial statements of the Bank 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 Philippine peso (see accounting policy on Foreign Currency Translation). The financial statements of these units are combined after eliminating inter-unit accounts.

The financial statements provide comparative information in respect of the previous period. In addition, the Bank presents an additional statement of condition at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

Statement of Compliance
The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Presentation of Financial Statements
The Bank presents its statements of condition in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within twelve (12) months after the statement of condition date (current) and more than 12 months after the statement of condition date (non-current) is presented in Note 20.

Financial assets and financial liabilities are offset and the net amount is reported in the statements of condition only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. The Bank assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of solvency or bankruptcy of the Bank and all of the counterparties.

Income and expenses are not offset in the statements of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Bank has adopted the following new accounting pronouncements starting January 1, 2019. Unless otherwise indicated, these new and revised accounting standards have no impact to the Bank.

- PFRS 16, *Leases*
  PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases - Incentives*, and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Bank is the lessor.

  The Bank adopted PFRS 16 using the modified retrospective approach with certain transition reliefs with the date of initial application of January 1, 2019 and applied the following practical expedients wherein it:
  - Applied the standard only to contracts that were previously identified as leases, applying the old standards at the date of initial application;
  - Used the recognition exemptions for short-term leases and lease contracts for low value assets;

- Relied on its assessment of whether leases are onerous immediately before the date of initial application; and
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

The reconciliation of the operating lease commitments to the total gross lease payments used in the measurement of the lease liabilities are as follows:

Operating lease commitments as at 31 December 2018	**₱2,044,036,855**
Weighted average incremental borrowing rate at 1 January 2019	7.52%
Discounted operating lease commitments at 1 January 2019	**1,631,376,370**
Less: Commitments relating to short term leases	–
Commitments relating to leases of low-value assets	–
Add: Commitments relating to leases previously classified as finance leases	–
Payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	–
Lease liabilities recognized as at 1 January 2019	**₱1,631,376,370**

The Bank has lease contracts for office branches, warehouses, spaces for Automated Teller Machines (ATMs), and office equipment. Before the adoption of PFRS 16, the Bank classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. All leases (as lessee) were classified as operating leases. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense under ‘Occupancy and equipment-related cost’ in the statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under ‘Prepaid expenses’ lodged in ‘Other assets’, and ‘Accrued other expenses’ lodged in ‘Accrued taxes, interest and other expenses’, respectively.

Upon adoption of PFRS 16, the Bank applied a single recognition and measurement approach for all leases (as lessee) except for short-term leases and leases of low-value assets. The Bank recognized lease liabilities representing lease payments and right-of-use (ROU) assets representing the right to use the underlying assets. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate (IBR) at the date of initial application. ROU assets were recognized based on the amount equal to the lease liabilities adjusted for any related prepaid and accrued lease payments previously recognized.

The effect of adoption of PFRS 16 as at January 1, 2019 follows:

	Increase (Decrease)
ASSETS	
Right-of-use Assets under ‘Property and Equipment (Note 11)’	₱1,442,283,639
LIABILITIES	
Lease Liabilities under ‘Other Liabilities’ (Note 19)	₱1,631,376,370
Accrued Taxes, Interest and Other Expenses*	(189,092,731)
	₱1,442,283,639

**Pertains to accrued rent recognized under PAS 17*

The adoption of PFRS 16 had no impact on the Bank's retained earnings and CET 1 ratio as at January 1, 2019.

Amounts recognized in the statement of condition and statement of income
Set out below are the carrying amounts of the Bank's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use Assets (Note 11)	Lease Liabilities (Note 19)
As at January 1, 2019	₱1,442,283,639	₱1,631,376,370
Additions	186,062,195	186,062,195
Depreciation during the period	(373,133,483)	–
Accretion during the period	–	113,560,729
Expiry/termination	(7,105,035)	(24,419,449)
Payments	–	(439,476,020)
As at December 31, 2019	₱1,248,107,316	₱1,467,103,825

Set out below are the amounts recognized in the statement of income:

	December 31, 2019
Depreciation expense of right-of-use assets	₱373,133,483
Interest expense on lease liabilities	113,560,729
Rent expense - leases of low-value assets	94,131,623
Total amounts recognized in the statement of income	₱580,825,835

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:
    - Whether an entity considers uncertain tax treatments separately
    - The assumptions an entity makes about the examination of tax treatments by taxation authorities
    - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
    - How an entity considers changes in facts and circumstances

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Bank has assessed whether it has any uncertain tax position. The Bank applies significant judgement in identifying uncertainties over its income tax treatments. The Bank determined, based on its assessment, in consultation with its tax counsel, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the financial statements of the Bank.

- Amendments to PFRS 9, *Financial Instruments, Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Investment in Associates and Joint Ventures, Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Taxes, Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Summary of Significant Accounting Policies

Foreign Currency Translation
The financial statements are presented in PHP, which is the Bank's functional and presentation currency.

The books of accounts of the RBU are maintained in PHP, while those of the FCDU are maintained in USD.

RBU
As at reporting date, foreign currency monetary assets and liabilities of the RBU are translated in PHP based on the Bankers Association of the Philippines (BAP) closing rate (for 2019 and 2018) and Philippine Dealing System (PDS) closing rate (for 2017) prevailing at the statement of condition date, and foreign currency-denominated income and expenses, at the exchange rates as at the dates of the transactions. Foreign exchange differences arising from restatements of foreign currency-denominated assets and liabilities in the RBU are credited to or charged against profit or loss in the year in which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

FCDU
As at reporting date, the assets and liabilities of the FCDU are translated to the Bank's presentation currency (PHP) at the BAP closing rate (for 2019 and 2018) and PDS closing rate (for 2017) prevailing at the statement of condition date, and its income and expenses are translated using the exchange rates as at the dates of the transactions. Exchange differences arising on translation to the presentation currency are taken to the statements of comprehensive income under 'Cumulative translation adjustment'. Upon disposal of the FCDU or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statements of comprehensive income is recognized in the statements of income.

Fair Value Measurement
The Bank measures financial instruments, such as FVTPL investments, financial assets at FVOCI and derivative financial instruments, at fair value at each statement of condition date. Also, fair values of financial instruments measured at amortized cost and non-financial assets such as investment properties are disclosed in Note 4.

Fair value is the estimated 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 most advantageous market must be accessible to the Bank.

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 an ask price (e.g., an input from a dealer market), the price between the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

A fair value measurement of a non-financial asset takes into account a 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 Bank 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 as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank 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.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset and liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from BSP and other banks, interbank loans receivable and securities purchased under resale agreements (SPURA) that are convertible to known amounts of cash which have original maturities of three months or less from date of placements and that are subject to an insignificant risk of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Bank considers as cash equivalents as withdrawals can be made to meet the Bank's cash requirements as allowed by the BSP.

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
Purchases or sales of financial assets, except for derivatives, that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivative financial instruments are recognized on a trade date basis. Deposits, amounts due to banks and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

Initial recognition of financial instruments
All financial instruments are initially measured at fair value. Except for financial assets and financial liabilities at FVTPL, the initial measurement of financial instruments includes transaction costs.

Day 1' difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Bank recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of income. In cases where the 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 statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

Investments at FVTPL
Financial assets or financial liabilities at FVTPL
Financial assets and financial liabilities at FVTPL include financial assets and financial liabilities held for trading purposes and derivative instruments.

Financial instruments held-for-trading
Financial assets or financial liabilities held for trading (HFT) are recorded in the statements of condition at fair value. Included in this classification are debt securities which have been acquired principally for the purpose of selling in the near term. Changes in fair value relating to the HFT positions are recognized in 'Trading and securities gains (losses) - net'. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded in other operating income under 'Miscellaneous' when the right to receive payment has been established.

Derivatives recorded at FVTPL
Derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as cash flow hedges) are taken directly to the statements of income and are included in 'Foreign exchange gain - net'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. As of December 31, 2019 and 2018, derivatives consist of foreign exchange swaps, forwards and

Republic of the Philippines (ROP) paired warrants acquired to manage the Bank's foreign currency risk, lower the risk-weighted assets and improve the capital adequacy ratio of the Bank.

Financial Instruments – Classification and Subsequent Measurement

Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Bank may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. As a second step of its classification process, the Bank assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test).

Financial Assets at FVOCI
Financial assets at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of financial assets at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statements of comprehensive income as 'Fair value reserves on financial assets at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatements on foreign currency-denominated debt securities at FVOCI, is reported in the statements of income. Interest earned on holding debt securities at FVOCI are reported as 'Interest income' using the effective interest method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the statements of comprehensive income is recognized as 'Trading and securities gain (loss) - net' in the statements of income. The ECL arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision for credit and impairment losses' in the statements of income.

Equity securities designated at FVOCI are those that the Bank made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the statements of income as 'Dividends' when the right to receive payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statements of comprehensive income is reclassified to 'Surplus' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

Financial assets at amortized cost
Financial assets at amortized cost are debt financial assets that meet both of the following conditions: (i) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows

that are SPPI on the outstanding principal amount. This accounting policy relates to the statements of condition captions ‘Due from BSP’, ‘Due from other banks’, ‘Interbank loans receivable and SPURA’, ‘Investment securities at amortized cost’ and ‘Loans and receivables’.

After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included in ‘Interest income’ in the statements of income. Gains and losses are recognized in statements of income when these investments are derecognized or impaired, as well as through the amortization process. The ECL are recognized in the statements of income under ‘Provision for credit and impairment losses’. The effects of revaluation on foreign currency denominated investments are recognized in the statements of income.

Other financial liabilities carried at amortized cost
This category represents issued financial instruments or their components, which are not designated at FVTPL and comprises deposit liabilities, bills payable, subordinated notes, treasurer’s, cashier’s and manager’s checks, accrued interest payable, accrued other expenses payable, accounts payable, bills purchased-contra, other credits, dividends payable, deposits for keys-safety deposit boxes (SDB), and overages, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, financial liabilities not qualified and not designated as FVTPL are subsequently measured at amortized cost using the effective interest amortization method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on quoted market prices for similar debt instruments). The residual amount determined after deducting the fair value of the debt component is assigned to the equity component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

Financial Guarantees and Undrawn Loan Commitments
The Bank issues financial guarantees and loan commitments. Financial guarantees are those issued by the Bank to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract/agreement. Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. Starting January 1, 2018, these contracts are in the scope of the ECL requirements where the Bank estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and undrawn loan commitments is recognized in ‘Miscellaneous liabilities’ under ‘Other liabilities’.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  a. the Bank has transferred substantially all the risks and rewards of the asset, or
  b. the Bank has neither transferred nor retained the risks and rewards of the asset but has transferred control over the asset.

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor is transferred control over the asset, the asset recognized to the extent of the Bank's continuing involvement in the asset. In this case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

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

Financial liabilities

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

Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase (SSURA) at a specified future date ('repos') are not derecognized from the statements of condition as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received, including accrued interest, is recognized in the statements of condition as a loan to the Bank under 'Bills payable', reflecting the economic substance of such transaction.

Conversely, SPURA at a specified future date ('reverse repos') are not recognized in the statements of condition. The consideration paid, including accrued interest, is recognized in the statements of condition as SPURA, and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the effective interest amortization method.

Reclassification of Financial Assets
The Bank reclassifies its financial assets when there is a change in its business model for managing financial assets. A change in business model occurs when the Bank either begins or ceases to perform an activity that is significant to its operations. The Bank applies the reclassification prospectively from the reclassification date and does not restate any previously recognized gains, losses or interest.

Impairment of Financial Assets
Policies applicable beginning January 1, 2018

PFRS 9 requires the Bank to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with loan commitments and financial guarantee contracts.

Expected credit loss methodology
ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The objective of the new impairment standard is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a 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 result from all possible default events over the expected life of a financial instrument. In comparison, the previous incurred loss model recognizes lifetime credit losses only when there is objective evidence of impairment.

Staging assessment
For non-credit-impaired financial instruments:
- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Bank recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The 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.

Definition of "default" and "cure"
As a part of a qualitative assessment of whether a customer is in default, the Bank considers a variety of instances that may indicate unlikeliness to pay. The Bank's definition of default is aligned with the non-performing loan criteria as prescribed in BSP Circular No. 941. Defaults refer to loans, investments, receivables, or any financial asset, even without any missed contractual payments, that satisfy any of the following conditions (1) impaired under existing accounting standards, (2) classified as doubtful or loss, (3) in litigation, (4) and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (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. Defaults are characterized by financial assets that have objective evidence of impairment at the reporting date and as such classified under Stage 3 ECL treatment.

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 above and there is sufficient evidence to support full collection thru payments received for at least 6 months. Cured accounts are classified under Stage 1 ECL treatment.

Significant increase in credit risk (SICR)
The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including 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 Bank’s quantitative models, the borrower or counterparty’s credit rating has deteriorated by at least 2 notches. On the other hand, if based on the Bank’s internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses, then credit risk may have significantly increased as well. Moreover, if contractual payments are more than 30 days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which amortized payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. 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 Bank shall revert to recognizing a 12-month ECL.

Restructuring
In certain circumstances, the Bank 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, changes in maturity date, principal amount from capitalization of accrued interest, terms and conditions from conversion/consolidation or interest rates/repricing cycle that results in an extension in the loan maturity. Distressed restructuring with indications of unlikeliness to pay are categorized as impaired accounts and are initially moved to Stage 3.

The Bank implements a curing policy for restructured accounts compliant with BSP Circular No. 1011. Restructured accounts that have exhibited improvements in creditworthiness may be moved from Stage 3 after a total of one-year probation period. These accounts are transferred to Stage 2 after six months of full payments and consequently transferred to Stage 1 after making the next six months of full payments.

ECL parameters and methodologies
ECL is a function of the probability of default (PD), exposure at default (EAD) and loss given default (LGD) with each of the parameter independently modelled.

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 Bank segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

EAD is modelled on historical 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 to 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.

Economic overlays and multiple economic scenarios
The Bank incorporates economic overlays into the measurement of ECL to add a forward-looking risk measure parallel to multiple future macroeconomic atmosphere expectations. A broad range of economic indicators were considered for the economic inputs, such as GDP, GIR change, CPI change, PSE indices, foreign exchange rates and other BSP statistical indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To address this, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Bank's loans and receivables consist of different portfolios, such as consumption, real estate, commercial and personal loans, as well as other receivables (e.g., sales contract receivables). In compliance with PFRS 9, the Bank developed ECL parameters and methodologies for each portfolio, using historical data as well as forward-looking inputs and assumptions.

Policies applicable prior January 1, 2018
The Bank assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
For financial assets carried at amortized cost, which includes loans and receivables, due from banks and investment securities at amortized cost, the Bank first assesses individually at each statement of condition date whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment. Assets individually assessed for impairment for which no impairment loss was measured are also collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral have been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to 'Recovery of charged-off assets' under 'Miscellaneous income' in the statements of income.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as industry and age of receivables.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period in which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

Restructured loans
Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement on new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due.

Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subjected to an individual or collective impairment assessment, calculated using the loan's original EIR if the original loan has a fixed interest rate and the current repriced rate if the original loan is repriceable. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the applicable interest rate, is recognized in 'Provision for credit and impairment losses' in the statements of income.

AFS investments
For AFS investments, the Bank assesses at each statement of condition date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of debt instruments classified as AFS investments, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded as impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statements of income.

Future interest income continues to be accrued based on the reduced carrying amount using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the statements of income. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through the statements of income.

In the case of equity investments classified as AFS investments, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investments below its cost. The Bank treats 'significant' generally as 20.00% and 'prolonged' generally as longer than twelve (12) months. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statements of income - is removed from equity and recognized in the statements of income. Impairment losses on equity investments are not reversed through the statements of income. Increases in fair value after impairment are recognized in the statements of comprehensive income.

Investment in a Joint Venture
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Bank's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Bank's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of income reflects the Bank's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Bank's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Bank recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Bank and joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Bank's share of profit or loss of a joint venture is shown on the face of the statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of a joint venture are prepared for the same reporting period as the Bank. The length of the reporting period is the same from period to period. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

After application of the equity method, the Bank determines whether it is necessary to recognize an impairment loss on its investment in its joint venture. At each statement of condition date, the Bank determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognizes the loss as 'Share in net income of a joint venture' in the statements of income.

Upon loss of joint control over the joint venture, the Bank measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Property and Equipment

Land is stated at cost less any impairment in value, while depreciable properties, including building, furniture, fixtures and equipment, and leasehold improvements, are stated at cost less accumulated depreciation and any accumulated impairment losses. The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged against profit or loss in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

Depreciation is calculated using the straight-line method to write down the cost of the property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Buildings	25-50 years
Furniture, fixtures and equipment	3-5 years, depending on the type of assets
Leasehold improvements	5 years or the term of the related lease, whichever is shorter

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in the statement of income in the year the asset is derecognized.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the asset is written down to its recoverable amount.

Leases

Bank as lessee

Policies applicable beginning January 1, 2019

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

i. Right-of-use assets

The Bank recognizes ROU assets (included in 'Property and Equipment') at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight line basis over the shorter of the lease term and estimated useful lives of the assets as follows:

Office space and warehouses	1 to 20 years
ATM space	1 to 3 years

ii. Lease liabilities

At the commencement date of the lease, the Bank 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 Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank 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 Bank 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 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.

Leases previously classified as operating leases

The Bank recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Determining the lease term of contracts with renewal options
The Bank 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.

After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that are within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Bank's lease liabilities are included in 'Other Liabilities' (Note 19)

iii. *Short-term leases and leases of low-value assets*
The Bank applies the short-term lease recognition exemption to its short-term leases of 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 ATMs and 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.

<u>Policies applicable prior to January 1, 2019</u>
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Bank as lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as rent expense under 'Occupancy and equipment-related cost' in the statements of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under 'Prepayments' lodged in other assets and 'Accrued other expenses payable', lodged in accrued taxes, interest and other expenses, respectively.

Bank as lessor
Leases where the Bank does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as income in the period in which they are earned.

Investment Properties
Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the asset given up. The difference between the fair value of the asset received and the carrying amount of the asset given up is recorded as 'Gain on foreclosure of real assets and other properties acquired' under 'Gain on foreclosure and sale of investment properties'. Foreclosed properties are classified under investment properties from foreclosure date. Expenditures incurred after the investment properties are recognized, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and impairment in value, except for land which is stated at cost less impairment in value. Depreciation is calculated using the straight-line method over the remaining useful lives from the time of acquisition of the investment properties.

The estimated useful life of building and condominium units ranges from 10 to 40 years.

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 statement of income in 'Gain on foreclosure and sale of investment properties - net' in the year of retirement or disposal.

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.

Chattel Mortgage Properties
Chattel mortgage properties comprise of repossessed vehicles. Chattel mortgage properties are stated at cost less accumulated depreciation and impairment in value. Chattel mortgage properties acquired are initially recognized at fair value. Depreciation is calculated using the straight-line method over the remaining useful lives from the time of acquisition of the vehicles. The useful lives of chattel mortgage properties are estimated to be five years.

Chattel mortgage properties are derecognized when they have either been disposed of or when the chattel mortgage property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on disposal of chattel mortgage properties are recognized in the statements of income under 'Gain (loss) on foreclosure and sale of chattel mortgage properties- net' in the year of disposal.

Intangible Assets
The Bank's intangible assets include branch licenses and computer software. An intangible asset is recognized only when the cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statements of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statements of income under 'Amortization of intangible assets'.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit (CGU) level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statements of income when the asset is derecognized.

Branch licenses
Branch licenses arise from the acquisition of branches from local banks and licenses to operate new branches from the BSP. Branch licenses have indefinite useful lives and are tested for impairment on an annual basis.

Software costs
Software costs are carried at cost less accumulated amortization and any impairment in value. Given the history of rapid changes in technology, computer software are susceptible to technological obsolescence. Therefore, it is likely that their useful life is short. Software costs are amortized on a straight-line basis over five years but maybe shorter depending on the period over which the Bank expects to use the asset.

<u>Impairment of Non-financial Assets</u>
Property and equipment, investment properties and chattel mortgage properties
At each statement of condition date, the Bank assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of the recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators.

An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each statement of condition date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been previously recognized. Such reversal is recognized in the statement of income. After such reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGU) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGU) is less than the carrying amount of the CGU (or group of CGU) to which goodwill has been allocated, an impairment loss is recognized immediately in the statements of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Bank performs its annual impairment test of goodwill as at December 31 of each year.

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 of each year, either individually or at the CGU level, as appropriate.

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Investment in a joint venture
After application of the equity method, the Bank determines whether it is necessary to recognize an impairment loss on the Bank's investment in a joint venture. The Bank determines at each statement of condition date whether there is any objective evidence that the investment a joint venture is impaired. If this is the case, the Bank calculates the amount of impairment as being the difference between the fair value of the investment in the joint venture and the carrying amount and recognizes such amount in the statements of income.

<u>Common Stock</u>
Common stocks are recorded at par. Proceeds in excess of par value are recognized under equity as 'Capital paid in excess of par value' in the statements of condition. Incremental costs incurred which are directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

<u>Revenue Recognition</u>
Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services.

The Bank assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Bank concluded that it is acting as a principal in all of its revenue arrangements.

Service fees and commission income
Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees include remittance fees, commissions, deposit-related and other credit-related fees.

<u>*Revenues outside the scope of PFRS 15*</u>

Interest income
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVOCI and AFS investments, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as ‘Interest income’.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in “Impairment of Financial Assets” above), the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis. Under PAS 39, once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Income from sale of property and equipment, investment property and chattel mortgage properties
Income from sale of property and equipment, investment property and chattel mortgage properties is included in the profit or loss when the property is derecognized. The gain or loss arising from the derecognition of the property is determined as the difference between the net disposal proceeds and its carrying amount on the date of the transaction.

Trading and securities gains (losses) - net
Trading and securities gain (loss) represents results arising from trading activities, including all gains and losses from changes in the fair values of FVTPL investments. It also includes gains and losses realized from sale of debt securities at FVOCI and AFS investments.

Realized gains and losses on disposals of FVTPL investments are calculated using weighted average method. It represents the difference between an instrument’s initial carrying amount and disposal amount.

Rental income
Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms of ongoing leases and is recorded in the statements of income under ‘Miscellaneous’ in other operating income.

Expense Recognition
Expenses are recognized when it is probable that a decrease in future economic benefit related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably. Revenues and expenses that relate to the same transaction or other event are recognized simultaneously.

Interest expense
Interest expense for all interest-bearing financial liabilities are recognized in 'Interest expense' in the statements of income using the EIR of the financial liabilities to which they relate.

Other expense
Expenses encompass losses as well as those expenses that arise in the ordinary course of business of the Bank. Expenses are recognized when incurred.

Business Combination and Goodwill
Business combinations are accounted for using the acquisition method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill.

If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognized directly in the statements of income in the year of acquisition.

Goodwill is initially measured at cost being the excess of the acquisition cost over the share in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities. The Bank's goodwill arose from past purchases of branch business/offices from the Parent Company.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired is, from the acquisition date, allocated to each of the CGU or group of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether the acquired other assets or liabilities are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Retirement Cost
Defined Benefit Plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the statement of condition date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The present value of the defined benefit obligation is calculated annually by an independent actuary. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

a. service cost;
b. net interest on the net defined benefit liability or asset; and
c. remeasurements of net defined benefit liability or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on Philippine government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Bank, nor can they be paid directly to the Bank. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Provisions
Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as 'Interest expense'.

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

Debt Issue Costs
Issuance, underwriting and other related expenses incurred in connection with the issuance of debt instruments are included in the measurement basis of the underlying debt instruments and are amortized as an adjustment to the interest on the underlying debt instruments using the effective interest method.

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

Current tax
Current income tax is the expected tax payable on the taxable income for the period, using the tax rates enacted at the statement of condition date, together with adjustments to tax payable in respect to prior years.

Deferred tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the statement of condition date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses and tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses and MCIT can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of condition date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each statement of condition date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of condition date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

Current income tax and deferred income tax relating to items recognized directly in OCI is also recognized in OCI and not in the statements of income.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year, after giving retroactive effect to stock dividends declared, stock rights exercised and stock splits, if any, declared during the year.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Bank. Dividends for the year that are approved after the statements of condition date are dealt with as subsequent events.

Segment Reporting
The Bank's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6. The Bank's assets generating revenues are all located in the Philippines (i.e., one geographical location). Therefore, geographical segment information is no longer presented.

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

Subsequent Events
Post year-end events that provide additional information about the Bank's position at the statement of condition date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Standards issued but not yet effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Bank does not expect the future adoption of the said pronouncements to have a significant impact on its financial statements. The Bank intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business. An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PAS 1, *Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements. An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires the management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent assets and contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods. The effects of any change in judgments, estimates and assumptions are reflected in the financial statements as they become reasonably determinable.

Judgments, estimates and assumptions 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.

Judgments

In the process of applying the Bank's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

(a) *Fair value of financial instruments*

When the fair values of financial assets and financial liabilities in the statement of condition cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility for longer-dated derivatives and discount rates, prepayments and default rates assumptions. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of the Bank's financial instruments are disclosed in Note 4.

(b) *Classification of financial assets*

The Bank classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

The Bank performs the business model assessment based on observable factors such as:

- Performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel
- 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
- Compensation of business units whether based on the fair value of the assets managed or on the contractual cash flows collected
- Expected frequency, value and timing of sales

In performing the SPPI test, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

(c) Leases

Bank as lessor

The Bank has entered into commercial property leases on its investment properties portfolio and over various items of furniture, fixtures and equipment. The Bank has determined, based on an evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Bank as lessee

The Bank 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.

Extension and termination options

The Bank has several lease contracts that include extension and termination options. The Bank applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors such as leasehold improvements and location that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimating the IBR for lease liabilities

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Bank 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 ROU asset in a similar economic environment. The Bank estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

The carrying values of the Bank's right-of-use assets and lease liability are disclosed in Notes 11, 19 and 25, respectively.

<u>Estimates and Assumptions</u>

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of condition date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

(a) *Credit losses on financial assets*
The Bank'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:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used
- The criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

The gross carrying amounts of financial assets subject to ECL as of December 31, 2019 and the related allowance for credit losses are disclosed in Notes 5 and 15, respectively.

(b) *Impairment of investment properties and chattel mortgage properties*
The Bank assesses impairment on its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

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

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the fair value less costs to sell for property and equipment, investment properties and chattel mortgage properties. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

The carrying values of the Bank's investment properties and chattel mortgage properties are disclosed in Notes 12 and 14, respectively.

(c) *Present value of retirement obligation*
The cost of defined benefit pension plans as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each statement of condition date.

In determining the appropriate discount rate, management considers the interest rates of Philippine government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The details of assumptions used in the actuarial valuation and carrying value of the net pension liability are disclosed in Note 24.

(d) *Recognition of deferred tax assets*
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the availability of future taxable income in reference to financial forecast, tax strategies and expected future market or economic conditions.

Estimates of future taxable income indicate that temporary differences will be realized in the future. The carrying values of net deferred tax assets are disclosed in Note 27.

(e) *Contingent liabilities*
The Bank is a defendant in legal actions arising from its normal business activities. Management believes that the ultimate liability, if any, resulting from these cases will not have a material effect on the Bank's financial statements are disclosed in Note 31.

4. **Fair Value Measurement**

Financial Instruments
The following describes the methodologies and assumptions used to determine the fair values of financial instruments:

Cash and other cash items, due from BSP, due from other banks, interbank loans receivable and SPURA, accounts receivable, accrued interest receivable, bills purchased, RCOCI, shortages, and petty cash fund - Carrying amounts approximate fair values due to the relatively short-term maturities of these assets.

Debt investments - Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services, or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology, using rates currently available for debt on similar terms, credit risk and remaining maturities. The discount rates used range from 3.00% to 9.50% and from 2.47% to 8.14% in 2019 and 2018, respectively.

Equity investments - Fair values are based on quoted prices published in markets.

Derivative instruments (included under investments and financial liabilities under FVTPL) - Fair values are estimated based on quoted market prices provided by independent parties or derived using acceptable valuation models. The models utilize published underlying rates (e.g., foreign exchange (FX) rates and forward FX rates).

Receivable from customers, sales contract receivables and security deposits - Fair values are estimated using the discounted cash flow methodology, using the Bank's current lending rates for similar types of loans. The discount rates used range from 5.58% to 30.26% and 6.00% to 36.10% in 2019 and 2018, respectively.

Demand deposits, savings deposits, treasurer's, cashier's and manager's checks, accrued interest payable, accounts payable, bills purchased-contra, other credits, due to the Treasurer of the Philippines, deposits for keys-SDB, payment orders payable and overages - Carrying amounts approximate fair values due to either the demand nature or the relatively short-term maturities of these liabilities.

Bills payable, bonds payable, subordinated notes and time deposits - Fair values are estimated using the discounted cash flow methodology using the Bank's borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used are the following:

Financial Instrument	**Discount Rates**	
	2019	2018
Bills payable	**3.94% to 7.07%**	7.32%
Bonds payable	**5.60%**	–
Subordinated note	**5.50%**	–
Time deposits	**0.25% to 6.00%**	0.50% to 3.50%

Lease liabilities - Fair values are estimated using the discounted cash flow methodology using the sum of BVAL tenor rate and credit spread rate as the discount rate, ranging from 3.89% to 5.56%.

The inputs used in the fair value measurement based on Level 2 are as follows:

Derivative assets and liabilities - fair values are calculated by reference to the prevailing spot exchange rate as of statement of condition date.

Government securities - interpolated rates based on market rates of benchmark securities as of statement of condition date.

The inputs used in estimating fair values of financial instruments carried at amortized cost and categorized under Level 3 include risk-free rates and applicable risk premium.

Non-financial Assets

Investment properties - Fair values of the investment properties have been determined based on valuations performed by independent external and in-house appraisers using valuation technique with significant inputs that are not based on observable market data (Level 3). The valuation of investment properties was based on the Sales Comparison Approach and considered recent sales of similar or substitute properties in the same areas where the investment properties are located, taking into account the economic conditions prevailing at the time of the valuation. Other factors considered were the location and shape of the properties, environmental issues, development controls such as the height restriction, building coverage and floor area ratio restrictions among others. Other significant unobservable inputs include shape, location, time element, discount and corner influence. The fair value of investment properties is based on its highest and best use, which is its current use.

The following tables summarize the carrying amount and fair values of the Bank's financial instruments and investment properties, analyzed based on the hierarchy described in Note 2 (in thousands):

	December 31, 2019				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets measured at fair value:					
Financial Assets					
FVTPL investments					
HFT - government securities	**₱44**	**₱44**	**₱–**	**₱–**	**₱44**
Financial assets at FVOCI					
Government debt securities	**1,855,048**	**410,230**	**1,444,818**	**–**	**1,855,048**
Private debt securities	**2,908,569**	**2,685,319**	**223,250**	**–**	**2,908,569**
Equity securities	**11,771**	**10,599**	**1,172**	**–**	**11,771**
	₱4,775,432	**₱3,106,192**	**₱1,669,240**	**₱–**	**₱4,775,432**
Assets for which fair values are disclosed:					
Financial Assets					
Investment securities at amortized cost					
Government	**₱30,784,498**	**₱19,577,728**	**₱11,922,925**	**₱–**	**₱31,500,653**
Private	**3,449,477**	**2,208,118**	**1,213,212**	–	**3,421,330**
Loans and receivables					
Receivables from customers					
Consumption loans	**92,395,284**	–	–	**107,287,359**	**107,287,359**
Real estate loans	**52,115,714**	–	–	**60,228,494**	**60,228,494**
Commercial loans	**13,460,577**	–	–	**14,402,769**	**14,402,769**
Personal loans	**3,129,085**	–	–	**4,048,107**	**4,048,107**
Sales contract receivable	**42,225**	–	–	**46,097**	**46,097**
Security deposits	**185,170**	–	–	**257,162**	**257,162**
Non-Financial Assets		–	–		
Investment properties	**3,765,749**	–	–	**5,794,685**	**5,794,685**
	₱199,327,779	**₱21,785,846**	**₱13,136,137**	**₱192,064,673**	**₱226,986,656**
Liabilities for which fair values are disclosed:					
Deposit liabilities – time	**₱105,912,878**	**₱–**	**₱–**	**₱108,006,266**	**₱108,006,266**
Deposit liabilities – LTNCD	**8,409,975**	**–**	**–**	**8,586,674**	**8,586,674**
Bills payable	**4,189,737**	**–**	**–**	**4,409,440**	**4,409,440**
Bonds payable	**6,254,702**	**–**	**–**	**6,434,550**	**6,434,550**
Lease Liability	**1,467,104**	**–**	**–**	**1,475,748**	**1,475,748**
	₱126,234,396	**₱–**	**₱–**	**₱128,912,678**	**₱128,912,678**

	December 31, 2018				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets measured at fair value:					
Financial Assets					
FVPL investments					
HFT - government securities	₱34	₱34	₱–	₱–	₱34
Derivative assets	10,073	–	10,073	–	10,073
AFS investments					
Government debt securities	8,956,764	6,500,415	2,456,349	–	8,956,764
Private debt securities	3,964,612	3,964,612	–	–	3,964,612
Quoted equity securities	10,225	9,143	1,082	–	10,225
	₱12,941,708	₱10,474,204	₱2,467,504	₱–	₱12,941,708
Liabilities measured at fair value:					
Financial Liabilities					
Financial liabilities at FVTPL	2,895	–	2,895	–	2,895
Assets for which fair values are disclosed:					

(Forward)

	December 31, 2018				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Financial Assets					
Investment securities at amortized cost					
Government	₱31,580,028	₱28,024,025	₱–	₱–	₱28,024,025
Private	4,066,737	3,804,104	–	–	3,804,104
Loans and receivables					
Receivables from customers					
Consumption loans	87,864,557	–	–	108,704,174	108,704,174
Real estate loans	49,579,245	–	–	70,892,858	70,892,858
Commercial loans	12,770,619	–	–	15,483,984	15,483,984
Personal loans	2,954,408	–	–	4,217,287	4,217,287
Sales contract receivable	70,543	–	–	78,449	78,449
Security deposits	205,925	–	–	313,724	313,724
Non-Financial Assets					
Investment properties	4,036,318	–	–	5,898,975	5,898,975
	₱193,128,380	₱31,828,129	₱–	₱205,589,451	₱237,417,580
Liabilities for which fair values are disclosed:					
Deposit liabilities – time	₱138,525,888	₱–	₱–	₱139,187,100	₱139,187,100
Deposit liabilities – LTNCD	8,395,282	–	–	7,634,981	7,634,981
Subordinated notes	2,981,673	–	–	2,242,507	2,242,507
Bills payable	2,968,567	–	–	3,009,851	3,009,851
	₱152,871,410	₱–	₱–	₱152,074,439	₱152,074,439

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any adjustments for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models. Instruments included in Level 3 include those for which there is currently no active market.

As of December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

As of December 31, 2019 and 2018, the Bank determined the market value of its warrants to be zero due to the absence of an active market for the Bank's ROP warrants, as evidenced by the unavailability of quoted market prices.

5. Financial Risk Management Policies and Objectives

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

Organization risk management structure continues to be a top-down organization, with the BOD at the helm of all major initiatives.

Discussed below are the relevant sections on roles and responsibilities from the Risk Oversight Committee (ROC) Charter:

Board of Directors (BOD)
The corporate powers of the Bank are vested in and are exercised by the BOD, who conducts its business and controls its property. The BOD approves broad risk management strategies and policies and ensures that risk management initiatives and activities are consistent with the Bank's overall objectives. The BOD appoints the members of the ROC.

Risk Oversight Committee (ROC)
The ROC is composed of at least three members of the Board, the majority of whom are independent directors including its Chairperson. The ROC Chairperson is not the Chairperson of the Board or of any other committee. Members of the ROC possess a range of expertise and adequate knowledge of the Bank's risk exposures to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur.

The BOD may also appoint non-directors to the ROC as part of the Metrobank Group risk oversight measures. However, only Bank directors shall be considered as voting members of the ROC. Non-voting members are appointed in an advisory capacity.

The ROC oversees the system of limits to discretionary authority that the BOD delegates to the management and ensures that the system remains effective, the limits are observed, and that immediate corrective actions are taken whenever limits are breached.

The ROC meets on a monthly basis and is supported by the Risk Management Office (RMO). In the absence of the ROC Chairman, another Independent Director shall preside. ROC resolutions, which require the concurrence of the majority of its voting members, are presented to the BOD for confirmation.

Risk Management Office (RMO)
The RMO, headed by the Chief Risk Officer, is a function that is independent from executive functions and business line responsibilities, operations and revenue-generating functions. It reports directly to the BOD, through the ROC. The RMO assists the ROC in carrying out its responsibilities by:

- analyzing, communicating, implementing, and maintaining the risk management policies approved by the ROC and the BOD;
- spearheading the regular review of the Bank's risk management policy manual and making or elevating recommendations that enhance the risk management process to the ROC and the BOD, for their approval; and
- ensuring that the risks arising from the Bank's activities are identified, measured, analyzed, reported to and understood by risk takers, management, and the board. The RMO analyzes limit exceptions and recommends enhancements to the limits structure.

The RMO does not assume risk-taking accountability nor does it have approving authority. The RMO's role is to act as liaison and to provide support to the BOD, ROC, the President, management committees, risk takers and other support and control functions on risk-related matters.

The Risk Management Function is responsible for:

- identifying the key risk exposures and assessing and measuring the extent of risk exposures of the Bank and its trust operations;
- monitoring the risk exposures and determining the corresponding capital requirement in accordance with the Basel capital adequacy framework and based on the Bank's internal capital adequacy assessment on an on-going basis;

- monitoring and assessing decisions to accept particular risks whether these are consistent with BOD-approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation measures; and
- reporting on a regular basis to Senior Management and the BOD the results of assessment and monitoring.

President
The President is the Chief Executive Officer of the Bank and has the primary responsibility of carrying out the policies and objectives of the BOD. The President exercises the authorities delegated to him by the BOD and may recommend such policies and objectives he deems necessary for the continuing progress of the Bank.

Risk management
The risk management framework aims to maintain a balance between the nature of the Bank's businesses and the risk appetite of the BOD. Accordingly, policies and procedures are reviewed regularly and revised as the organization grows and as financial markets evolve. New policies or proposed changes in current policies are presented to the ROC and the BOD for approval.

a. Credit risk and concentration of assets and liabilities and off-balance sheet items

Credit risk is the risk that a counterparty will not settle its obligations in accordance with the agreed terms.

The Bank's lending business follows credit policy guidelines set by the BOD, ROC and RMO. These policies serve as minimum standards for extending credit. The people engaged in the credit process are required to understand and adhere to these policies.

Product manuals are in place for all loans and deposit products that actually or potentially expose the Bank to all types of risks that may result in financial or reputational losses. They define the product and the risks associated with the product plus the corresponding risk-mitigating controls. They embody the business plans and define the business parameters within which the product or activity is to be performed.

The system of checks around extension of credit includes approval by at least two credit approvers through the Credit Committee (CreCom), Executive Committee (ExCom) or BOD. The ROC reviews the business strategies and ensures that revenue-generating activities are consistent with the risk tolerance and standards of the Bank. The Internal Audit Group conducts regular audit across all functional units. The BOD, through the ExCom, CreCom and ROC, ensure that sound credit policies and practices are followed through all the business segments.

Credit Approval
Credit approval is the documented acceptance of credit risk in the credit proposal or application.

The Bank's credit decision-making for consumer loans utilizes the recommendation of the credit scoring and is performed at the CreCom level appropriate to the size and risk of each transaction, in conformity with corporate policies and procedures in regulating credit risk activities. The Bank's ExCom may approve deviations or exceptions, while the BOD approves material exceptions such as large exposures, loans to directors, officers, stockholders and other related interests (DOSRI) and related party transactions, and loan restructuring.

Credit delegation limits are identified, tracked and reviewed at least annually by the Bank's Head of Credit and Collections together with the Credit Risk Manager.

Borrower Eligibility
The Bank's credit processing commences when a customer expresses his intention to borrow through a credit application. The Bank gathers data on the customer; ensures they are accurate, up-to-date and adequate to meet the minimum regulatory requirements and to render credit decision. These data are used for the intended purpose only and are managed in adherence to the customer information secrecy law.

The customer's credit worthiness, repayment ability and cash flow are established before credit is extended. The Bank independently verifies critical data from the customer, ensuring compliance with Know Your Customer requirements under the anti-money laundering laws. The Bank requires that customer income be derived from legitimate sources and supported with government-accepted statements of income, assets and liabilities.

The Bank ascertains whether the customer is legally capable of entering a credit contract and of providing a charge over any asset presented as collateral for a loan. Guarantors or sureties may be accepted, provided they are a relative, partner, and have financial interest in the transaction, and they pass all credit acceptance criteria applied to the borrower.

Loan Structure
The Bank structures loans for its customers based on the customer's capability to pay, the purpose of the loan, and for a collateralized loan, the collateral's economic life and liquidation value over time.

The Bank establishes debt burden guidelines and minimum income requirements to assess the customer's capacity to pay.

The Bank utilizes credit bureau data, both external and internal, to obtain information on a customer's current commitments and credit history.

The Bank takes into account environmental and social issues when reviewing credit proposals of small businesses and commercial mortgage customers. The Bank ensures that all qualified securities pass through the BOD for approval. Assignments of securities are confirmed and insurance are properly secured.

The Bank uses credit scoring models and decision systems for consumer loans as approved by the BOD. Borrower risk rating model and facility risk rating model, on the other hand, are available for SME loans, and supported with qualitative evaluation. Regular monitoring of all these tools and their performance is carried out to ensure that they remain effective.

Initial loan limits are recommended by the CreCom and ExCom and approved by the BOD. The Bank ensures that secured loans are within ceilings set by local regulators. Succeeding loan availments are based on account performance and customer's credit worthiness.

Credit Management
The Bank maintains credit records and documents on all borrowings and captures transaction details in its loan systems. The credit risk policies and system infrastructure ensure that loans are monitored and managed at all times.

The Bank's Management Information System provides statistics that its business units need to identify opportunities for improving rewards without necessarily sacrificing risk. Statistical data on product, productivity, portfolio, profitability, performance and projection are made available regularly.

The Bank conducts regular loan review through the ROC, with the support of the RMO. The Bank examines its exposures, credit risk ratios, provisions and customer segments. The Bank's unique customer identification and unique group identification methodology enables it to aggregate credit exposures by customer or group of borrowers. Aggregate exposures of at least ₱100.0 million are put on a special monitoring.

The ROC assesses the adequacy of provisions for credit losses regularly. The Bank's automated loan grading system enables the Bank to set up provision per account. The Bank also performs impairment analyses on loans and receivables, whether on an individual or collective basis, in accordance with PFRS 9.

The Bank carries out stress testing analyses using Board-approved statistical models relating the default trends to macroeconomic indicators.

In 2018, the Bank transitioned to using PFRS 9-compliant models to meet the requirements set forth under BSP Circular No. 912 and 1011. This mandated all Philippine banks to adopt a forward-looking ECL model approach in measuring credit impairment. In response to this, the Bank created quantitative models thru statistical, economic, financial and mathematical techniques to calculate credit impairment provisions. These models were implemented effective January 1, 2018. Furthermore, policies and governance over the new models were updated accordingly.

In 2019, the Bank enhanced its consumer loan acquisition scoring models. This allowed the Bank to optimize its return whilst maintaining its risk appetite. Moreover, the Bank implemented the enhancements to the PFRS 9 ECL models as a result of the regular governance and validation of the models. This aims credit models to remain accurate, effective and regulatory compliant.

Maximum Exposure to Credit Risk

The tables below show the analysis of the maximum exposure to credit risk of the Bank's financial instruments, excluding those where the carrying values as reflected in the statement of condition and related notes already represent the financial instrument's maximum exposure to credit risk, after taking into account collateral held or other credit enhancements (in thousands):

	2019			
	Carrying Amount	**Fair Value of Collateral**	**Maximum Exposure to Credit Risk**	**Financial Effect of Collateral or Credit Enhancement**
Due from other banks	**₱1,138,642**	**₱2,915,612**	**₱382,979**	**₱755,663**
Receivables from customers				
Consumption loans	**92,395,284**	**137,311,674**	**2,342,869**	**90,052,415**
Real estate loans	**52,253,777**	**67,482,137**	**14,332,905**	**37,920,872**
Commercial loans	**13,322,514**	**6,537,019**	**10,276,388**	**3,046,126**
Other receivables				
Accrued interest receivable	**1,848,330**	**1,713,763**	**134,567**	**1,713,763**
Sales contract receivable	**42,225**	**43,118**	**19,425**	**22,800**
Total credit exposure	**₱161,000,772**	**₱216,003,323**	**₱27,489,133**	**₱133,511,639**

	2018			
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Due from other banks	₱1,682,806	₱2,601,234	₱542,984	₱1,139,822
Interbank loans receivable and SPURA	1,891,820	1,883,225	8,595	1,883,225
Receivables from customers				
Consumption loans	87,864,557	122,910,470	45,918	87,818,639
Real estate loans	49,579,245	88,139,827	9,625,425	39,953,820
Commercial loans	12,770,619	16,641,755	6,403,206	6,367,413
Other receivables				
Accrued interest receivable	1,949,715	1,936,820	12,895	1,936,820
Sales contract receivable	70,543	207,185	25,953	44,590
Total credit exposure	₱155,809,305	₱234,320,516	₱16,664,976	₱139,144,329

An analysis of the maximum credit risk exposure relating to financial assets under Stage 3 as of December 31, 2019 and 2018 is shown below:

	2019			
	Carrying Amount	**Fair Value of Collateral**	**Maximum Exposure to Credit Risk**	**Financial Effect of Collateral or Credit Enhancement**
Receivables from customers				
Consumption loans	**₱2,533,355**	**₱4,430,838**	**₱58,479**	**₱2,474,876**
Real estate loans	**1,728,430**	**2,103,065**	**606,860**	**1,121,570**
Commercial loans	**274,345**	**250,029**	**175,662**	**98,683**
Other receivables				
Accrued interest receivable	**64,544**	**352,272**	**–**	**64,544**
Sales contract receivable	**19,319**	**16,326**	**10,922**	**8,397**
Total credit exposure	**₱4,619,993**	**₱7,152,530**	**₱851,923**	**₱3,768,070**

	2018			
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Receivables from customers				
Consumption loans	₱2,770,196	₱5,316,765	₱256	₱2,769,940
Real estate loans	1,462,410	2,555,014	412,669	1,049,741
Commercial loans	129,732	192,911	–	129,732
Other receivables				
Accrued interest receivable	60,837	514,118	–	60,837
Sales contract receivable	26,346	62,185	–	26,346
Total credit exposure	₱4,449,521	₱8,640,993	₱412,925	₱4,036,596

Collateral and Other Credit Enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding acceptability of types of collateral and valuation parameters.

The main types of collaterals obtained are as follows:

- For Due from other banks: investment securities
- For SPURA: investment securities
- For commercial lending: mortgages over real estate properties, deposit accounts and securities
- For consumer lending: mortgages over real estate and chattel

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for credit and impairment losses.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion and proceeds are used to repay or reduce the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The Bank holds collateral against loans and receivables in the form of real estate and chattel mortgages, guarantees, and other registered securities over assets. Estimates of fair value are based on the value of the collateral assessed at the time of borrowing and generally are updated every two years and when a loan is assessed to be impaired, whenever applicable. The Bank is not allowed to sell or re-pledge collateral held under SPURA in the absence of default by the counterparty. Collateral is usually not held against holdings in investment securities, and no such collateral was held as of December 31, 2019 and 2018.

Concentration of risk is managed by borrower, by group of borrowers, by geographical region and by industry sector. As of December 31, 2019 and 2018, the maximum credit exposure to any borrower, before taking into account any collateral or other credit enhancement amounted to ₱1.9 billion and ₱1.8 billion, respectively.

The distribution of the Bank's financial assets before taking into account any collateral held or other credit enhancements can be analyzed by the following geographical regions (in thousands):

	2019				
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Others*****	**Total**
Luzon	**₱143,566,455**	**₱7,955,777**	**₱39,034,932**	**₱298,231**	**₱190,855,395**
Visayas	**11,849,260**	**–**	**–**	**–**	**11,849,260**
Mindanao	**12,900,392**	**–**	**–**	**–**	**12,900,392**
	168,316,107	**7,955,777**	**39,034,932**	**298,231**	**215,605,047**
Less allowance for credit and impairment losses	**3,931,905**	**2,269**	**25,525**	**–**	**3,959,699**
Total	**₱164,384,202**	**₱7,953,508**	**₱39,009,407**	**₱298,231**	**₱211,645,348**

* Composed of due from BSP and due from other banks.
** Composed of FVTPL investments, financial assets at FVOCI (excluding equity securities not exposed to credit risk) and investment securities at amortized cost.
*** Composed of financial assets classified under other assets (such as RCOCI, security deposits and shortages) and stand-by credit lines amounting to ₱84.0 million.

	2018				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Luzon	₱137,515,389	₱18,736,119	₱48,617,520	₱277,840	₱205,146,868
Visayas	11,060,264	–	–	13,209	11,073,473
Mindanao	12,034,412	–	–	5,146	12,039,558
	160,610,065	18,736,119	48,617,520	296,195	228,259,899
Less allowance for credit and impairment losses	4,349,702	5,309	29,046	–	4,384,057
Total	₱156,260,363	₱18,730,810	₱48,588,474	₱296,195	₱223,875,842

* Composed of due from BSP, due from other banks, interbank loans receivable and SPURA.
** Composed of FVPL investments, financial assets at FVOCI (excluding equity securities not exposed to credit risk) and investment securities at amortized cost.
*** Composed of financial assets classified under other assets (such as RCOCI, security deposits and shortages) and stand-by credit lines amounting to ₱70.5 million.

Additionally, the tables below show the distribution of the Bank's financial assets and off-balance sheet items before taking into account any collateral or other credit enhancements analyzed by industry sector as of December 31, 2019 and 2018 (in thousands):

	2019				
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Others*****	**Total**
Activities of private households as employers and undifferentiated goods and services and producing activities of households for own use	**₱99,430,419**	**₱–**	**₱–**	**₱–**	**₱99,430,419**
Real estate activities	**47,809,592**	**–**	**–**	**–**	**₱47,809,592**
Financial and insurance activities	**3,149,739**	**7,955,777**	**39,034,932**	**214,231**	**50,354,679**
Wholesale and retail trade; repair of motor vehicles and motorcycles	**2,941,130**	**–**	**–**	**–**	**2,941,130**
Electricity, gas, steam and air-conditioning supply	**1,897,393**	**–**	**–**	**–**	**1,897,393**
Transportation and storage	**1,049,382**	**–**	**–**	**–**	**1,049,382**
Manufacturing	**811,145**	**–**	**–**	**–**	**811,145**
Construction	**754,287**	**–**	**–**	**53,000**	**807,287**
Administrative and support service activities	**709,873**	**–**	**–**	**–**	**709,873**
Information and communication	**547,246**	**–**	**–**	**–**	**547,246**
Accommodation and food service activities	**335,984**	**–**	**–**	**–**	**335,984**
Human health and social work activities	**252,290**	**–**	**–**	**–**	**252,290**
Water supply, sewage, waste management and remediation activities	**246,735**	**–**	**–**	**–**	**246,735**
Education	**175,171**	**–**	**–**	**–**	**175,171**
Professional, scientific and technical services	**160,628**	**–**	**–**	**–**	**160,628**
Arts, entertainment and recreation	**79,879**	**–**	**–**	**–**	**79,879**
Agricultural, forestry and fishing	**75,280**	**–**	**–**	**–**	**75,280**
Mining and quarrying	**13,281**	**–**	**–**	**–**	**13,281**
Other service activities	**7,876,654**	**–**	**–**	**31,000**	**7,907,654**
	168,316,108	**7,955,777**	**39,034,932**	**298,231**	**215,605,048**
Less allowance for credit and impairment losses	**3,931,906**	**2,269**	**25,525**	**–**	**3,959,700**
Total	**₱164,384,202**	**₱7,953,508**	**₱39,009,407**	**₱298,231**	**₱211,645,348**

* Composed of due from BSP and due from other banks

** Composed of FVTPL investments, financial assets at FVOCI (excluding equity securities not exposed to credit risk) and investment securities at amortized cost.

*** Composed of financial assets classified under other assets (such as RCOCI, security deposits and shortages) and stand-by credit lines amounting to ₱84.0 million.

	2018				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Activities of private households as employers and undifferentiated goods and services and producing activities of households for own use	₱96,744,990	₱–	₱–	₱–	₱96,744,990
Real estate activities	45,387,781	–	–	–	45,387,781
Financial and insurance activities	1,391,987	18,736,119	48,617,520	225,695	68,971,321
Wholesale and retail trade; repair of motor vehicles and motorcycles	2,975,766	–	–	–	2,975,766
Electricity, gas, steam and air-conditioning supply	1,974,413	–	–	–	1,974,413
Transportation and storage	1,185,771	–	–	–	1,185,771
Manufacturing	980,150	–	–	–	980,150
Construction	880,713	–	–	53,000	933,713
Administrative and support service activities	833,096	–	–	–	833,096
Information and communication	566,813	–	–	–	566,813
Accommodation and food service activities	352,248	–	–	–	352,248
Human health and social work activities	288,099	–	–	–	288,099
Water supply, sewage, waste management and remediation activities	237,473	–	–	–	237,473
Education	218,540	–	–	–	218,540

(Forward)

	2018				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Professional, scientific and technical services	₱142,147	₱–	₱–	₱–	₱142,147
Agricultural, forestry and fishing	91,150	–	–	–	91,150
Arts, entertainment and recreation	87,772	–	–	–	87,772
Mining and quarrying	16,169	–	–	–	16,169
Other service activities	6,254,987	–	–	17,500	6,272,487
	160,610,065	18,736,119	48,617,520	296,195	228,259,899
Less allowance for credit and impairment losses	4,349,702	5,309	29,046	–	4,384,057
Total	₱156,260,363	₱18,730,810	₱48,588,474	₱296,195	₱223,875,842

* Composed of due from BSP, due from other banks, interbank loans receivable and SPURA.
** Composed of FVTPL investments, financial assets at FVOCI (excluding equity securities not exposed to credit risk) and investment securities at amortized cost.
*** Composed of financial assets classified under other assets (such as RCOCI, security deposits and shortages) and stand-by credit lines amounting to ₱70.5 million.

Credit Quality
The Bank uses the standard below in defining credit quality.

High Grade exposures show low levels of expected loss. For loans, these accounts should neither be past due nor impaired. The Bank classifies those accounts under current or 1 to 30 days past due status and are not impaired (Stage 1 & 2).

Standard Grade exposures show moderate levels of expected loss. For loans, these accounts should neither be past due nor impaired.

Sub Standard Grade requires a special degree of attention given the increased risk of default. For loans, these accounts should neither be past due nor impaired.

Past Due but Not Credit Impaired are applicable to loan accounts which are classified as delinquent (31-90 days past due) but are not subject to impairment (Stage 2) as of statement of condition date.

Past Due and Credit Impaired. These include loan accounts considered to be delinquent (91+ days past due), non-performing as defined by BSP Circular No. 941.

Description of the internal credit rating system for loans, receivables and stand-by credit lines:

Internal Credit Rating System (ICRS)
The Bank rates accounts on a scale of 1 to 10, with 1 being the best, based on the Board-approved credit ratings which utilize the expected credit loss and qualitative assessments. ICRS rating assessment considers both borrower and facility features.

Neither Past Due nor Impaired
The Bank classifies those accounts under current or 1 to 30 days past due status and are not impaired (Stage 1 & 2) having the following credit ratings:

High Grade (ICRS Rating 1 - 4)
1 - Excellent
An excellent rating is given to a borrower with a very low probability of going into default and/or low loss given default. The Bank's internal rating system has given an outstanding rating to the borrower, indicative of excellent ability to meet credit obligation in full and consistently meet payment

commitments. Accounts with excellent rating may have collateral, further diminishing any losses in case of a default.

2 - Strong
This rating is given to borrowers with low probability of going into default in the coming year with low to moderate loss given default. The Bank's internal rating system has given a high rating to the borrower. The borrower has the ability to meet credit obligation in full, except that the borrower may have a history of missing a payment.

3 – Good
This rating is given to borrowers with low to moderate probability of going into default in the coming year with moderate loss given default. These are largely characterized by borrowers with good rating and have historically missed several payments.

4 – Satisfactory
A 'satisfactory' rating is given to a borrower where clear risk elements exist and probability of default is somewhat greater with moderate to high loss given default. These are characterized by borrowers with good rating with a history of default.

<u>Standard Grade (ICRS Rating 5 - 6)</u>
5 – Acceptable
An 'acceptable' rating is given to a borrower whose risk elements are sufficiently pronounced although borrower should still be expected to meet their credit obligations in full. These are characterized by borrowers with moderate rating.

6 - Loan Especially Mentioned
An account assessed to have potential weaknesses which when left uncorrected, may affect the repayment of the account and thus increase credit risk to the Bank, will be assigned this rating.

<u>Substandard Grade (ICRS Rating 7 - 8)</u>
7 - 8 Substandard
These accounts or portion thereof involves a substantial and an unreasonable degree of risk to the Bank because of unfavorable record or unsatisfactory characteristics. These accounts show possibility of future loss to the Bank unless given closer supervision and well-defined weaknesses that jeopardize the account liquidation.

Past Due but Not Credit Impaired
These are accounts which are classified as delinquent (31-90 days past due) but are not subject to impairment (Stage 2) as of statement of condition date regardless of ICRS rating.

Past Due and Credit Impaired
These include accounts considered to be delinquent (91+ days past due), non-performing as defined by BSP Circular No. 941 regardless of ICRS rating. The following credit ratings will always be classified as credit impaired:

9 - Doubtful
Given to an account assessed to have characteristics where collection and liquidation in full is highly improbable and in which substantial loss is probable.

10 - Loss
Given to an account assessed to loans or portions thereof are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted.

The credit quality of receivables from customers, gross of allowance for credit losses, as of December 31, 2019 and 2018 follows (in thousands):

	2019						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Consumption Loans:							
High Grade	₱–	₱79,374,254	₱–	₱5,066,818	₱–	₱–	₱84,441,072
Standard Grade	–	23,912	–	2,503,990	–	–	2,527,902
Sub-standard Grade	–	–	–	–	–	–	–
Past due but not Impaired	–	–	–	4,039,059	–	–	4,039,059
Non-performing							
Individually Impaired	–	–	–	–	3,217,461	–	3,217,461
	–	79,398,166	–	11,609,867	3,217,461	–	94,225,494
Real Estate Loans:							
High Grade	–	41,049,925	–	7,239,979	–	–	48,289,904
Standard Grade	–	–	–	583,491	–	–	583,491
Sub-standard Grade	–	–	–	–	–	–	–
Past due but not Impaired	–	–	–	1,733,587	–	–	1,733,587
Non-performing							
Individually Impaired	–	–	–	–	1,872,205	–	1,872,205
	–	41,049,925	–	9,557,057	1,872,205	–	52,479,187
Commercial Loans:							
High Grade	–	11,380,725	–	570,364	–	–	11,951,089
Standard Grade	–	776,863	–	463,733	–	–	1,240,596
Sub-standard Grade	–	26,849	–	–	–	–	26,849
Past due but not Impaired	–	–	–	98,373	–	–	98,373
Non-performing							
Individually Impaired	–	–	–	–	369,079	–	369,079
	–	12,184,437	–	1,132,470	369,079	–	13,685,986
Personal Loans:							
High Grade	–	773,850	–	237,921	–	–	1,011,771
Standard Grade	–	2,099	–	2,109,273	–	–	2,111,372
Sub-standard Grade	–	47,646	–	54,845	–	–	102,491
Past due but not Impaired	–	–	–	39,207	–	–	39,207
Non-performing							
Individually Impaired	–	–	–	–	458,350	–	458,350
	–	823,595	–	2,441,246	458,350	–	3,723,191
Total Receivables from Customer:							
High Grade	–	132,578,754	–	13,115,082	–	–	145,693,836
Standard Grade	–	802,874	–	5,660,487	–	–	6,463,361
Sub-standard Grade	–	74,495	–	54,845	–	–	129,340
Past due but not Impaired	–	–	–	5,910,226	–	–	5,910,226
Non-performing							
Individually Impaired	–	–	–	–	5,917,095	–	5,917,095
	₱–	₱133,456,123	₱–	₱24,740,640	₱5,917,095	₱–	₱164,113,858

	2018						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Consumption Loans:							
High Grade	₱–	₱67,561,479	₱–	₱8,102,918	₱–	₱–	₱75,664,397
Standard Grade	–	33,906	–	5,892,126	–	–	5,926,032
Sub-standard Grade	–	6,462	–	1,557,240	–	–	1,563,702
Past due but not Impaired	–	–	–	3,300,992	–	–	3,300,992
Non-performing							
Individually Impaired	–	–	–	–	3,836,615	–	3,836,615
	–	67,601,847	–	18,853,276	3,836,615	–	90,291,738
Real Estate Loans:							
High Grade	–	39,421,912	–	6,181,000	–	–	45,602,912
Standard Grade	–	32,809	–	784,797	–	–	817,606
Sub-standard Grade	–	–	–	69,703	–	–	69,703
Past due but not Impaired	–	–	–	1,855,478	–	–	1,855,478
Non-performing							
Individually Impaired	–	–	–	–	1,626,947	–	1,626,947
	–	39,454,721	–	8,890,978	1,626,947	–	49,972,646

(Forward)

	2018						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Commercial Loans:							
High Grade	₱–	₱10,902,499	₱–	₱–	₱–	₱–	₱10,902,499
Standard Grade	–	794,963	–	758,261	–	–	1,553,224
Sub-standard Grade	–	528	–	198,359	–	–	198,887
Past due but not Impaired	–	–	–	32,823	–	–	32,823
Non-performing							
Individually Impaired	–	–	–	–	215,534	–	215,534
	–	11,697,990	–	989,443	215,534	–	12,902,967
Personal Loans:							
High Grade	–	859,055	–	344,658	–	–	1,203,713
Standard Grade	–	1,664	–	1,434,140	–	–	1,435,804
Sub-standard Grade	–	6,325	–	419,598	–	–	425,923
Past due but not Impaired	–	–	–	71,285	–	–	71,285
Non-performing							
Individually Impaired	–	–	–	–	389,198	–	389,198
	–	867,044	–	2,269,681	389,198	–	3,525,923
Total Receivables from Customer:							
High Grade	–	118,744,943	–	14,628,575	–	–	133,373,518
Standard Grade	–	863,342	–	8,869,327	–	–	9,732,669
Sub-standard Grade	–	13,315	–	2,244,900	–	–	2,258,215
Past due but not Impaired	–	–	–	5,260,578	–	–	5,260,578
Non-performing							
Individually Impaired	–	–	–	–	6,068,294	–	6,068,294
	₱–	₱119,621,600	₱–	₱31,003,380	₱6,068,294	₱–	₱156,693,274

The credit quality of other receivables, gross of allowance for credit losses, as of December 31, 2019 and 2018 follows (in thousands):

	2019						
	Stage 1		**Stage 2**				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Accrued Interest Receivable:							
High Grade	**₱–**	**₱1,438,603**	**₱–**	**₱134,006**	**₱–**	**₱–**	**₱1,572,609**
Standard Grade	**–**	**62,753**	**–**	**148,797**	**–**	**–**	**211,550**
Sub-standard Grade	**–**	**295**	**–**	**4,001**	**–**	**–**	**4,296**
Past due but not Impaired	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Non-performing							
Individually Impaired	**–**	**84**	**–**	**–**	**460,955**	**–**	**461,039**
	–	**1,501,735**	**–**	**286,804**	**460,955**	**–**	**2,249,494**
Accounts Receivable:							
High Grade	**–**	**63,417**	**–**	**11,097**	**–**	**–**	**74,514**
Standard Grade	**–**	**28,615**	**–**	**3,772**	**–**	**–**	**32,387**
Sub-standard Grade	**–**	**5,912**	**–**	**484**	**–**	**–**	**6,396**
Past due but not Impaired	**–**	**–**	**–**	**11,232**	**–**	**–**	**11,232**
Non-performing							
Individually Impaired	**–**	**–**	**–**	**–**	**1,776,781**	**–**	**1,776,781**
	–	**97,944**	**–**	**26,585**	**1,776,781**	**–**	**1,901,310**
Sales Contract Receivable:							
High Grade	**–**	**22,921**	**–**	**–**	**–**	**–**	**22,921**
Standard Grade	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Sub-standard Grade	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Past due but not Impaired	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Non-performing							
Individually Impaired	**–**	**–**	**–**	**–**	**19,726**	**–**	**19,726**
	–	**22,921**	**–**	**–**	**19,726**	**–**	**42,647**
Bills Purchased:							
High Grade	**–**	**8,799**	**–**	**–**	**–**	**–**	**8,799**
Standard Grade	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Sub-standard Grade	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Past due but not Impaired	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Non-performing							
Individually Impaired	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	**8,799**	**–**	**–**	**–**	**–**	**8,799**

(Forward)

	2019						
	Stage 1		**Stage 2**				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Total Other Receivables:							
High Grade	**₱–**	**₱1,533,740**	**₱–**	**₱145,103**	**₱–**	**₱–**	**₱1,678,843**
Standard Grade	**–**	**91,368**	**–**	**152,569**	**–**	**–**	**243,937**
Sub-standard Grade	**–**	**6,207**	**–**	**4,485**	**–**	**–**	**10,692**
Past due but not Impaired	**–**	**–**	**–**	**11,232**	**–**	**–**	**11,232**
Non-performing							
Individually Impaired	**–**	**84**	**–**	**–**	**2,257,462**	**–**	**2,257,546**
	₱–	**₱1,631,399**	**₱–**	**₱313,389**	**₱2,257,462**	**₱–**	**₱4,202,250**

	2018						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Accrued Interest Receivable:							
High Grade	₱–	₱1,548,576	₱–	₱120,223	₱–	₱–	₱1,668,799
Standard Grade	–	3,649	–	98,554	–	–	102,203
Sub-standard Grade	–	65	–	25,573	–	–	25,638
Past due but not Impaired	–	–	–	95,255	–	–	95,255
Non-performing							
Individually Impaired	–	–	–	–	414,154	–	414,154
	–	1,552,290	–	339,605	414,154	–	2,306,049
Accounts Receivable:							
High Grade	–	1,030,278	–	9,693	–	–	1,039,971
Standard Grade	–	15	–	2,630	–	–	2,645
Sub-standard Grade	–	1,307	–	652	–	–	1,959
Past due but not Impaired	–	–	–	21,950	–	–	21,950
Non-performing							
Individually Impaired	–	–	–	–	459,631	–	459,631
	–	1,031,600	–	34,925	459,631	–	1,526,156
Sales Contract Receivable:							
High Grade	–	44,600	–	–	–	–	44,600
Standard Grade	–	–	–	–	–	–	–
Sub-standard Grade	–	–	–	–	–	–	–
Past due but not Impaired	–	–	–	–	–	–	–
Non-performing							
Individually Impaired	–	–	–	–	26,908	–	26,908
	–	44,600	–	–	26,908	–	71,508
Bills Purchased:							
High Grade	–	13,078	–	–	–	–	13,078
Standard Grade	–	–	–	–	–	–	–
Sub-standard Grade	–	–	–	–	–	–	–
Past due but not Impaired	–	–	–	–	–	–	–
Non-performing							
Individually Impaired	–	–	–	–	–	–	–
	–	13,078	–	–	–	–	13,078
Total Other Receivables:							
High Grade	–	2,636,531	–	129,917	–	–	2,766,448
Standard Grade	–	3,664	–	101,184	–	–	104,848
Sub-standard Grade	–	1,372	–	26,225	–	–	27,597
Past due but not Impaired	–	–	–	117,205	–	–	117,205
Non-performing							
Individually Impaired	–	–	–	–	900,693	–	900,693
	₱–	₱2,641,567	₱–	₱374,531	₱900,693	₱–	₱3,916,791

The credit quality of other financial assets which include RCOCI, security deposits and shortage, gross of allowance for credit losses amounting as of December 31, 2019 and 2018 follows (in thousands):

	2019						
	Stage 1		Stage 2				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Other Financial Assets							
High Grade	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Standard Grade	**–**	**298,231**	**–**	**–**	**–**	**–**	**298,231**
Sub-standard Grade	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Past due but not Impaired	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Non-performing Individually Impaired	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**₱–**	**₱298,231**	**₱–**	**₱–**	**₱–**	**₱–**	**₱298,231**

	2018						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Other Financial Assets							
High Grade	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Standard Grade	–	296,195	–	–	–	–	296,195
Sub-standard Grade	–	–	–	–	–	–	–
Past due but not Impaired	–	–	–	–	–	–	–
Non-performing Individually Impaired	–	–	–	–	–	–	–
Total	₱–	₱296,195	₱–	₱–	₱–	₱–	₱296,195

Movements of receivables from customers as of December 31, 2019 and 2018 follow (in thousands):

	2019						
	Stage 1		Stage 2				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Consumption Loans							
Balance as of January 1, 2019	**₱–**	**₱67,601,847**	**₱–**	**₱18,853,276**	**₱3,836,615**	**₱–**	**₱90,291,738**
New assets originated	**–**	**33,761,304**	**–**	**1,130,553**	**750,727**	**–**	**35,642,584**
Assets derecognized or repaid	**–**	**(20,290,720)**	**–**	**(8,389,391)**	**(2,138,047)**	**–**	**(30,818,158)**
Amounts written off	**–**	**(887)**	**–**	**(96,334)**	**(793,449)**	**–**	**(890,670)**
Transfers to Stage 1	**–**	**8,318,780**	**–**	**(8,031,786)**	**(286,994)**	**–**	**–**
Transfers to Stage 2	**–**	**(8,990,013)**	**–**	**9,624,255**	**(634,242)**	**–**	**–**
Transfers to Stage 3	**–**	**(1,002,145)**	**–**	**(1,480,706)**	**2,482,851**	**–**	**–**
Balance at December 31, 2019	**–**	**79,398,166**	**–**	**11,609,867**	**3,217,461**	**–**	**94,225,494**
Real Estate Loans							
Balance as of January 1, 2019	**–**	**39,454,721**	**–**	**8,890,978**	**1,626,947**	**–**	**49,972,646**
New assets originated	**–**	**9,696,243**	**–**	**313,396**	**62,745**	**–**	**10,072,384**
Assets derecognized or repaid	**–**	**(4,856,753)**	**–**	**(2,196,036)**	**(513,054)**	**–**	**(7,565,843)**
Amounts written off	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 1	**–**	**2,427,300**	**–**	**(2,328,290)**	**(99,010)**	**–**	**–**
Transfers to Stage 2	**–**	**(5,257,588)**	**–**	**5,600,145**	**(342,557)**	**–**	**–**
Transfers to Stage 3	**–**	**(413,998)**	**–**	**(723,136)**	**1,137,134**	**–**	**–**
Balance at December 31, 2019	**–**	**41,049,925**	**–**	**9,557,057**	**1,872,205**	**–**	**52,479,187**
Commercial Loans							
Balance as of January 1, 2019	**–**	**11,697,990**	**–**	**989,443**	**215,534**	**–**	**12,902,967**
New assets originated	**–**	**8,917,394**	**–**	**60,822**	**11,423**	**–**	**8,989,639**
Assets derecognized or repaid	**–**	**(7,904,145)**	**–**	**(220,067)**	**(82,408)**	**–**	**(8,206,620)**
Amounts written off	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 1	**–**	**186,641**	**–**	**(183,010)**	**(3,631)**	**–**	**–**
Transfers to Stage 2	**–**	**(596,200)**	**–**	**596,200**	**–**	**–**	**–**
Transfers to Stage 3	**–**	**(117,243)**	**–**	**(110,918)**	**228,161**	**–**	**–**
Balance at December 31, 2019	**–**	**12,184,437**	**–**	**1,132,470**	**369,079**	**–**	**13,685,986**

(Forward)

	2019						
	Stage 1		**Stage 2**				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Personal Loans							
Balance as of January 1, 2019	**₱–**	**₱866,969**	**₱–**	**₱2,269,682**	**₱389,272**	**₱–**	**₱3,525,923**
New assets originated	**–**	**386,313**	**–**	**937,524**	**29,349**	**–**	**1,353,186**
Assets derecognized or repaid	**–**	**(507,349)**	**–**	**(464,548)**	**(31,305)**	**–**	**(1,003,202)**
Amounts written off	**–**	**(1,084)**	**–**	**(44,782)**	**(106,850)**	**–**	**(152,716)**
Transfers to Stage 1	**–**	**201,953**	**–**	**(200,954)**	**(999)**	**–**	**–**
Transfers to Stage 2	**–**	**(111,590)**	**–**	**113,010**	**(1420)**	**–**	**–**
Transfers to Stage 3	**–**	**(11,617)**	**–**	**(168,686)**	**180,303**	**–**	**–**
Balance at December 31, 2019	**–**	**823,595**	**–**	**2,441,246**	**458,350**	**–**	**3,723,191**
Total Receivable from Customer							
Balance at January 1, 2019	**–**	**119,621,527**	**–**	**31,003,379**	**6,068,368**	**–**	**156,693,274**
New assets originated	**–**	**52,761,254**	**–**	**2,442,295**	**854,244**	**–**	**56,057,793**
Assets derecognized or repaid	**–**	**(33,558,967)**	**–**	**(11,270,042)**	**(2,764,814)**	**–**	**(47,593,823)**
Amounts written off	**–**	**(1,971)**	**–**	**(141,116)**	**(900,299)**	**–**	**(1,043,386)**
Transfers to Stage 1	**–**	**11,134,674**	**–**	**(10,744,040)**	**(390,634)**	**–**	**–**
Transfers to Stage 2	**–**	**(14,955,391)**	**–**	**15,933,610**	**(978,219)**	**–**	**–**
Transfers to Stage 3	**–**	**(1,545,003)**	**–**	**(2,483,446)**	**4,028,449**	**–**	**–**
Balance at December 31, 2019	**₱–**	**₱133,456,123**	**₱–**	**₱24,740,640**	**₱5,917,095**	**₱–**	**₱164,113,858**

	2018						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Consumption Loans							
Balance as of January 1, 2018	₱–	₱66,453,274	₱–	₱14,489,537	₱3,333,643	₱–	₱84,276,454
New assets originated	–	27,181,775	–	7,414,477	608,224	–	35,204,476
Assets derecognized or repaid	–	(18,657,485)	–	(7,650,644)	(2,422,237)	–	(28,730,366)
Amounts written off	–	–	–	(12,088)	(446,738)	–	(458,826)
Transfers to Stage 1	–	4,676,363	–	(4,519,004)	(157,359)	–	–
Transfers to Stage 2	–	(10,707,703)	–	11,125,263	(417,560)	–	–
Transfers to Stage 3	–	(1,344,377)	–	(1,994,265)	3,338,642	–	–
Balance at December 31, 2018	–	67,601,847	–	18,853,276	3,836,615	–	90,291,738
Real Estate Loans							
Balance as of January 1, 2018	–	36,429,563	–	8,662,410	1,502,102	–	46,594,075
New assets originated	–	9,518,100	–	649,312	72,752	–	10,240,164
Assets derecognized or repaid	–	(4,397,697)	–	(2,016,221)	(447,675)	–	(6,861,593)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	2,534,278	–	(2,436,788)	(97,490)	–	–
Transfers to Stage 2	–	(4,296,965)	–	4,595,056	(298,091)	–	–
Transfers to Stage 3	–	(332,558)	–	(562,791)	895,349	–	–
Balance at December 31, 2018	–	39,454,721	–	8,890,978	1,626,947	–	49,972,646
Commercial Loans							
Balance as of January 1, 2018	–	10,900,908	–	920,702	154,095	–	11,975,705
New assets originated	–	4,296,949	–	145,216	18,086	–	4,460,251
Assets derecognized or repaid	–	(3,285,259)	–	(205,755)	(41,975)	–	(3,532,989)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	94,625	–	(94,625)	–	–	–
Transfers to Stage 2	–	(232,635)	–	234,465	(1,830)	–	–
Transfers to Stage 3	–	(76,598)	–	(10,560)	87,158	–	–
Balance at December 31, 2018	–	11,697,990	–	989,443	215,534	–	12,902,967
Personal Loans							
Balance as of January 1, 2018	–	824,536	–	2,005,831	655,701	–	3,486,068
New assets originated	–	239,357	–	884,333	30,616	–	1,154,306
Assets derecognized or repaid	–	(371,521)	–	(384,709)	(130,168)	–	(886,398)
Amounts written off	–	(1,875)	–	(65,983)	(160,195)	–	(228,053)
Transfers to Stage 1	–	259,095	–	(249,242)	(9,853)	–	–
Transfers to Stage 2	–	(72,015)	–	163,232	(91,217)	–	–
Transfers to Stage 3	–	(10,608)	–	(83,780)	94,388	–	–
Balance at December 31, 2018	–	866,969	–	2,269,682	389,272	–	3,525,923

(Forward)

	2018						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Total Receivable from Customer							
Balance at January 1, 2018	₱–	₱114,608,281	₱–	₱26,078,480	₱5,645,541	₱–	₱146,332,302
New assets originated	–	41,236,181	–	9,093,338	729,678	–	51,059,197
Assets derecognized or repaid	–	(26,711,962)	–	(10,257,329)	(3,042,055)	–	(40,011,346)
Amounts written off	–	(1,875)	–	(78,071)	(606,933)	–	(686,879)
Transfers to Stage 1	–	7,564,361	–	(7,299,659)	(264,702)	–	–
Transfers to Stage 2	–	(15,309,318)	–	16,118,016	(808,698)	–	–
Transfers to Stage 3	–	(1,764,141)	–	(2,651,396)	4,415,537	–	–
Balance at December 31, 2018	₱–	₱119,621,527	₱–	₱31,003,379	₱6,068,368	₱–	₱156,693,274

Movements of other receivables as of December 31, 2019 and 2018 follow (in thousands):

	2019						
	Stage 1		**Stage 2**				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Accrued Interest Receivable							
Balance as of January 1, 2019	**₱–**	**₱1,552,290**	**₱–**	**₱339,605**	**₱414,154**	**₱–**	**₱2,306,049**
New assets originated	**–**	**600,714**	**–**	**119,949**	**337,023**	**–**	**1,057,686**
Assets derecognized or repaid	**–**	**(640,761)**	**–**	**(145,345)**	**(328,135)**	**–**	**(1,114,241)**
Amounts written off	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 1	**–**	**99,677**	**–**	**(96,697)**	**(2,980)**	**–**	**–**
Transfers to Stage 2	**–**	**(96,995)**	**–**	**103,196**	**(6,201)**	**–**	**–**
Transfers to Stage 3	**–**	**(13,190)**	**–**	**(33,904)**	**47,094**	**–**	**–**
Balance at December 31, 2019	**–**	**1,501,735**	**–**	**286,804**	**460,955**	**–**	**2,249,494**
Sales Contract Receivable							
Balance at January 1, 2019	**–**	**44,600**	**–**	**–**	**26,908**	**–**	**71,508**
New assets originated	**–**	**22,475**	**–**	**–**	**–**	**–**	**22,475**
Assets derecognized or repaid	**–**	**(46,030)**	**–**	**–**	**(5,306)**	**–**	**(51,336)**
Amounts written off	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 1	**–**	**5,320**	**–**	**–**	**(5,320)**	**–**	**–**
Transfers to Stage 2	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 3	**–**	**(3,444)**	**–**	**–**	**3,444**	**–**	**–**
Balance at December 31, 2019	**–**	**22,921**	**–**	**–**	**19,726**	**–**	**42,647**
Total Other Receivables							
Balance at January 1, 2019	**–**	**1,596,890**	**–**	**339,605**	**441,062**	**–**	**2,377,557**
New assets originated	**–**	**623,189**	**–**	**119,949**	**337,023**	**–**	**1,080,161**
Assets derecognized or repaid	**–**	**(686,791)**	**–**	**(145,345)**	**(333,441)**	**–**	**(1,165,577)**
Amounts written off	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 1	**–**	**104,997**	**–**	**(96,697)**	**(8,300)**	**–**	**–**
Transfers to Stage 2	**–**	**(96,995)**	**–**	**103,196**	**(6,201)**	**–**	**–**
Transfers to Stage 3	**–**	**(16,634)**	**–**	**(33,904)**	**50,538**	**–**	**–**
Balance at December 31, 2019	**₱–**	**₱1,524,656**	**₱–**	**₱286,804**	**₱480,681**	**₱–**	**₱2,292,141**

	2018						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Accrued Interest Receivable							
Balance as of January 1, 2018	₱–	1,475,109	₱–	296,665	139,598	₱–	₱1,911,372
New assets originated	–	263,010	–	96,041	359,381	–	718,432
Assets derecognized or repaid	–	(123,177)	–	(45,950)	(154,358)	–	(323,485)
Amounts written off	–	–	–	–	(270)	–	(270)
Transfers to Stage 1	–	62,942	–	(60,408)	(2,534)	–	–
Transfers to Stage 2	–	(104,109)	–	110,595	(6,486)	–	–
Transfers to Stage 3	–	(21,485)	–	(57,338)	78,823	–	–
Balance at December 31, 2018	–	1,552,290	–	339,605	414,154	–	2,306,049
Sales Contract Receivable							
Balance at January 1, 2018	–	84,465	–	10,308	11,955	–	106,728
New assets originated	–	–	–	–	(1,230)	–	(1,230)
Assets derecognized or repaid	–	(26,480)	–	(7,510)	–	–	(33,990)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	27	–	(27)	–	–	–
Transfers to Stage 2	–	–	–	–	–	–	–
Transfers to Stage 3	–	(13,412)	–	(2,771)	16,183	–	–
Balance at December 31, 2018	–	44,600	–	–	26,908	–	71,508

	2018						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
(Forward)							
Total Other Receivables							
Balance at January 1, 2018	₱–	₱1,559,574	₱–	₱306,973	151,553	–	2,018,100
New assets originated	–	263,010	–	96,041	358,151	–	717,202
Assets derecognized or repaid	–	(149,657)	–	(53,460)	(154,628)	–	(357,745)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	62,969	–	(60,435)	(2,534)	–	–
Transfers to Stage 2	–	(104,109)	–	110,595	(6,486)	–	–
Transfers to Stage 3	–	(34,897)	–	(60,109)	95,006	–	–
Balance at December 31, 2018	₱–	₱1,596,890	₱–	₱339,605	₱441,062	₱–	₱2,377,557

External Ratings
For investment securities, in ensuring quality investment portfolio, the Bank uses the credit risk rating from published data providers like Moody's, Standard & Poor's (S&P) or other reputable rating agencies.

Presented here is Moody's rating – equivalent S&P rating and other rating agencies applies:

Credit Quality	**External Rating**								
High grade	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
Standard grade	Ba1	Ba2	Ba3	B1	B2	B3				
Substandard grade	Caa1	Caa2	Caa3	Ca	C					

High grade - represents those investments which fall under any of the following grade:

Aaa - fixed income obligations are judged to be of the highest quality, with the smallest degree of risk.

Aa1, Aa2, Aa3 - fixed income are judged to be of high quality and are subject to very low credit risk, but their susceptibility to long-term risks appears somewhat greater.

A1, A2, A3 - fixed income obligations are considered upper-medium grade and are subject to low credit risk, but have elements present that suggest a susceptibility to impairment over the long term.
Baa1, Baa2, Baa3 - fixed income obligations are subject to moderate credit risk. They are considered medium grade and as such protective elements may be lacking or may be characteristically unreliable.
Standard grade - represents those investments which fall under any of the following grade:

Ba1, Ba2, Ba3 - obligations are judged to have speculative elements and are subject to substantial credit risk.

B1, B2, B3 - obligations are considered speculative and are subject to high credit risk.

Substandard grade - represents those investments which fall under any of the following grade:

Caa1, Caa2, Caa3 - are judged to be of poor standing and are subject to very high credit risk.

Ca - are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

C - are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

As of December 31, 2019 and 2018 the following tables show the credit quality of loans and advances to banks (in thousands).

	2019						
	Stage 1		Stage 2				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Due from BSP							
High Grade	**₱6,816,092**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱6,816,092**
Due from other banks							
High Grade	**1,139,685**	**–**	**–**	**–**	**–**	**–**	**1,139,685**
Interbank loans receivable							
High Grade	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Loans and Advances to Banks							
High Grade	**₱7,955,777**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱7,955,777**

	2018						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Due from BSP							
High Grade	₱15,159,012	₱–	₱–	₱–	₱–	₱–	₱15,159,012
Due from other banks							
High Grade	1,685,107	–	–	–	–	–	1,685,107
Interbank loans receivable							
High Grade	1,892,000	–	–	–	–	–	1,892,000
Total Loans and Advances to Banks							
High Grade	₱18,736,119	₱–	₱–	₱–	₱–	₱–	₱18,736,119

As of December 31, 2019 and 2018, the following table shows the credit quality of the Bank's investment securities (in thousands):

	2019						
	Stage 1		Stage 2				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
FVTPL – Government Debt Securities							
High Grade	**₱44**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱44**
FVTPL – Derivative Asset							
High Grade	**10,073**	**–**	**–**	**–**	**–**	**–**	**10,073**
	10,107	**–**	**–**	**–**	**–**	**–**	**10,107**
FVOCI – Government Debt Securities							
High Grade	**1,855,048**	**–**	**–**	**–**	**–**	**–**	**1,855,048**
	1,855,048	**–**	**–**	**–**	**–**	**–**	**1,855,048**
FVOCI – Private Debt Securities							
Standard Grade	**2,908,569**	**–**	**–**	**–**	**–**	**–**	**2,908,569**
	2,908,569	**–**	**–**	**–**	**–**	**–**	**2,908,569**
Investment Securities at Amortized Cost							
Government Debt Securities							
High Grade	**30,806,854**	**–**	**–**	**–**	**–**	**–**	**30,806,854**
	30,806,854	**–**	**–**	**–**	**–**	**–**	**30,806,854**
Investment Securities at Amortized Cost							
Private Debt Securities							
Standard Grade	**3,452,646**	**–**	**–**	**–**	**–**	**–**	**3,452,646**
	3,452,646	**–**	**–**	**–**	**–**	**–**	**3,452,646**
Total Investment Securities							
High Grade	**32,661,946**	**–**	**–**	**–**	**–**	**–**	**32,661,946**
Standard Grade	**6,361,215**	**–**	**–**	**–**	**–**	**–**	**6,361,215**
	₱39,023,161	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱39,023,161**

	2018						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
FVTPL – Government Debt Securities							
High Grade	₱34	₱–	₱–	₱–	₱–	₱–	₱34
FVTPL – Derivative Asset							
High Grade	10,073	–	–	–	–	–	10,073
	10,107	–	–	–	–	–	10,107
FVOCI – Government Debt Securities							
High Grade	8,956,764	–	–	–	–	–	8,956,764
	8,956,764	–	–	–	–	–	8,956,764
FVOCI – Private Debt Securities							
High Grade	3,964,612	–	–	–	–	–	3,964,612
	3,964,612	–	–	–	–	–	3,964,612
Investment Securities at Amortized Cost							
Government Debt Securities							
High Grade	31,604,530	–	–	–	–	–	31,604,530
	31,604,530	–	–	–	–	–	31,604,530
Investment Securities at Amortized Cost							
Private Debt Securities							
Standard Grade	4,071,281	–	–	–	–	–	4,071,281
	4,071,281	–	–	–	–	–	4,071,281
Total Investment Securities							
High Grade	44,536,013	–	–	–	–	–	44,536,013
Standard Grade	4,071,281						4,071,281
	₱48,607,294	₱–	₱–	₱–	₱–	₱–	₱48,607,294

All of the Bank's loan commitments and financial guarantees amounting to ₱84.0 and ₱70.5 million as of December 31, 2019 and 2018, respectively, are classified as high grade under Stage 1.

ECL Methodology Overview

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

The objective of the new impairment standard is to record lifetime losses on all financial instruments which have experienced a SICR since their initial recognition. As a result, ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a 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. In comparison, the incurred loss model recognizes lifetime credit losses only when there is objective evidence of impairment.

Staging assessment

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Bank recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The 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.

Two modelling approaches were employed to build a consistent framework for the development of all ECL models of the Bank. Both modeling approaches consider past events, current conditions and forecast of economic conditions in assessing impairment.

The complex model approach is used for portfolios with a significant number of historical defaults. This approach was applied to the consumer loan portfolios. These quantitative models are built by applying statistical, economic, financial or mathematical theories, techniques and assumptions to calculate provisions. Where historical data are insufficient to develop statistical models, such as for Business Loans, Account Receivables, Sales Contract Receivables, etc. the simplified ECL approach was employed. The Bank observed the historical PD and LGD of the portfolio, and applied forward looking economic data on PD to calculate the ECL.

Classification of Individual/Collective Impairment

The Bank calculates provisions either in a collective or individual basis.

Collective impairment calculates risk provisions by grouping exposures into smaller homogeneous portfolios based on a combination of borrower and account characteristics. Accounts with similar risk attributes (i.e. facility, security, credit rating, months-on-books, utilization and collateral type, etc.) are pooled together for calculating provisions based on the expected credit loss models. All Stage 1 and 2 accounts of the Bank are categorized under collective impairment.

Individual impairment is applicable for all accounts under Stage 3 or accounts deemed as significant exposures and show objective evidence of impairment. The indicators may be default in payment, restructuring, litigation or probable foreclosure.

As of December 31, 2019 and 2018, an analysis by past due status of receivables from customers wherein the SICR is based only on the past due information is as follows:

	2019					
	Number of days past due					
	Up to 30 days	**31-60 days**	**61-90 days**	**91-180 days**	**180 days**	**Total**
Receivables from customers						
Consumption loans	**₱360,449**	**₱3,200,910**	**₱1,301,109**	**₱1,381,059**	**₱1,010,401**	**₱7,253,928**
Real estate loans	**449,432**	**1,718,691**	**405,482**	**317,712**	**675,717**	**3,567,034**
Commercial loans	**635,520**	**52,688**	**80,300**	**15,607**	**171,120**	**955,235**
Personal loans	**125,988**	**30,957**	**19,514**	**41,404**	**321,394**	**539,257**
Total	**₱1,571,389**	**₱5,003,246**	**₱1,806,405**	**₱1,755,782**	**₱2,178,632**	**₱12,315,454**

	2018					
	Number of days past due					
	Up to 30 days	31-60 days	61-90 days	91-180 days	180 days	Total
Receivables from customers						
Consumption loans	₱651,578	₱2,754,634	₱1,121,446	₱1,248,078	₱1,360,688	₱7,136,424
Real estate loans	631,142	1,407,772	381,450	329,619	703,352	3,453,335
Commercial loans	464,354	30,784	2,097	74,564	136,357	708,156
Personal loans	224,070	26,490	16,215	41,650	296,123	604,548
Total	₱1,971,144	₱4,219,680	₱1,521,208	₱1,693,911	₱2,496,520	₱11,902,463

b. Market risk

Market risk management covers the areas of trading and interest rate risks. The Bank utilizes various measurement and monitoring tools to ensure that risk-taking activities are managed within instituted market risk parameters. The Bank revalues its trading portfolios on a daily basis and checks the revenue or loss generated by each portfolio in relation to their level of market risk.

The Bank's risk policies and implementing guidelines are regularly reviewed by the Assets and Liabilities Committee (ALCO), ROC and BOD to ensure that these are up-to-date and in line with changes in the economy, environment and regulations. The ROC and the BOD set the comprehensive market risk limit structure and define the parameters of market activities that the Bank can engage in.

Market risk is the risk to earnings and capital arising from changes in the value of traded portfolios of financial instruments (trading market risk) and from movements in interest rates (interest rate risk). The Bank's market risk originates primarily from holding peso and dollar-denominated debt securities. The Bank utilizes Value-at-Risk (VaR) to measure and manage market risk exposure. VaR estimates the potential decline in the value of a portfolio, under normal market conditions, for a given confidence level over a specified holding period.

Trading activities
The Bank's trading portfolios are currently composed of peso and dollar-denominated fixed income securities that are marked-to-market daily. The Bank also uses VaR to measure the extent of market risk exposure arising from these portfolios.

VaR is a statistical measure that calculates the maximum potential loss from a portfolio over a holding period, within a given confidence level. The Bank's current VaR model uses historical simulation for Peso and USD HFT portfolios with confidence level at 99.00% and a 1 day holding period. It utilizes a 250 days rolling data most recently observed daily percentage changes in price for each asset class in its portfolio.

VaR reports are prepared on a daily basis and submitted to Treasury Group and RMO. VaR is also reported to the ROC and BOD on a monthly basis. The President, ROC and BOD are advised of potential losses that exceed prudent levels or limits.

When there is a breach in VaR limits, Treasury Group is expected to close or reduce their position and bring it down within the limit unless approval from the President is obtained to retain the same. All breaches are reported to the President for regularization. In addition to the regularization and approval of the President, breaches in VaR limits and special approvals are likewise reported to the ROC and BOD for their information and confirmation.

Back-testing is employed to verify the effectiveness of the VaR model. The Bank performs back-testing to validate the VaR model and stress testing to determine the impact of extreme market movements on the portfolios. Results of backtesting are reported to the ROC and BOD on a monthly basis. Stress testing is also conducted, based on historical maximum percentage daily movement and on an ad-hoc rate shock to estimate potential losses in a crisis situation.

The Bank has established limits, VaR, stop loss limits and loss triggers, for its trading portfolios. Daily profit or losses of the trading portfolios are closely monitored against loss triggers and stop-loss limits.

Responsibility for managing the Bank's trading market risk remains with the ROC. With the support of RMO, the ROC recommends to the BOD changes in market risk limits, approving authorities and other activities that need special consideration.

Discussed below are the limitations and assumptions applied by the Bank on its VaR methodology:

a. VaR is a statistical estimate and thus, does not give the precise amount of loss;
b. VaR is not designed to give the probability of bank failure, but only attempts to quantify losses that may arise from a bank's exposure to market risk;
c. Historical simulation does not involve any distributional assumptions, scenarios that are used in computing VaR are limited to those that occurred in the historical sample; and
d. VaR systems are backward-looking. It attempts to forecast likely future losses using past data. As such, this assumes that past relationships will continue to hold in the future. Major shifts therefore (i.e., an unexpected collapse of the market) are not captured and may inflict losses much bigger than anything the VaR model may have calculated.

The Bank's interest rate VaR follows (in thousands):

	December 31, 2019		December 31, 2018	
	Peso	**USD**	Peso	USD
Year-end	**1**	–	2	–
Average	**2**	–	495	855
High	**2**	–	12,171	12,141
Low	**1**	–	1	-

Non-trading activities
The Bank follows a prudent policy on managing its assets and liabilities to ensure that fluctuations in interest rates are kept within acceptable limits.

One method by which the Bank measures the sensitivity of its assets and liabilities to interest rate fluctuations is by way of "gap" analysis. This analysis provides the Bank with a static view of the maturity and repricing characteristics of the positions in its statement of condition. An interest rate gap report is prepared by classifying all assets and liabilities into various time period categories according to contracted maturities or anticipated repricing dates, whichever is earlier. Non-maturing deposits are considered as rate sensitive liabilities; no loan pre-payments assumptions are used. The difference in the amount of assets and liabilities maturing or being repriced in any time period category would then give the Bank an indication of the extent to which it is exposed to the risk of potential changes in net interest income.

The interest rate sensitivity gap report measures interest rate risk by identifying gaps between the repricing dates of assets and liabilities. The Bank's sensitivity gap model calculates the effect of possible rate movements on its interest rate profile.

The Bank uses sensitivity gap model to estimate Earnings-at-Risk (EaR) should interest rates move against its interest rate profile. The Bank's EaR limits are based on a percentage of the Bank's projected earnings for the year or capital whichever is lower. The Bank also performs stress-testing to measure the impact of various scenarios based on interest rate volatility and shift in the yield curve. The EaR and stress testing reports are prepared on a monthly basis.

The ALCO is responsible for managing the Bank's structural interest rate exposure. The ALCO's goal is to achieve a desired overall interest rate profile while remaining flexible to interest rate movements and changes in economic conditions. The RMO and ROC review and oversee the Bank's interest rate risks.

The table below demonstrates the sensitivity of equity. Equity sensitivity was computed by calculating mark-to-market changes of debt securities at FVOCI, assuming a parallel shift in the yield curve.

	2019		2018	
	Change in basis points	**Sensitivity of equity**	Change in basis points	Sensitivity of equity
Currency				
PHP	**+10**	**(₱11,182,809)**	+10	(₱36,263,592)
USD	**+10**	**(988,516)**	+10	(27,912,113)
Currency				
PHP	**-10**	**11,232,671**	-10	35,105,505
USD	**-10**	**994,210**	-10	27,537,680

The table below demonstrates the sensitivity of net interest income using the EAR model. Net interest income sensitivity was computed by calculating the changes in the banking book gaps assuming a parallel shift in the yield curve.

	2019		2018	
	Change in basis points	**Sensitivity of NII**	Change in basis points	Sensitivity of NII
Currency				
PHP	**+10**	**(52,113,451)**	+10	(67,659,502)
USD	**+10**	**(9,332,602)**	+10	(14,895,126)
Currency				
PHP	**-10**	**52,113,451**	-10	67,659,502
USD	**-10**	**9,332,602**	-10	14,895,126

Foreign Currency Risk

Foreign currency risk is the risk of an investment's value changing due to an adverse movement in currency exchange rates. It arises due to a mismatch in the Bank's foreign currency assets and liabilities.

The Bank’s policy is to maintain foreign currency exposure within the approved position, stop loss, loss trigger, VaR limits and to remain within existing regulatory guidelines. To compute for VaR, the Bank uses historical simulation model for USD/PHP FX position, with confidence level at 99.00% and a 1 day holding period. The Bank’s VaR for its foreign exchange position for trading and non-trading activities are as follows (in thousands):

	2019[1]	2018[1]
As of year-end	**₱978**	₱864
Average	**751**	919
High	**1,326**	3,641
Low	**8**	116

[1]*Using METRISK Historical Simulation VaR*

The table below summarizes the Bank's exposure to foreign exchange risk as of December 31, 2019 and 2018. Included in the table are the Bank's assets and liabilities at carrying amounts (in thousands):

	2019	2018
Assets		
Cash	**$27**	$4
Due from other banks	**1,759**	6,700
Financial assets at FVOCI	**–**	45,083
Other assets	**–**	1,113
Total assets	**1,786**	52,900
Liabilities		
Deposit liabilities		
Savings	**113**	128
Time	–	3
Other liabilities	**5,331**	4,023
Total liabilities	**5,444**	4,154
Net exposure	**($3,658)**	$48,746

c. *Liquidity risk*

The Bank's policy on liquidity management emphasizes on three elements of liquidity, namely, cashflow management, ability to borrow in the interbank market, and maintenance of a stock of high-quality liquid assets. These three approaches complement one another with greater weight being given to a particular approach, depending upon the circumstances. The Bank's objective in liquidity management is to ensure that the Bank has sufficient liquidity to meet obligations under normal and adverse circumstances and is able to take advantage of lending and investment opportunities as they arise.

The main tool that the Bank uses for monitoring its liquidity is the Maximum Cumulative Outflow (MCO) reports, which is also called liquidity gap or maturity matching gap reports. The MCO is a useful tool in measuring and analyzing the Bank's cash flow projections and monitoring liquidity risks. The liquidity gap report shows the projected cash flows of assets and liabilities representing estimated funding sources and requirements under normal conditions, which also forms the basis for the Bank's Liquidity Contingency Funding Plan (LCFP). The LCFP projects the Bank's funding position during stress to help evaluate the Bank's funding needs and strategies under various stress conditions.

The Bank discourages dependence on Large Funds Providers (LFPs) and monitors the deposit funding concentrations so that it will not be vulnerable to a substantial drop in deposit level should there be an outflow of large deposits and there is enough high-quality liquid assets to fund LFP withdrawals. ALCO is responsible for managing the liquidity of the Bank while RMO and ROC review and oversee the Bank's overall liquidity risk management.

To mitigate potential liquidity problems caused by unexpected withdrawals of significant deposits, the Bank takes steps to cultivate good business relationships with clients and financial institutions, maintains high level of high-quality liquid assets, monitors the deposit funding concentrations and regularly updates the Liquidity Contingency Funding Plan. Beginning 2019, the Bank manages and monitors its Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) on a daily basis to ensure compliance with the required regulatory ratios.

Financial assets
Analysis of equity and debt securities at FVTPL and financial assets at FVOCI into maturity groupings is based on the expected date on which these assets will be realized. For other assets, the analysis into maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date the assets will be realized.

Financial liabilities
The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date and does not consider the behavioral pattern of the creditors. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Bank can be required to pay.

Analysis of Financial Assets and Liabilities by Remaining Maturities
The tables below show the maturity profile of the Bank's financial assets and liabilities based on contractual undiscounted repayment obligations (in millions):

	2019							
	On demand	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Total within 1 year	Beyond 1 year	Total
Financial Assets								
FVTPL investments								
HFT - government securities	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Derivatives	–	–	–	–	–	–	–	–
Financial assets at FVOCI								
Government securities	–	61	3	865	83	1,012	1,123	2,135
Private securities	–	–	30	25	79	134	3,407	3,541
Quoted equity securities	–	–	–	–	–	–	12	12
Investment securities at amortized cost								
Government bonds	–	25	109	159	1,890	2,183	38,484	40,667
Private securities	–	1	37	49	236	323	3,692	4,015
Loans and receivables								
Loans and advances to banks								
Due from BSP	6,816	–	–	–	–	6,816	–	6,816
Due from other banks	1,140	–	–	–	–	1,140	–	1,140
Interbank loans receivable and SPURA	–	–	–	–	–	–	–	–
Receivables from customers								
Consumption loans	137	1,298	2,713	4,490	10,375	19,013	126,054	145,067
Real estate loans	154	469	1,086	1,738	3,714	7,161	88,853	96,014
Commercial loans	880	840	927	1,109	1,926	5,682	11,548	17,230
Personal loans	1,092	159	358	611	1,484	3,704	1,807	5,511
Other receivables								
Accrued interest receivable	726	1,182	251	90	–	2,249	–	2,249
Accounts receivable	500	9	7	10	1,375	1,901	–	1,901
Sales contract receivable	4	–	–	1	1	6	37	43
Bills purchased	9	–	–	–	–	9	–	9
Other assets								
Security deposits	–	–	1	4	8	13	172	185
RCOCI	29	–	–	–	–	29	–	29
	₱11,487	₱4,044	₱5,522	₱9,151	₱21,171	₱51,375	₱275,189	₱326,564

	2019							
	On demand	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Total within 1 year	Beyond 1 year	Total
Financial Liabilities								
Deposit liabilities								
Demand	₱22,491	₱–	₱–	₱–	₱–	₱22,491	₱–	₱22,491
Savings	35,692	–	–	–	–	35,692	–	35,692
Time	–	72,496	11,071	4,438	2,490	90,495	17,511	108,006
LTNCD	–	–	–	–	–	–	9,647	9,647
	58,183	72,496	11,071	4,438	2,490	148,678	27,158	175,836
Bills payable	–	1,201	–	3,219	–	4,420	–	4,420
Bonds payable	–	–	–	–	353	353	6,653	7,006
Treasurer's, cashier's and manager's checks	1,298	–	–	–	–	1,298	–	1,298
Accrued interest payable	–	–	366	–	68	434	–	434
Accrued other expenses payable	–	666	–	–	178	844	–	844
Other liabilities								
Accounts payable	–	–	–	2,384	–	2,384	–	2,384
Lease liability	–	38	75	110	209	432	1,378	1,810
Other credits	171	–	–	–	–	171	–	171
Bills purchased - contra	9	–	–	–	–	9	–	9
Deposit for keys	1	–	–	–	–	1	–	1
Payment order payable and overages	15	–	–	–	–	15	2	17
	₱59,677	₱74,401	₱11,512	₱10,151	₱3,298	₱159,039	₱35,191	₱194,230

	2018							
	On demand	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Total within 1 year	Beyond 1 year	Total
Financial Assets								
FVTPL investments								
HFT - government securities	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Derivatives	–	3	7	–	–	10	–	10
Financial assets at FVOCI								
Government securities	–	67	20	40	2,201	2,328	9,834	12,162
Private securities	–	1	40	25	1,113	1,179	3,916	5,095
Quoted equity securities	–	–	–	–	–	–	10	10
Investment securities at amortized cost								
Government bonds	–	26	109	159	800	1,094	41,785	42,879
Private securities	–	1	18	205	505	729	4,102	4,831
Loans and receivables								
Loans and advances to banks								
Due from BSP	15,159	–	–	–	–	15,159	–	15,159
Due from other banks	1,685	–	–	–	–	1,685	–	1,685
Interbank loans receivable and SPURA	1,892	–	–	–	–	1,892	–	1,892
Receivables from customers								
Consumption loans	145	1,205	2,485	4,042	9,308	17,185	120,679	137,864
Real estate loans	126	421	1,019	1,630	3,532	6,728	82,479	89,207
Commercial loans	604	1,002	1,110	924	1,513	5,153	11,576	16,729
Personal loans	1,026	157	349	554	1,376	3,462	1,746	5,208
Other receivables								
Accrued interest receivable	649	855	358	377	67	2,306	–	2,306
Accounts receivable	987	19	5	6	30	1,047	480	1,527
Sales contract receivable	4	–	–	–	2	6	65	71
Bills purchased	13	–	–	–	–	13	–	13
Other assets								
Security deposits	–	2	2	5	6	15	191	206
RCOCI	20	–	–	–	–	20	–	20
	₱22,310	₱3,759	₱5,522	₱7,967	₱20,453	₱60,011	₱276,863	₱336,874

	2018							
	On demand	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 12 months	Total within 1 year	Beyond 1 year	Total
Financial Liabilities								
Deposit liabilities								
Demand	₱20,367	₱–	₱–	₱–	₱–	₱20,367	₱–	₱20,367
Savings	33,400	–	–	–	–	33,400	–	33,400
Time	–	70,024	34,425	13,799	4,143	122,391	16,796	139,187
LTNCD	–	–	–	–	–	–	9,792	9,792
	53,767	70,024	34,425	13,799	4,143	176,158	26,588	202,746
Bills payable	–	–	53	53	106	212	3,188	3,400
Subordinated notes	–	–	41	41	83	165	3,784	3,949
Treasurer's, cashier's and manager's checks	1,616	–	–	–	–	1,616	–	1,616
Accrued interest payable	–	–	900	–	–	900	–	900
Accrued other expenses payable	–	589	191	200	–	980	–	980
Other liabilities								
Accounts payable	–	–	–	2,073	–	2,073	–	2,073
Other credits	245	–	–	–	–	245	–	245
Bills purchased - contra	13	–	–	–	–	13	–	13
Deposit for keys	1	–	–	–	–	1	–	1
Payment order payable and overages	6	–	–	–	–	6		6
	₱55,648	₱70,613	₱35,610	₱16,166	₱4,332	₱182,369	₱33,560	₱215,929

6. Segment Information

The Bank's operating segments are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit that offers different products and serves different markets. The Bank's reportable segments are as follows:

a. Consumer Banking - principally provides consumer-type loans generated by the Home Office;
b. Corporate Banking - principally handles loans and other credit facilities for small and medium enterprises, corporate and institutional customers acquired in the Home Office;
c. Branch Banking - serves as the Bank's main customer touch point which offers consumer and corporate banking products; and

d. Treasury - principally handles institutional deposit accounts, providing money market, trading and treasury services, as well as managing the Bank's funding operations by use of government securities and placements and acceptances with other banks.

These segments are the bases on which the Bank reports its primary segment information. The Bank evaluates performance on the basis of information about the components of the Bank that senior management uses to make decisions about operating matters. There are no other operating segments than those identified by the Bank as reportable segments. There were no inter-segment revenues and expenses included in the financial information. The Bank has no single customer with revenues from which is 10.00% or more of the Bank's total revenue.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Primary segment information (by business segment) for the years ended December 31, 2019, 2018 and 2017 follows (in thousands):

			2019		
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	₱5,683,072	₱636,212	₱7,944,839	₱3,148,365	₱17,412,488
Service fees and commission	751,205	46,520	1,154,217	–	1,951,942
Other operating income	402,361	39,901	647,700	289,877	1,379,839
Total operating income	6,836,638	722,633	9,746,756	3,438,242	20,744,269
Non-cash expenses					
Provision for credit and impairmentlosses	1,705,844	203,450	305,696	–	2,214,990
Depreciation	239,093	3,768	666,070	1,411	910,342
Amortization of intangible assets	47,584	1,833	83,938	1,700	135,055
Total non-cash expenses	1,992,521	209,051	1,055,704	3,111	3,260,387
Interest expense	–	–	3,256,615	2,797,004	6,053,619
Service fees and commission expense	34,035	2,107	52,295	–	88,437
Subtotal	34,035	2,107	3,308,910	2,797,004	6,142,056
Compensation and fringe benefits	902,472	74,994	2,503,848	39,300	3,520,614
Taxes and licenses	485,330	32,038	651,230	381,156	1,549,754
Occupancy and equipment-related costs	81,561	966	239,196	607	322,330
Security, messengerial and janitorial services	147,003	3,072	301,961	1,027	453,063
Miscellaneous	646,978	24,432	1,219,616	132,165	2,023,191
Subtotal	2,263,344	135,502	4,915,851	554,255	7,868,952
Income (loss) before share in net income of a joint venture and income tax	₱2,546,738	₱375,973	₱466,291	₱83,872	₱3,472,874
Share in net income of a joint venture					105,905
Income before income tax					3,578,779
Provision for income tax					550,441
Net income					₱3,028,338
Segment assets	₱121,477,767	₱7,663,702	₱53,884,306	₱39,727,128	₱222,752,903
Investment in a joint venture					755,781
Deferred tax assets					1,398,137
Total assets					₱224,906,821
Segment liabilities	₱1,133,833	₱70,337	₱134,505,605	₱54,739,773	₱190,449,548

	2018				
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	₱5,605,523	₱350,615	₱6,733,222	₱3,684,617	₱16,373,977
Service fees and commission	675,356	42,309	1,004,080	–	1,721,745
Other operating income	648,822	23,260	614,175	(45,265)	1,240,992
Total operating income	6,929,701	416,184	8,351,477	3,639,352	19,336,714
Non-cash expenses					
Provision for (reversal of) credit and impairment losses	2,021,119	(66,778)	139,320	44,312	2,137,973
Depreciation	240,779	4,522	375,577	1,304	622,182
Amortization of other intangible assets	56,911	2,368	98,568	1,242	159,089
Total non-cash expenses	2,318,809	(59,888)	613,465	46,858	2,919,244
Interest expense	–	–	1,956,224	3,085,803	5,042,027
Service fees and commission expense	37,698	2,362	56,048	–	96,108
Subtotal	37,698	2,362	2,012,272	3,085,803	5,138,135
Compensation and fringe benefits	814,171	72,626	2,443,558	33,473	3,363,828
Taxes and licenses	456,707	31,165	585,031	554,838	1,627,741
Occupancy and equipment-related costs	77,577	1,074	684,687	429	763,767
Security, messengerial and janitorial services	168,186	4,306	320,250	996	493,738
Miscellaneous	691,451	26,730	1,242,453	180,263	2,140,897
Subtotal	2,208,092	135,901	5,275,979	769,999	8,389,971
Income before share in net income of a joint venture and income tax	₱2,365,102	₱337,809	₱449,761	(₱263,308)	₱2,889,364
Share in net income of a joint venture					82,377
Income before income tax					2,971,741
Provision for income tax					309,595
Net income					₱2,662,146
Segment assets	₱125,143,953	₱7,969,875	₱45,507,895	₱57,088,476	₱235,710,199
Investment in a joint venture					691,426
Deferred tax assets					1,327,667
Total assets					₱237,729,292
Segment liabilities	₱1,591,964	₱98,175	₱130,004,402	₱81,640,603	₱213,335,144

	2017				
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	₱4,811,338	₱321,494	₱6,777,057	₱2,633,888	₱14,543,777
Service fees and commission	561,436	40,482	868,284	–	1,470,202
Other operating income	898,009	15,705	529,289	(8,754)	1,434,249
Total operating income	6,270,783	377,681	8,174,630	2,625,134	17,448,228
Non-cash expenses					
Provision for (reversal of) credit and impairment losses	2,111,031	(36,167)	195,315	–	2,270,179
Depreciation	242,252	5,852	386,310	1,022	635,436
Amortization of other intangible assets	50,347	2,638	81,673	774	135,432
Total non-cash expenses	2,403,630	(27,677)	663,298	1,796	3,041,047
Interest expense	–	–	1,653,833	1,810,844	3,464,677
Service fees and commission expense	36,060	2,600	55,768	–	94,428
Subtotal	36,060	2,600	1,709,601	1,810,844	3,559,105
Compensation and fringe benefits	802,955	63,842	2,365,493	28,316	3,260,606
Taxes and licenses	410,454	31,874	438,575	388,005	1,268,908
Occupancy and equipment-related costs	68,023	1,022	670,795	211	740,051
Security, messengerial and janitorial services	115,856	4,649	355,784	1,244	477,533
Miscellaneous	709,485	37,715	1,336,751	167,383	2,251,334
Subtotal	2,106,773	139,102	5,167,398	585,159	7,998,432
Income before share in net income of a joint venture and income tax	₱1,724,320	₱263,656	₱634,333	₱227,335	₱2,849,644
Share in net income of a joint venture					71,837
Income before income tax					2,921,481
Benefit from income tax					267,062
Net income					₱2,654,419
Segment assets	₱113,797,984	₱8,297,700	₱39,017,294	₱60,174,574	₱221,287,552
Investment in a joint venture					607,163
Deferred tax assets					1,429,327
Total assets					223,324,042
Segment liabilities	₱1,123,077	₱77,620	₱119,740,151	₱79,989,870	₱200,930,718

7. Interbank Loans Receivable and Securities Purchased Under Resale Agreements

This account consists of the following:

	2019	2018
SPURA	**₱–**	₱1,892,000,000
Interbank call loans (IBCL) receivable	–	–
	–	1,892,000,000
Less allowance for impairment losses (Note 15)	–	180,000
	₱–	₱1,891,820,000

SPURA are lending to counterparties collateralized by government securities ranging from one to four days. As of December 31, 2018, the fair value of government securities held as collateral amounted to ₱1.9 billion. The Bank is not permitted to sell or repledge the related collateral in the absence of default by the counterparty.

IBCL represents short-term lending with counterparty banks and other financial institutions. These are highly liquid instruments which mature within one to five days.

SPURA of the Bank bears annual interest rate ranging from 4.00% to 4.75% in 2019 and from 3.00% to 4.75% in 2018, while peso-denominated IBCL of the Bank bear annual interest rate ranging from 4.00% to 5.16% in 2019 and from 3.03% to 5.06% in 2018. Foreign currency-denominated IBCL bear annual interest rates ranging from 0.02% to 2.48% in 2019 and from 1.25% to 2.18% in 2018.

Interest income on SPURA and IBCL are as follows:

	2019	2018	2017
IBCL (Note 29)	**₱24,821,923**	₱57,403,569	₱11,798,252
SPURA	**5,318,536**	32,319,801	49,238,898
	₱30,140,459	₱89,723,370	₱61,037,150

8. Investment Securities

Fair Value Through Profit or Loss (FVTPL) Investments

Fair value through profit or loss investments consist of the following:

	2019	2018
Derivatives with positive fair value	**₱–**	₱10,073,132
Investment securities at FVTPL	**43,674**	33,890
Financial assets at FVTPL	**₱43,674**	₱10,107,022
Derivatives with negative fair value	**₱–**	₱2,895,073
Financial liabilities at FVTPL	**₱–**	₱2,895,073

On August 19, 2009, the BSP approved the Bank's application for Type 3 Limited User Authority for plain vanilla foreign exchange (FX) forwards, which is limited to outright buying or selling of FX forwards at a specific price and date in the future and do not include non-deliverable forwards.

In 2018, the Bank entered into foreign currency swaps and forwards. As of December 31, 2018, the aggregate notional amounts of the outstanding foreign currency swaps with positive and negative fair value amounted to $30.7 million and $18.8 million, respectively.

Movements in fair value changes of derivative with positive fair value are as follows:

	2019	2018
Balance at beginning of year	**₱10,073,132**	₱73,159,561
Fair value changes during the year	**–**	83,811,949
Settled transactions	**(10,073,132)**	(146,898,378)
Balance at end of year	**₱–**	₱10,073,132

Movements in fair value changes of derivative with negative fair value are as follows:

	2019	2018
Balance at beginning of year	**(₱2,895,073)**	₱–
Fair value changes during the year	**–**	(97,713,762)
Settled transactions	**2,895,073**	94,818,689
Balance at end of year	**₱–**	(₱2,895,073)

As of December 31, 2019 and 2018, the Bank has outstanding ROP paired warrants amounting to $1.5 million which give the Bank the option or right to exchange its holdings of ROP Global Bonds (Paired Bonds) into peso-denominated government securities upon occurrence of a pre-determined credit event. Paired Bonds shall be risk weighted at 0.00%, provided that the 0.00% risk weight shall be applied only to the Bank's holdings of Paired Bonds equivalent to not more than 50.00% of the total qualifying capital. Further, the Bank's holdings of said warrants, booked in the FVTPL category, are likewise exempted from capital charge for market risk as long as said instruments are paired with ROP Global Bonds up to a maximum of 50.00% of the total qualifying capital. As a result of the sale of its paired bonds in 2013, the Bank is holding ROP warrants without paired instruments and with no active market. As of December 31, 2019 and 2018, the Bank determined the market value of its warrants to be zero.

The unrealized portion of the trading securities gains (losses) on FVTPL investments amounted to ₱0.01 million, (₱16.9 million) and ₱12.2 million for 2019, 2018 and 2017, respectively.

Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

Financial assets at FVOCI consist of the following:

	2019	2018
Financial Assets at FVOCI		
Debt securities		
Government	**₱1,855,048,199**	₱8,956,764,357
Private	**2,908,569,047**	3,964,611,802
Equity securities		
Quoted	**11,771,221**	10,225,365
	₱4,775,388,467	₱12,931,601,524

As of December 31, 2019 and 2018, the ECL on financial assets at FVOCI (included in 'Fair value reserves on financial assets at FVOCI') amounted to ₱3.4 million and ₱10.0 million (Note 15), respectively.

Movements in the fair value reserves on financial assets at FVOCI follow:

	2019	2018
Balance at beginning of year, as previously reported	**(₱782,896,279)**	(₱411,510,218)
Effect of the adoption of PFRS 9	–	342,363,486
Balance at beginning of year, as restated	**(782,896,279)**	(69,146,732)
Loss/(Gain) from sale of financial assets at FVOCI realized in profit or loss	**(224,424,552)**	92,278,733
Changes in allowance for ECL (Note 15)	**(6,538,008)**	9,957,385
Fair value gain (loss) recognized in OCI	**994,927,408**	(815,985,665)
Balance at end of year	**(₱18,931,431)**	(₱782,896,279)

As of December 31, 2019 and 2018, the Bank deposited financial assets at FVOCI with total carrying value of ₱143.2 million and ₱84.2 million, respectively, in the form of government bonds with BSP, in compliance with trust regulations (Note 30).

Investment Securities at Amortized Cost
Investment securities at amortized cost consist of the following:

	2019	2018
Investment Securities at Amortized Cost		
Debt securities		
Government	**₱30,806,854,231**	₱31,604,530,066
Private	**3,452,645,653**	4,071,281,345
	34,259,499,884	35,675,811,411
Less allowance for credit losses (Note 15)	**25,525,068**	29,046,147
	₱34,233,974,816	₱35,646,765,264

As of December 31, 2019 and 2018, investment securities at amortized cost include Bureau of Treasury bonds pledged by the Bank to MBTC to secure its payroll account with MBTC with total carrying value of ₱66.3 million and ₱66.5 million, respectively.

Interest income on investment securities consists of:

	2019	2018	2017
Interest income recognized using EIR			
Investment securities at amortized cost	**₱1,424,666,633**	₱1,429,497,897	₱–
Financial assets at FVOCI	**471,590,813**	555,859,754	–
HTM investments	**–**	–	1,165,451,432
AFS investments	**–**	–	607,568,926
	1,896,257,446	1,985,357,651	1,773,020,358
Interest income recognized using nominal interest rates			
FVTPL investments	**2,152**	9,088,886	50,570,958
	₱1,896,259,598	₱1,994,446,537	₱1,823,591,316

Peso-denominated financial assets at FVOCI/AFS investments bear nominal annual interest rates ranging from 4.00% to 8.13% in 2019, from 2.13% to 8.13% in 2018 and from 2.13% to 9.50% in 2017 while foreign currency-denominated FVOCI/AFS investments bear nominal annual interest rates of 5.88% in 2019 and ranging from 3.00% to 10.63% in 2018 and from 3.70% to 9.50% in 2017.

EIR on financial assets at FVOCI/AFS investments as of December 31, 2019, 2018, and 2017 range from 4.08% to 8.46%, from 2.47% to 8.14% and 2.69% to 6.15%, respectively.

On the other hand, peso-denominated investment securities at amortized cost/HTM investments bear EIR ranging from 3.43% to 14.74% in 2019, from 3.70% to 4.87% in 2018 and from 3.70% to 5.61% in 2017, while foreign currency-denominated HTM investments bear EIR ranging from 3.05% to 9.97%, from 3.00% to 4.75%, and from 2.46% to 4.96% in 2019, 2018 and 2017, respectively.

Trading and securities gains (losses) - net on investment securities consist of:

	2019	2018	2017
FVTPL investments (Note 29)	**(₱432,107)**	(₱41,018,773)	(₱15,481,460)
Financial assets at FVOCI	**224,424,552**	(92,278,733)	–
AFS investments	**–**	–	(49,756,366)
	₱223,992,445	(₱133,297,506)	(₱65,237,826)

9. Loans and Receivables

This account consists of:

	2019	2018
Receivables from customers		
Consumption loans	**₱94,226,205,291**	₱90,291,868,218
Real estate loans	**52,479,186,928**	49,972,645,933
Commercial loans	**13,685,986,537**	12,902,967,013
Personal loans (Note 29)	**3,723,190,784**	3,525,922,782
	164,114,569,540	156,693,403,946
Less unearned discounts	**711,180**	130,275
	164,113,858,360	156,693,273,671
Other receivables		
Accrued interest receivable	**2,249,493,941**	2,306,049,469
Accounts receivable (Note 29)	**1,901,309,701**	1,526,155,791
Sales contract receivables	**42,646,790**	71,508,163
Bills purchased (Note 19)	**8,798,803**	13,077,760
	168,316,107,595	160,610,064,854
Less allowance for credit losses (Note 15)	**3,931,905,382**	4,349,702,079
	₱164,384,202,213	₱156,260,362,775

Personal loans comprise deposit collateral loans, employee salary and consumer loan products such as money card, multi-purpose loan and flexi-loan.

As of December 31, 2019, 2018 and 2017, 33.74%, 39.93% and 40.02%, respectively, of the total receivables from customers are subject to periodic interest repricing with average EIR of 7.66%, 7.41% and 14.06% in 2019, 2018 and 2017. Remaining receivables earn average annual fixed interest rates of 15.78%, 14.90% and 14.81% in 2019, 2018 and 2017, respectively.

Receivables from customers earned interest income at an effective interest rate ranging from 8.89% to 9.42%, from 8.76% to 9.46%, and from 8.94% to 9.17%, for the years ended December 31, 2019, 2018 and 2017, respectively.

Interest income on loans and receivables consists of:

	2019	2018	2017
Receivables from customers			
Consumption loans	**₱9,144,507,633**	₱8,608,117,368	₱7,624,465,526
Real estate loans	**3,974,463,324**	3,482,931,036	3,273,928,199
Personal loans (Note 29)	**1,422,610,233**	1,388,759,417	820,957,546
Commercial loans	**932,004,186**	781,469,660	749,518,594
Other receivables			
Sales contract receivables	**7,604,057**	7,528,142	8,263,372
	₱15,481,189,433	₱14,268,805,623	₱12,477,133,237

Interest income from restructured loans amounted to ₱8.3 million, ₱8.9 million and ₱11.0 million in 2019, 2018 and 2017, respectively.

BSP Reporting
The breakdown of loans and receivables from customers (gross of unearned discounts and allowance for credit losses) as to secured and unsecured and as to type of security follows:

	2019	%	2018	%
Secured by:				
Chattel	**₱84,573,541,229**	**51.53%**	₱90,291,940,808	57.62
Real estate	**37,086,534,930**	**22.60%**	35,067,463,726	22.38
Deposit hold-out	**849,760,087**	**0.52%**	739,239,948	0.47
Others	**6,173,885**	**0.00%**	12,409,828	0.01
	122,516,010,131	**74.65%**	126,111,054,310	80.48
Unsecured	**41,598,559,409**	**25.35%**	30,582,349,636	19.52
	₱164,114,569,540	**100.00%**	₱156,693,403,946	100.00

Details of non-performing loans (NPL) follow:

	2019	2018
Secured	**₱4,307,641,178**	₱4,947,136,614
Unsecured	**1,609,454,115**	1,668,789,592
	₱5,917,095,293	₱6,615,926,206

Generally, NPLs refer to loans, investments, receivables, or any financial asset, even without any missed contractual payments, that satisfy any of the following conditions:
1. Impaired under existing accounting standards;
2. Classified as doubtful or loss;
3. In litigation, and/or;
4. There is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any.

All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are:
1. Unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

2. 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.
3. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

The NPLs of the Bank not fully covered by allowance for credit losses follow:

	2019	2018
Total NPLs	**₱5,917,095,293**	₱6,615,926,206
Less NPLs fully covered by allowance for credit losses	**1,315,008,850**	1,703,235,253
	₱4,602,086,443	₱4,912,690,953

Restructured loans as of December 31, 2019 and 2018 amounted to ₱104.6 million and ₱128.5 million, respectively. The Bank's loan portfolio includes non-risk loans as defined under BSP regulations totaling ₱0.9 billion and ₱2.6 billion as of December 31, 2019 and 2018, respectively.

Loan concentration as to economic activity follows (gross of unearned discounts and allowance for credit losses):

	2019	%	2018	%
Activities of households as employers and undifferentiated goods-and-services producing activities of households for own use	**₱99,328,259,110**	**60.52**	₱95,549,749,865	60.98
Real estate activities	**47,435,436,567**	**28.90**	45,068,932,504	28.76
Wholesale and retail trade, repair of motor vehicles and motorcycles	**2,905,710,768**	**1.77**	2,958,370,016	1.89
Electricity, gas, steam and air-conditioning supply	**1,864,986,016**	**1.14**	1,937,172,270	1.24
Financial and insurance activities	**1,198,964,283**	**0.73**	1,098,179,781	0.70
Transportation and storage	**1,041,311,221**	**0.63**	1,177,545,617	0.75
Manufacturing	**805,033,894**	**0.49**	974,159,507	0.62
Construction	**741,251,226**	**0.45**	872,655,404	0.56
Administrative and support service activities	**702,200,790**	**0.43**	825,978,162	0.53
Information and communication	**546,048,174**	**0.33**	565,650,294	0.36
Accommodation and food service activities	**332,145,362**	**0.20**	348,588,610	0.22
Human health and social work activities	**248,280,198**	**0.15**	283,481,970	0.18
Water supply, sewerage, waste management and remediation activities	**243,086,738**	**0.15**	233,874,590	0.15
Education	**172,810,953**	**0.11**	216,428,300	0.14
Professional, scientific and technical activities	**159,731,330**	**0.10**	141,462,881	0.09
Arts, entertainment and recreation	**78,801,234**	**0.05**	87,032,281	0.06
Agriculture, forestry and fishing	**74,422,698**	**0.05**	87,215,580	0.06
Mining and quarrying	**13,178,977**	**0.01**	16,087,623	0.01
Others	**6,222,910,001**	**3.79**	4,250,838,691	2.70
	₱164,114,569,540	**100.00**	₱156,693,403,946	100.00

Others relate to other service activities including the activities of membership organizations, repair of computers, personal and household goods and a variety of personal service activities not covered elsewhere in the classification above.

10. **Investment in a Joint Venture**

The Bank's investment in a joint venture represents its 30.00% interest in Sumisho Motor Finance Corporation (SMFC) as of December 31, 2019 and 2018.

SMFC is engaged in the business of lending or leasing to retail customers for their purchase of motorcycles.

Management has assessed that the Bank continues to have joint control over SMFC together with GT Capital, Sumitomo Japan and Sumitomo Corporation of the Philippines (Sumitomo Group), as all investors are bound by all terms and conditions of the original Joint Venture Agreement between the Bank and Sumitomo Group, where unanimous consent is required from all the parties for SMFC's relevant activities.

As of December 31, 2019 and 2018, the Bank's investment in a joint venture amounted to ₱755.8 million and ₱691.4 million, respectively.

Movement in this account follows (in thousands):

	2019	2018
Balance at beginning of year	**₱691,426**	₱607,163
Share in net income (Note 29)	**105,905**	82,377
Share in unrealized gain on remeasurement of retirement liability (Note 29)	**(2,190)**	1,886
Dividends paid	**(39,360)**	–
Ending balance	**₱755,781**	₱691,426

The following table illustrates the summarized financial information of SMFC (in thousands):

	2019	2018
Current assets	**₱6,870,631**	₱4,904,097
Non-current assets	**254,305**	149,507
Current liabilities	**(4,502,607)**	(2,689,159)
Non-current liabilities	**(103,061)**	(59,692)
Net assets	**₱2,519,268**	₱2,304,753

	2019	2018	2017
Revenues	**₱1,684,260**	₱1,104,277	₱818,915
Costs and expenses	**1,174,697**	701,455	524,426
	509,563	402,822	294,489
Provision for income tax	**156,545**	128,231	89,062
Net income	**353,018**	274,591	205,427
Other comprehensive income	**(7,299)**	6,288	541
Total comprehensive income	**₱345,719**	₱280,879	₱205,968

On June 21, 2019, SMFC declared dividends of ₱6.56 per share amounting to a total of ₱131.2 million. The same was paid to shareholders on July 1, 2019.

Cost of the investment as of December 31, 2019 and 2018 amounted to ₱600.0 million.

SMFC is a private company and there is no quoted market price available for its shares. The net assets of SMFC consist mainly of financial assets and financial liabilities.

The Bank has no share in any contingent liabilities or capital commitments of SMFC as of December 31, 2019 and 2018. There are also no agreements entered into by SMFC that may restrict dividends and other capital contributions to be paid, loans and advances to be made or repaid to or from the Bank as of the said dates.

Movement in equity in remeasurement gains (losses) on retirement plan of a joint venture amounted to (₱2.2 million), ₱1.9 million and (₱0.2 million) in 2019, 2018 and 2017, respectively.

11. Property and Equipment

The composition of and movements in this account follow:

	2019					
	Land	**Building**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Right-of-use Assets: Building**	**Total**
Cost						
Balance at beginning of the period, as previously reported	**₱976,443,676**	**₱1,125,200,479**	**₱2,814,449,530**	**₱1,012,800,699**	**₱–**	**₱5,928,894,384**
Effect of the adoption of PFRS 16 (Note 2)	**–**	**–**	**–**	**–**	**1,442,283,639**	**1,442,283,639**
Balance at beginning of the period, as restated	**976,443,676**	**1,125,200,479**	**2,814,449,530**	**1,012,800,699**	**1,442,283,639**	**7,371,178,023**
Acquisitions/Additions	**–**	**5,631,005**	**101,542,500**	**17,095,247**	**186,062,195**	**310,330,947**
Disposals/Retirement	**–**	**–**	**(79,673,882)**	**–**	**(31,979,925)**	**(111,653,807)**
Balance at end of the period	**976,443,676**	**1,130,831,484**	**2,836,318,148**	**1,029,895,946**	**1,596,365,909**	**7,569,855,163**
Accumulated Depreciation						
Balance at beginning of the period	**–**	**454,610,927**	**2,401,654,413**	**815,249,139**	**–**	**3,671,514,479**
Depreciation	**–**	**35,782,765**	**157,690,302**	**83,843,483**	**373,133,483**	**650,450,033**
Disposals	**–**	**–**	**(40,070,585)**	**–**	**(24,874,890)**	**(64,945,475)**
Balance at end of the period	**–**	**490,393,692**	**,519,274,130**	**899,092,622**	**348,258,593**	**4,257,019,037**
Net Book Value	**₱976,443,676**	**₱640,437,792**	**₱317,044,018**	**₱130,803,324**	**₱1,248,107,316**	**₱3,312,836,126**

	2018				
	Land	Building	Furniture, Fixtures and Equipment	Leasehold Improvements	Total
Cost					
Balance at beginning of year	₱976,443,676	₱1,126,593,369	₱2,721,454,277	₱976,140,270	₱5,800,631,592
Acquisitions	–	2,802,669	142,887,490	36,660,429	182,350,588
Disposals	–	(4,195,559)	(49,892,237)	–	(54,087,796)
Balance at end of year	976,443,676	1,125,200,479	2,814,449,530	1,012,800,699	5,928,894,384
Accumulated Depreciation					
Balance at beginning of year	–	416,470,260	2,185,390,898	718,758,080	3,320,619,238
Depreciation	–	38,163,929	232,636,645	96,491,059	367,291,633
Disposals	–	(23,262)	(16,373,130)	–	(16,396,392)
Balance at end of year	–	454,610,927	2,401,654,413	815,249,139	3,671,514,479
Net Book Value	₱976,443,676	₱670,589,552	₱412,795,117	₱197,551,560	₱2,257,379,905

Gain on sale of property and equipment amounted to ₱8.1 million, ₱7.9 million and ₱1.7 million in 2019, 2018 and 2017, respectively.

The details of depreciation under the statements of income follow:

	2019	2018	2017
Property and equipment	**₱650,450,033**	₱367,291,633	₱391,888,682
Chattel mortgage properties (Note 14)	**166,109,603**	155,549,227	150,298,384
Investment properties (Note 12)	**93,782,188**	99,341,223	93,249,037
	₱910,341,824	₱622,182,083	₱635,436,103

As of December 31, 2019 and 2018, property and equipment of the Bank with gross carrying amounts of ₱2.1 billion and ₱1.8 billion, respectively, are fully depreciated but are still being used.

12. Investment Properties

The composition of and movements in this account follow:

	2019		
	Land	**Building Improvements**	**Total**
Cost			
Balance at beginning of year	**₱1,656,342,069**	**₱3,061,707,089**	**₱4,718,049,158**
Additions (Note 32)	**208,639,635**	**526,642,782**	**735,282,417**
Disposals	**(386,522,224)**	**(688,052,699)**	**(1,074,574,923)**
Balance at end of year	**1,478,459,480**	**2,900,297,172**	**4,378,756,652**
Accumulated Depreciation			
Balance at beginning of year	–	**438,004,523**	**438,004,523**
Depreciation (Note 11)	–	**93,782,188**	**93,782,188**
Disposals	–	**(98,606,574)**	**(98,606,574)**
Balance at end of year	–	**433,180,137**	**433,180,137**
Allowance for Impairment Losses			
Balance at beginning of year	**76,490,196**	**167,236,723**	**243,726,919**
Provisions (reversals) for the year (Note 15)	**(7,730,797)**	**7,975,841**	**245,044**
Disposals	**(2,085,274)**	**(62,058,870)**	**(64,144,144)**
Balance at end of year	**66,674,125**	**113,153,694**	**179,827,819**
Net Book Value	**₱1,411,785,355**	**₱2,353,963,341**	**₱3,765,748,696**

	2018		
	Land	Building Improvements	Total
Cost			
Balance at beginning of year	₱1,626,841,652	₱2,930,621,176	₱4,557,462,828
Additions (Note 32)	259,427,845	532,358,484	791,786,329
Disposals	(229,927,428)	(401,272,571)	(631,199,999)
Balance at end of year	1,656,342,069	3,061,707,089	4,718,049,158
Accumulated Depreciation			
Balance at beginning of year	–	397,625,717	397,625,717
Depreciation (Note 11)	–	99,341,223	99,341,223
Disposals	–	(58,962,417)	(58,962,417)
Balance at end of year	–	438,004,523	438,004,523
Allowance for Impairment Losses			
Balance at beginning of year	166,817,379	62,702,253	229,519,632
Provisions (reversals) for the year (Note 15)	(87,113,024)	116,039,818	28,926,794
Disposals	(3,214,159)	(11,505,348)	(14,719,507)
Balance at end of year	76,490,196	167,236,723	243,726,919
Net Book Value	₱1,579,851,873	₱2,456,465,843	₱4,036,317,716

The details of the net book value of investment properties follow:

	2019	2018
Real estate properties acquired in settlement of loans and receivables	**₱3,675,428,253**	₱3,942,199,973
Bank premises leased to third parties and held for capital appreciation	**90,320,443**	94,117,743
	₱3,765,748,696	₱4,036,317,716

As of December 31, 2019 and 2018, the aggregate fair value of investment properties amounted to ₱5.8 billion and ₱5.9 billion, respectively. Fair value of the properties was determined using sales comparison approach. Fair values are based on valuations performed by accredited external and in-house appraisers.

Gain on foreclosure of investment properties amounted to ₱246.8 million, ₱278.0 million and ₱271.9 million in 2019, 2018 and 2017, respectively. The Bank realized gain on sale of investment properties amounting to ₱364.9 million, ₱144.0 million and ₱76.9 million in 2019, 2018 and 2017, respectively.

Rental income on investment properties included in miscellaneous income amounted to ₱37.5 million, ₱49.9 million and ₱48.7 million in 2019, 2018 and 2017, respectively (Notes 23 and 25).

Operating expenses incurred in maintaining investment properties (included under miscellaneous expense - ‘Repairs and maintenance’) amounted to ₱20.1 million, ₱21.4 million and ₱20.5 million in 2019, 2018 and 2017, respectively (Note 26).

13. Intangible Assets and Goodwill

This account consists of:

	2019	2018
Goodwill	**₱53,558,338**	₱53,558,338
Intangible assets		
Software costs	**389,774,423**	564,764,758
Branch licenses	**37,123,737**	37,123,737
	426,898,160	601,888,495
	₱480,456,498	₱655,446,833

Movements in intangible assets follow:

	2019		
	Software Costs	**Branch Licenses**	**Total**
Balance at beginning of year	**₱564,764,758**	**₱37,123,737**	**₱601,888,495**
Additions	**44,356,459**	**–**	**44,356,459**
Retirement and others	**(84,291,800)**	**–**	**(84,291,800)**
Amortization	**(135,054,994)**	**–**	**(135,054,994)**
Balance at end of year	**₱389,774,423**	**₱37,123,737**	**₱426,898,160**

	2018		
	Software Costs	Branch Licenses	Total
Balance at beginning of year	₱624,241,981	₱37,123,737	₱661,365,718
Additions	99,611,845	–	99,611,845
Amortization	(159,089,068)	–	(159,089,068)
Balance at end of year	₱564,764,758	₱37,123,737	₱601,888,495

14. **Other Assets**

This account consists of:

	2019	2018
Chattel mortgage properties - net	**₱895,829,635**	₱720,607,271
Prepayments (Note 29)	**264,701,030**	265,513,919
Security deposits (Note 29)	**185,170,313**	205,925,406
Documentary stamps on hand	**146,202,615**	136,098,118
Stationeries and supplies on hand	**43,430,240**	42,188,585
RCOCI	**28,942,603**	19,517,854
Creditable withholding tax	**49,149**	5,083,497
Sundry debits	**1,853**	9,690,932
Others	**604,076**	694,885
	₱1,564,931,514	₱1,405,320,467

Prepayments represent prepaid insurance, rent, taxes and other prepaid expenses. Creditable withholding tax (CWT) pertains to the excess credits after applying CWT against income tax payable.

Movements in chattel mortgage properties - net follow:

	2019	2018
Cost		
Balance at beginning of year	**₱813,592,771**	₱806,325,646
Additions (Note 32)	**3,304,131,638**	2,592,446,719
Disposals	**(3,138,066,271)**	(2,585,179,594)
Balance at the end of year	**979,658,138**	813,592,771
Accumulated Depreciation		
Balance at beginning of year	**92,569,663**	93,217,346
Depreciation (Note 11)	**166,109,603**	155,549,227
Disposals	**(175,052,445)**	(156,196,910)
Balance at the end of year	**83,626,821**	92,569,663
Allowance for Impairment Losses (Note 15)		
Balance at beginning of year	**415,837**	260,045
Provision	**856,288**	1,689,227
Disposals	**(1,070,443)**	(1,533,435)
Balance at end of year	**201,682**	415,837
Net Book Value	**₱895,829,635**	₱720,607,271

Gain on foreclosure of chattel mortgage properties amounted to ₱189.0 million, ₱313.5 million and ₱759.1 million in 2019, 2018 and 2017, respectively. The Bank realized loss on sale of chattel mortgage properties amounting to ₱273.9 million, ₱81.4 million and ₱174.2 million in 2019, 2018 and 2017, respectively.

15. Allowance for Credit and Impairment Losses

An analysis of changes in the ECL allowances for loans and advances to banks as of December 31, 2019 and 2018 follows (in thousands):

	2019						
	Stage 1		**Stage 2**				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Due from BSP							
Balance as of January 1, 2019	**₱2,828**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,828**
New assets originated or purchased	**1,226**	**–**	**–**	**–**	**–**	**–**	**1,226**
Assets derecognized or repaid	**(2,828)**	**–**	**–**	**–**	**–**	**–**	**(2,828)**
Balance at December 31, 2019	**1,226**	**–**	**–**	**–**	**–**	**–**	**1,226**
Due from other banks							
Balance at January 1, 2019	**2,301**	**–**	**–**	**–**	**–**	**–**	**2,301**
New assets originated or purchased	**1,043**	**–**	**–**	**–**	**–**	**–**	**1,043**
Assets derecognized or repaid	**(2,301)**	**–**	**–**	**–**	**–**	**–**	**(2,301)**
Balance at December 31, 2019	**1,043**	**–**	**–**	**–**	**–**	**–**	**1,043**
Interbank loans receivable							
Balance at January 1, 2018	**180**	**–**	**–**	**–**	**–**	**–**	**180**
New assets originated or purchased	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Assets derecognized or repaid	**(180)**	**–**	**–**	**–**	**–**	**–**	**(180)**
Balance at December 31, 2019	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total loans and advances to banks							
Balance at January 1, 2019	**5,309**	**–**	**–**	**–**	**–**	**–**	**5,309**
New assets originated or purchased	**2,269**	**–**	**–**	**–**	**–**	**–**	**2,269**
Assets derecognized or repaid	**(5,309)**	**–**	**–**	**–**	**–**	**–**	**(5,309)**
Balance at December 31, 2019	**₱2,269**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,269**

	2018						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Due from BSP							
Balance as of January 1, 2018	₱–	₱–	₱–	₱–	₱–	₱–	₱–
New assets originated or purchased	2,828	–	–	–	–	–	2,828
Balance at December 31, 2018	2,828	–	–	–	–	–	2,828
Due from other banks							
Balance at January 1, 2018	–	–	–	–	–	–	–
New assets originated or purchased	2,301	–	–	–	–	–	2,301
Balance at December 31, 2018	2,301	–	–	–	–	–	2,301
Interbank loans receivable							
Balance at January 1, 2018	–	–	–	–	–	–	–
New assets originated or purchased	180	–	–	–	–	–	180
Balance at December 31, 2018	180	–	–	–	–	–	180
Total loans and advances to banks							
Balance at January 1, 2018	–	–	–	–	–	–	–
New assets originated or purchased	5,309	–	–	–	–	–	5,309
Balance at December 31, 2018	₱5,309	₱–	₱–	₱–	₱–	₱–	₱5,309

An analysis of changes in the ECL allowances for investment securities as of December 31, 2019 and 2018 follows (in thousands):

	2019						
	Stage 1		**Stage 2**				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Financial assets at FVOCI							
Balance at January 1, 2019	**₱9,957**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱9,957**
New assets originated or purchased	**2**	**–**	**–**	**–**	**–**	**–**	**2**
Assets derecognized or repaid	**(6,540)**	**–**	**–**	**–**	**–**	**–**	**(6,540)**
Balance at December 31, 2019	**3,419**	**–**	**–**	**–**	**–**	**–**	**3,419**
Investment at amortized cost							
Balance at January 1, 2019	**29,046**	**–**	**–**	**–**	**–**	**–**	**29,046**
New assets originated or purchased	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Assets derecognized or repaid	**(3,521)**	**–**	**–**	**–**	**–**	**–**	**(3,521)**
Balance at December 31, 2019	**25,525**	**–**	**–**	**–**	**–**	**–**	**25,525**
Total investment securities							
Balance at January 1, 2019	**39,003**	**–**	**–**	**–**	**–**	**–**	**39,003**
New assets originated or purchased	**2**						**2**
Assets derecognized or repaid	**(10,061)**	**–**	**–**	**–**	**–**	**–**	**(10,061)**
Balance at December 31, 2019	**₱28,944**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱28,944**

	2018						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Financial assets at FVOCI							
Balance at January 1, 2018	₱–	₱–	₱–	₱–	₱–	₱–	₱–
New assets originated or purchased	9,957	–	–	–	–	–	9,957
Balance at December 31, 2018	9,957	–	–	–	–	–	9,957
Investment at amortized cost							
Balance at January 1, 2018	–	–	–	–	–	–	–
New assets originated or purchased	29,046	–	–	–	–	–	29,046
Balance at December 31, 2018	29,046	–	–	–	–	–	29,046
Total investment securities							
Balance at January 1, 2018	–	–	–	–	–	–	–
New assets originated or purchased	39,003	–	–	–	–	–	39,003
Balance at December 31, 2018	₱39,003	₱–	₱–	₱–	₱–	₱–	₱39,003

An analysis of changes in the ECL allowances for receivables from customers as of December 31, 2019 and 2018 follows (in thousands):

	2019						
	Stage 1		**Stage 2**				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Consumption Loans							
Balance at January 1, 2019	**₱–**	**₱370,495**	**₱–**	**₱990,265**	**₱1,066,421**	**₱–**	**₱2,427,181**
New assets originated or purchased	**–**	**896,795**	**–**	**99,972**	**462,158**	**–**	**1,458,925**
Assets derecognized or repaid	**–**	**(25,592)**	**–**	**(154,132)**	**(352,824)**	**–**	**(532,548)**
Amounts written off	**–**	**(887)**	**–**	**(96,334)**	**(793,449)**	**–**	**(890,670)**
Transfers to Stage 1	**–**	**498,391**	**–**	**(452,170)**	**(46,221)**	**–**	**–**
Transfers to Stage 2	**–**	**(48,561)**	**–**	**149,544**	**(100,983)**	**–**	**–**
Transfers to Stage 3	**–**	**(9,101)**	**–**	**(93,246)**	**102,347**	**–**	**–**
Impact on year-end ECL exposures transferred between stages during the year	**–**	**(1,069,295)**	**–**	**89,958**	**346,659**	**–**	**(632,678)**
Balance at December 31, 2019	**–**	**612,245**	**–**	**533,857**	**684,108**	**–**	**1,830,210**
Real Estate Loans							
Balance at January 1, 2019	**–**	**54,989**	**–**	**173,876**	**164,536**	**–**	**393,401**
New assets originated or purchased	**–**	**(32,382)**	**–**	**46,544**	**27,150**	**–**	**41,312**
Assets derecognized or repaid	**–**	**(2,947)**	**–**	**(17,237)**	**(33,808)**	**–**	**(53,992)**
Amounts written off	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 1	**–**	**59,377**	**–**	**(51,511)**	**(7,866)**	**–**	**–**

(Forward)

	2019						
	Stage 1		Stage 2				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Transfers to Stage 2	**₱–**	**(₱6,893)**	**₱–**	**₱35,955**	**(₱29,062)**	**₱–**	**₱–**
Transfers to Stage 3	**–**	**(873)**	**–**	**(21,951)**	**22,824**	**–**	**–**
Impact on year-end ECL exposures transferred between stages during the year	**–**	**(17,227)**	**–**	**(21)**	**–**	**–**	**(17,248)**
Balance at December 31, 2019	**–**	**54,044**	**–**	**165,655**	**143,774**	**–**	**363,473**
Commercial Loans							
Balance at January 1, 2019	**–**	**41,166**	**–**	**5,381**	**85,801**	**–**	**132,348**
New assets originated or purchased	**–**	**73,594**	**–**	**28,398**	**101,458**	**–**	**203,450**
Assets derecognized or repaid	**–**	**(15,178)**	**–**	**(190)**	**(12,452)**	**–**	**(27,820)**
Amounts written off	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 1	**–**	**1,545**	**–**	**(1,437)**	**(108)**	**–**	**–**
Transfers to Stage 2	**–**	**(2,430)**	**–**	**2,430**	**–**	**–**	**–**
Transfers to Stage 3	**–**	**(793)**	**–**	**(511)**	**1,304**	**–**	**–**
Impact on year-end ECL exposures transferred between stages during the year	**–**	**(1,300)**	**–**	**–**	**(81,269)**	**–**	**(82,569)**
Balance at December 31, 2019	**–**	**96,604**	**–**	**34,071**	**94,734**	**–**	**225,409**
Personal Loans							
Balance at January 1, 2019	**–**	**15,589**	**–**	**204,084**	**351,842**	**–**	**571,515**
New assets originated or purchased	**–**	**237,792**	**–**	**62,225**	**114,892**	**–**	**414,909**
Assets derecognized or repaid	**–**	**(3,862)**	**–**	**(30,975)**	**(17,429)**	**–**	**(52,266)**
Amounts written off	**–**	**(1,084)**	**–**	**(44,782)**	**(106,850)**	**–**	**(152,716)**
Transfers to Stage 1	**–**	**(13,346)**	**–**	**12,557**	**789**	**–**	**–**
Transfers to Stage 2	**–**	**4,106**	**–**	**(4,996)**	**890**	**–**	**–**
Transfers to Stage 3	**–**	**260**	**–**	**25,729**	**(25,989)**	**–**	**–**
Impact on year-end ECL exposures transferred between stages during the year	**–**	**(232,873)**	**–**	**(28,712)**	**74,249**	**–**	**(187,336)**
Balance at December 31, 2019	**–**	**6,582**	**–**	**195,130**	**392,394**	**–**	**594,106**
Total Receivable from Customer							
Balance at January 1, 2019	**–**	**482,239**	**–**	**1,373,606**	**1,668,600**	**–**	**3,524,445**
New assets originated or purchased	**–**	**1,175,799**	**–**	**237,139**	**705,658**	**–**	**2,118,596**
Assets derecognized or repaid	**–**	**(47,579)**	**–**	**(202,534)**	**(416,513)**	**–**	**(666,626)**
Amounts written off	**–**	**(1,971)**	**–**	**(141,116)**	**(900,299)**	**–**	**(1,043,386)**
Transfers to Stage 1	**–**	**545,967**	**–**	**(492,561)**	**(53,406)**	**–**	**–**
Transfers to Stage 2	**–**	**(53,778)**	**–**	**182,933**	**(129,155)**	**–**	**–**
Transfers to Stage 3	**–**	**(10,507)**	**–**	**(89,979)**	**100,486**	**–**	**–**
Impact on year-end ECL exposures transferred between stages during the year	**–**	**(1,320,695)**	**–**	**61,225**	**339,639**	**–**	**(919,831)**
Balance at December 31, 2019	**₱–**	**₱769,475**	**₱–**	**₱928,713**	**₱1,315,010**	**₱–**	**₱3,013,198**

	2018						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Consumption Loans							
Balance as of December 31, 2017	₱–	₱604,615	₱–	₱678,710	₱674,038	₱–	₱1,957,363
PFRS 9 transition	–	(209,356)	–	165,955	507,100	–	463,699
Balance at January 1, 2018	–	395,259	–	844,665	1,181,138	–	2,421,062
New assets originated or purchased	–	248,741	–	498,898	100,480	–	848,119
Assets derecognized or repaid	–	(221,513)	–	(232,491)	(256,253)	–	(710,257)
Amounts written off	–	–	–	(12,087)	(446,738)	–	(458,825)
Transfers to Stage 1	–	310,554	–	(285,869)	(24,685)	–	–
Transfers to Stage 2	–	(60,846)	–	128,797	(67,951)	–	–
Transfers to Stage 3	–	(11,758)	–	(131,677)	143,435	–	–
Impact on year-end ECL exposures transferred between stages during the year	–	(289,942)	–	180,029	436,995	–	327,082
Balance at December 31, 2018	–	370,495	–	990,265	1,066,421	–	2,427,181
Real Estate Loans							
Balance as of December 31, 2017	–	335,661	–	189,022	107,419	–	632,102
PFRS 9 transition	–	(263,276)	–	72,271	63,894	–	(127,111)

(Forward)

	2018						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Balance at January 1, 2018	₱–	₱72,385	₱–	₱261,293	₱171,313	₱–	₱504,991
New assets originated or purchased	–	16,085	–	20,521	6,635	–	43,241
Assets derecognized or repaid	–	(30,573)	–	(107,437)	(50,164)	–	(188,174)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	70,341	–	(62,540)	(7,801)	–	–
Transfers to Stage 2	–	(6,485)	–	29,762	(23,277)	–	–
Transfers to Stage 3	–	(638)	–	(20,034)	20,672	–	–
Impact on year-end ECL exposures transferred between stages during the year	–	(66,126)	–	52,311	47,158	–	33,343
Balance at December 31, 2018	–	54,989	–	173,876	164,536	–	393,401
Commercial Loans							
Balance as of December 31, 2017	–	458,851	–	46,178	284,898	–	789,927
PFRS 9 transition	–	(433,518)	–	(40,815)	(182,386)	–	(656,719)
Balance at January 1, 2018	–	25,333	–	5,363	102,512	–	133,208
New assets originated or purchased	–	28,322	–	1,323	10,658	–	40,303
Assets derecognized or repaid	–	(11,817)	–	(1,353)	(35,022)	–	(48,192)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	681	–	(681)	–	–	–
Transfers to Stage 2	–	(841)	–	2,186	(1,345)	–	–
Transfers to Stage 3	–	(323)	–	(85)	408	–	–
Impact on year-end ECL exposures transferred between stages during the year	–	(189)	–	(1,372)	8,590	–	7,029
Balance at December 31, 2018	–	41,166	–	5,381	85,801	–	132,348
Personal Loans							
Balance as of December 31, 2017	–	21,186	–	147,906	427,016	–	596,108
PFRS 9 transition	–	(7,289)	–	(26,496)	26,927	–	(6,858)
Balance at January 1, 2018	–	13,897	–	121,410	453,943	–	589,250
New assets originated or purchased	–	4,811	–	100,691	19,790	–	125,292
Assets derecognized or repaid	–	(14,250)	–	(3,319)	(14,831)	–	(32,400)
Amounts written off	–	(1,875)	–	(65,983)	(160,195)	–	(228,053)
Transfers to Stage 1	–	20,081	–	(14,525)	(5,556)	–	–
Transfers to Stage 2	–	(3,483)	–	52,138	(48,655)	–	–
Transfers to Stage 3	–	(645)	–	(9,957)	10,602	–	–
Impact on year-end ECL exposures transferred between stages during the year	–	(2,947)	–	23,629	96,744	–	117,426
Balance at December 31, 2018	–	15,589	–	204,084	351,842	–	571,515
Total Receivable from Customer							
Balance as of December 31, 2017	–	1,420,313	–	1,061,816	1,493,371	–	3,975,500
PFRS 9 transition	–	(913,439)	–	170,915	415,535	–	(326,989)
Balance at January 1, 2018	–	506,874	–	1,232,731	1,908,906	–	3,648,511
New assets originated or purchased	–	297,959	–	621,433	137,563	–	1,056,955
Assets derecognized or repaid	–	(278,153)	–	(344,600)	(356,270)	–	(979,023)
Amounts written off	–	(1,875)	–	(78,070)	(606,933)	–	(686,878)
Transfers to Stage 1	–	401,657	–	(363,615)	(38,042)	–	–
Transfers to Stage 2	–	(71,655)	–	212,883	(141,228)	–	–
Transfers to Stage 3	–	(13,364)	–	(161,753)	175,117	–	–
Impact on year-end ECL exposures transferred between stages during the year	–	(359,204)	–	254,597	589,487	–	484,880
Balance at December 31, 2018	₱–	₱482,239	₱–	₱1,373,606	₱1,668,600	₱–	₱3,524,445

An analysis of changes in the ECL allowances for other receivables as of December 31, 2019 and 2018 follows (in thousands):

	2019						
	Stage 1		Stage 2				
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**POCI**	**Total**
Accrued Interest Receivable							
Balance as of January 1, 2019	**₱–**	**₱–**	**₱–**	**₱16,012**	**₱340,322**	**₱–**	**₱356,334**
New assets originated or purchased	**–**	**12,290**	**–**	**4,108**	**28,431**	**–**	**44,829**
Assets derecognized or repaid	**–**	**(12,987)**	**–**	**(34,407)**	**(46,867)**	**–**	**(94,261)**
Amounts written off	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 1	**–**	**120**	**–**	**(118)**	**(2)**	**–**	**–**
Transfers to Stage 2	**–**	**(27)**	**–**	**29**	**(2)**	**–**	**–**
Transfers to Stage 3	**–**	**(2)**	**–**	**(15)**	**17**	**–**	**–**
Impact on year-end ECL exposures transferred between stages during the year	**–**	**908**	**–**	**21,353**	**72,001**	**–**	**94,262**
Balance at December 31, 2019	**–**	**302**	**–**	**6,962**	**393,900**	**–**	**401,164**
Sales Contract Receivable							
Balance as of January 1, 2019	**–**	**402**	**–**	**–**	**563**	**–**	**965**
New assets originated or purchased	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Assets derecognized or repaid	**–**	**(363)**	**–**	**–**	**(434)**	**–**	**(797)**
Amounts written off	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 1	**–**	**110**	**–**	**–**	**(110)**	**–**	**–**
Transfers to Stage 2	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 3	**–**	**(2)**	**–**	**–**	**2**	**–**	**–**
Impact on year-end ECL exposures transferred between stages during the year	**–**	**(133)**	**–**	**–**	**387**	**–**	**254**
Balance at December 31, 2019	**–**	**14**	**–**	**–**	**408**	**–**	**422**
Total Other Receivables							
Balance as of January 1, 2019	**–**	**402**	**–**	**16,012**	**340,885**	**–**	**357,299**
New assets originated or purchased	**–**	**12,290**	**–**	**4,108**	**28,431**	**–**	**44,829**
Assets derecognized or repaid	**–**	**(13,350)**	**–**	**(34,407)**	**(47,301)**	**–**	**(95,058)**
Amounts written off	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transfers to Stage 1	**–**	**230**	**–**	**(118)**	**(112)**	**–**	**–**
Transfers to Stage 2	**–**	**(27)**	**–**	**29**	**(2)**	**–**	**–**
Transfers to Stage 3	**–**	**(4)**	**–**	**(15)**	**19**	**–**	**–**
Impact on year-end ECL exposures transferred between stages during the year	**–**	**775**	**–**	**21,353**	**72,388**	**–**	**94,516**
Balance at December 31, 2019	**₱–**	**₱316**	**₱–**	**₱6,962**	**₱394,308**	**₱–**	**₱401,586**

	2018						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Accrued Interest Receivable							
Balance as of December 31, 2017	₱–	₱15,678	₱–	₱11,363	₱142,815	₱–	₱169,856
PFRS 9 transition	–	–	–	–	(35,841)	–	(35,841)
Balance at January 1, 2018	–	15,678	–	11,363	106,974	–	134,015
New assets originated or purchased	–	72	–	639	5,770	–	6,481
Assets derecognized or repaid	–	(14,312)	–	(2,114)	(151,619)	–	(168,045)
Amounts written off	–	–	–	–	(270)	–	(270)
Transfers to Stage 1	–	1,494	–	(970)	(524)	–	–
Transfers to Stage 2	–	(1,041)	–	2,304	(1,263)	–	–
Transfers to Stage 3	–	(225)	–	(1,903)	2,128	–	–
Impact on year-end ECL exposures transferred between stages during the year	–	(1,666)	–	6,693	379,126	–	384,153
Balance at December 31, 2018	–	–	–	16,012	340,322	–	356,334
Sales Contract Receivable							
Balance as of December 31, 2017	–	19,754	–	2,743	11,339	–	33,836
PFRS 9 transition	–	–	–	–	(7,842)	–	(7,842)

(Forward)

	2018						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Balance at January 1, 2018	₱–	₱19,754	₱–	₱2,743	₱3,497	₱–	₱25,994
New assets originated or purchased	–	–	–	–	–	–	–
Assets derecognized or repaid	–	(5,952)	–	–	(3,264)	–	(9,216)
Amounts written off	–	–	–	–	–	–	–
Transfers to Stage 1	–	27	–	(27)	–	–	–
Transfers to Stage 2	–	–	–	–	–	–	–
Transfers to Stage 3	–	(13,412)	–	(2,771)	16,183	–	–
Impact on year-end ECL exposures transferred between stages during the year	–	(15)	–	55	(15,853)	–	(15,813)
Balance at December 31, 2018	–	402	–	–	563	–	965
Total Other Receivables							
Balance as of December 31, 2017	–	35,432	–	14,106	154,154	–	203,692
PFRS 9 transition	–	-	–	-	(43,683)	–	(43,683)
Balance at January 1, 2018	–	35,432	–	14,106	110,471	–	160,009
New assets originated or purchased	–	72	–	639	5,770	–	6,481
Assets derecognized or repaid	–	(20,264)	–	(2,114)	(154,883)	–	(177,261)
Amounts written off	–	-	–	-	(270)	–	(270)
Transfers to Stage 1	–	1,521	–	(997)	(524)	–	–
Transfers to Stage 2	–	(1,041)	–	2,304	(1,263)	–	–
Transfers to Stage 3	–	(13,637)	–	(4,674)	18,311	–	–
Impact on year-end ECL exposures transferred between stages during the year	–	(1,681)	–	6,748	363,273	–	368,340
Balance at December 31, 2018	₱–	₱402	₱–	₱16,012	₱340,885	₱–	₱357,299

The details of provisions under the statements of income follow:

	2019	2018
Loans and receivables	**₱2,213,888,525**	₱2,063,044,408
Chattel mortgage	**856,288**	1,689,227
Investment properties	**245,044**	28,926,794
Investment securities	**202,619**	39,003,532
Due from BSP	**–**	2,827,898
Due from other banks	**–**	2,300,673
Interbank loans receivable	**–**	180,000
	₱2,215,192,476	₱2,137,972,532

16. Deposit Liabilities

Interest expense on deposit liabilities consists of:

	2019	2018	2017
Time (Note 29)	**₱4,594,981,252**	₱4,239,706,713	₱2,792,840,772
LTNCD	**392,214,948**	230,861,749	115,908,554
Demand (Note 29)	**205,871,472**	195,685,212	167,111,638
Savings	**134,557,733**	152,239,685	138,804,756
	₱5,327,625,405	₱4,818,493,359	₱3,214,665,720

Peso-denominated deposit liabilities earn annual fixed interest rates ranging from 0.25% to 6.00% in 2019, from 0.25% to 7.56% in 2018 and from 0.25% to 6.00% in 2017, while foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.25% to 3.00% in 2019, 0.25% to 3.05% in 2018 and 0.50% to 2.00% in 2017. Effective interest rates on deposit liabilities range from 1.09% to 3.68% in 2019 and from 1.94% to 3.28% in 2018 and from 0.25% to 1.75% in 2017.

In 2019, the Bangko Sentral ng Pilipinas issued BSP Circular Nos. 1041, 1056, and 1063 reducing the reserve requirements against non-FCDU deposit and deposit substitute liabilities to 4% from 8%. As of December 31, 2019 and 2018, Due from BSP amounting to ₱6.3 billion and ₱14.5 billion, respectively, was set aside as reserves for deposit liabilities, as reported to the BSP. The Bank is in compliance with such regulations as of December 31, 2019 and 2018.

On December 8, 2016, the BSP authorized the Bank to issue LTNCDs up to ₱10.0 billion through one or multiple tranches over a period of one year. On January 30, 2017, the Bank issued the first tranche of LTNCDs amounting to ₱3.4 billion with a tenor of five (5) years and three (3) months and due on April 30, 2022 with interest rate of 3.50% per annum payable quarterly. The minimum investment size for the LTNCDs is ₱50,000 with increments of ₱50,000 thereafter. Subject to BSP Rules, the Bank has the option to pre-terminate the LTNCDs as a whole but not in part, prior to maturity and on any interest payment date at face value plus accrued interest covering the accrued and unpaid interest.

On July 13, 2018, the BSP authorized the Bank to issue LTNCDs up to ₱15.0 billion through one or multiple tranches over a period of one year. On August 9, 2018, the Bank issued the first tranche of LTNCDs amounting to ₱5.08 billion with a tenor of five (5) years and six (6) months and due on February 9, 2024 with interest rate of 5.00% per annum payable quarterly. The minimum investment size for the LTNCDs is ₱50,000 with increments of ₱50,000 thereafter. Subject to BSP Rules, the Bank has the option to pre-terminate the LTNCDs as a whole but not in part, prior to maturity and on any interest payment date at face value plus accrued interest covering the accrued and unpaid interest.

As of December 31, 2019 and 2018, deferred financing cost on LTNCDs amounted to ₱49.5 million and ₱64.2 million, respectively. Amortization of deferred financing cost amounted to ₱14.7 million in 2019 and ₱8.7 million in 2018.

17. Bills Payable, Bonds Payable and Subordinated Notes

Bills Payable

This account consists of the following:

	2019	2018
Medium term fixed rate notes (MTFNs)	**₱2,989,736,932**	₱2,968,567,431
Interbank borrowings	**1,200,000,000**	–
	₱4,189,736,932	₱2,968,567,431

On December 10, 2018, the Bank issued MTFNs amounting to ₱3.0 billion with a tenor of one (1) year and six (6) months and due on June 10, 2020 with interest rate of 7.07% per annum payable quarterly. Interest payment dates shall commence on March 10, 2019 and up to and including the maturity date. The minimum investment size for the MTFNs is ₱10.0 million with increments of ₱0.1 million thereafter.

Peso-denominated interbank borrowings of the Bank bear annual interest ranging from 3.94% to 5.25% in 2019, 3.00% to 4.69% in 2018 and 2.50% in 2017. Foreign currency-denominated interbank borrowings bear annual interest ranging from 2.35% to 2.50%, 1.28% to 2.38% and 1.00% to 1.55% in 2019, 2018, and 2017, respectively. Annual interest rate on dollar-denominated securities sold under resale agreement (SSURA) ranges from 2.70% to 2.79%, 1.00% to 2.35%, and 1.05% to 1.75%% in 2019, 2018 and 2017, respectively.

As of December 31, 2019 and 2018, deferred financing cost on MTFNs amounted to ₱10.3 million and ₱31.4 million, respectively. Amortization of deferred financing cost amounted to ₱21.2 million and ₱1.1 million in 2019 and 2018, respectively.

Interest expense on bills payable in 2019, 2018 and 2017 amounted to ₱319.7 million, ₱55.9 million and ₱59.0 million, respectively (Note 29).

Bonds Payable

On July 24, 2019, the Bank issued fixed rate bonds amounting to ₱6.3 billion with a tenor of two (2) years and due on July 24, 2021 with interest rate of 5.6% per annum payable quarterly. The minimum investment size for the bonds payable is ₱0.5 million with increments of ₱0.1 million thereafter. As of December 31, 2019, the carrying amount of the bonds payable is ₱6.3 billion. Debt issuance cost related to the issuance amounted to ₱56.9 million.

Interest expense incurred on bonds payable amounted to ₱167.6 million. Amortization of debt issuance costs amounted to ₱11.6 million in 2019.

Subordinated Notes

This account consists of the following Peso Notes:

		Carrying Value	
Maturity Date	Face Value	**2019**	2018
August 23, 2024	₱3,000,000,000	**₱–**	₱2,981,673,382

Interest expense incurred on these notes amounted to ₱125.1 million, ₱167.7 million and ₱191.1 million in 2019, 2018 and 2017, respectively.

On February 15, 2019, the BOD approved the Bank’s option to call the Tier 2 Notes issued in 2014 on its fifth year anniversary or on August 23, 2019. The request of the Bank to exercise the same was approved by the BSP on April 24, 2019. The redemption falls under the call provisions of the Tier 2 Notes worth ₱3.0 Billion, which had an original maturity of ten years or until 2024.

On August 23, 2019 the Bank exercised its call option and paid ₱3.0 billion to all noteholders.

18. Accrued Taxes, Interest and Other Expenses

This account consists of:

	2019	2018
Accrued interest payable	**₱434,200,032**	₱900,205,415
Accrued other taxes and licenses payable	**130,618,997**	134,131,140
Accrued other expenses payable (Note 29)	**844,632,958**	980,186,158
	₱1,409,451,987	₱2,014,522,713

Accrued other expenses payable consist of:

	2019	2018
Litigation	**₱276,305,828**	₱272,126,457
Compensation and fringe benefits	**196,783,477**	141,027,847
Insurance (Note 29)	**178,230,395**	200,274,397
Information technology (Note 29)	**55,897,969**	34,328,559
Security, messengerial and janitorial	**51,608,230**	48,448,406
Advertising	**19,077,992**	35,563,037
Professional and consultancy fees	**10,552,469**	14,599,349
ATM maintenance	**10,469,566**	11,894,674
Membership, fees & dues	**5,161,321**	5,161,321
Lease payable	**–**	190,565,729
Miscellaneous	**40,545,711**	26,196,382
	₱844,632,958	₱980,186,158

Compensation and fringe benefits include salaries and wages, as well as medical, dental and hospitalization benefits.

Miscellaneous include accruals for ATM rentals, utilities and maintenance and other expenses.

19. Other Liabilities

This account consists of:

	2019	2018
Accounts payable (Note 29)	**₱2,383,631,295**	₱2,072,599,423
Lease liability (Note 2)	**1,467,103,825**	–
Net retirement liability (Note 24)	**440,394,816**	112,659,016
Other credits	**171,091,034**	245,406,847
Sundry credits	**101,382,063**	417,299,168
Withholding taxes payable	**90,033,709**	128,716,646
Undrawn portion of committed credit lines	**57,321,764**	–
Due to the Treasurer of the Philippines	**20,491,276**	16,150,662
SSS, Medicare, ECP and HDMF premium payable	**11,734,970**	9,640,813
Bills purchased - contra (Note 9)	**8,798,803**	13,077,760
Miscellaneous (Note 29)	**40,508,189**	47,837,716
	₱4,792,491,744	₱3,063,388,051

Accounts payable includes payable to suppliers and service providers, and loan payments and other charges received from customers in advance.

Other credits represent long-outstanding unclaimed cashier's checks.

Miscellaneous liabilities include incentives for housing loan customers that are compliant with the payment terms amounting to ₱20.6 million and ₱19.4 million as of December 31, 2019 and 2018, respectively.

20. Maturity Analysis of Assets and Liabilities

The following table shows 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 condition dates (in thousands):

	December 31					
	2019			2018		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and other cash items	**₱2,281,813**	**₱–**	**₱2,281,813**	₱3,776,087	₱–	₱3,776,087
Due from BSP - gross	**6,816,092**	**–**	**6,816,092**	15,159,012	–	15,159,012
Due from other banks - gross	**1,139,685**	**–**	**1,139,685**	1,685,107	–	1,685,107
Interbank loans receivable and SPURA - gross (Note 7)	**–**	**–**	**–**	1,892,000	–	1,892,000
FVTPL investments (Note 8)	**44**	**–**	**44**	10,107	–	10,107
Financial assets at FVOCI (Note 8)	**976,272**	**3,799,116**	**4,775,388**	2,973,540	9,958,062	12,931,602
Investment securities at amortized cost (Note 8)	**1,267,247**	**32,992,253**	**34,259,500**	563,506	35,112,306	35,675,812
Loans and receivables - gross (Note 9)	**18,197,964**	**150,118,855**	**168,316,819**	16,343,496	144,266,699	160,610,195
Other assets - gross* (Note 14)	**42,486**	**171,745**	**214,231**	34,213	191,482	225,695
	30,721,603	**187,081,969**	**217,803,572**	42,437,068	189,528,549	231,965,617
Nonfinancial Assets						
Investment in a joint venture (Note 10)	**–**	**755,781**	**755,781**	–	691,426	691,426
Property and equipment - gross (Note 11)	**–**	**7,569,855**	**7,569,855**	–	5,928,894	5,928,894
Investment properties - gross (Note 12)	**–**	**4,378,757**	**4,378,757**	–	4,718,049	4,718,049
Deferred tax assets (Note 27)	**–**	**1,398,137**	**1,398,137**	–	1,327,667	1,327,667
Goodwill and intangible assets (Note 13)	**–**	**1,561,668**	**1,561,668**	–	1,618,734	1,618,734
Other assets - gross** (Note 14)	**454,870**	**979,658**	**1,434,528**	399,424	873,186	1,272,610
	₱454,870	**₱16,643.856**	**17,098,726**	₱399,424	₱15,157,956	15,557,380
Less: Allowance for credit and impairment losses (Note 15)			**4,139,729**			4,628,199
Accumulated depreciation (Notes 11, 12 and 14)			**5,855,037**			5,165,376
Unearned discounts (Note 9)			**711**			130
			9,995,477			9,793,705
			₱224,906,821			₱237,729,292

* Others assets under financial assets comprise petty cash fund, shortages, RCOCI and security deposits.

** Other assets under nonfinancial assets comprise inter-office float items, prepaid expenses, stationery and supplies on hand, sundry debits, documentary stamps on hand, deferred charges, postages stamps and chattel mortgage properties.

	December 31					
	2019			2018		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Financial Liabilities						
Deposit liabilities (Note 16)	**₱148,468,691**	**₱24,036,419**	**₱172,505,110**	₱175,904,910	₱ 24,783,029	₱ 200,687,939
Bills payable (Note 17)	**4,189,737**	**–**	**4,189,737**	–	2,968,567	2,968,567
Bonds payable	**–**	**6,254,702**	**6,254,702**	–	–	–
Subordinated notes (Note 17)	**–**	**–**	**–**	–	2,981,673	2,981,673
Financial liabilities at FVTPL (Note 8)	**–**	**–**	**–**	2,895	–	2,895
Treasurer's, cashier's and manager's checks	**1,297,680**	**–**	**1,297,680**	1,615,520	–	1,615,520
Accrued other expenses payable (Note 18)	**844,633**	**–**	**844,633**	980,186	–	980,186
Accrued interest payable (Note 18)	**434,200**	**–**	**434,200**	900,206	–	900,206
Other liabilities (Note 19)		**–**		–	–	–
Accounts payable	**2,383,631**	**–**	**2,383,631**	2,072,599	–	2,072,599
Other credits	**171,091**	**–**	**171,091**	245,406	–	245,406
Lease liability	**39,803**	**1,427,301**	**1,467,104**	–	–	–
Bills purchased - contra	**8,799**	**–**	**8,799**	13,078	–	13,078
Deposits for keys – SDB	**791**	**–**	**791**	798	–	798
Others*	**15,332**	**1,760**	**17,092**	6,352	–	6,352
	157,854,388	**31,720,182**	**189,574,570**	181,741,950	30,733,269	212,475,219

(Forward)

	December 31					
	2019			2018		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Nonfinancial Liabilities						
Accrued other taxes and licenses payable (Note 18)	**₱130,619**	**₱–**	**₱130,619**	₱134,131	₱–	₱134,131
Income tax payable	**375**	**–**	**375**	638	–	638
Withholding taxes payable (Note 19)	**90,034**	**–**	**90,034**	128,717	–	128,717
Other liabilities (Note 19)**	**193,064**	**440,395**	**633,459**	467,628	112,659	580,287
	414,092	**440,395**	**854,487**	731,114	112,659	843,773
	₱158,288,971	**₱32,160,577**	**₱190,449,548**	₱182,489,215	₱30,845,928	₱213,335,143

* Others under financial liabilities comprise payment orders payable and overages.

** Other liabilities under nonfinancial liabilities comprise advance rentals on bank premises, sundry credits, SSS, Medicare, ECP & HDMF premium payable, net retirement liability, and miscellaneous liabilities.

21. Equity

Issued Capital

As of December 31, 2019 and 2018, the Bank’s capital stock consists of:

	2019		2018	
	Shares	**Amount**	Shares	Amount
Authorized common stock - ₱10 par value	**600,000,000**	**₱6,000,000,000**	425,000,000	₱4,250,000,000
Issued and outstanding				
Beginning Balance	**240,252,491**	**₱2,402,524,910**	240,252,491	₱2,402,524,910
Stock right issuance	**142,856,925**	**1,428,569,250**	–	–
Ending Balance	**383,109,416**	**₱3,831,094,160**	240,252,491	₱2,402,524,910

The Bank became listed in the Philippine Stock Exchange (PSE) on October 10, 1994. Subsequently, the SEC approved the increase in the capital stock of the Bank. The summarized information on the Bank’s registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Type	Authorized Shares	Par Value
August 16, 1995	Common	300,000,000	₱10
October 8, 1997	Common	425,000,000	₱10

As of December 31, 2019 and 2018, the total number of stockholders is 1,458 and 1,465, respectively.

On November 28, 2018, the PSE approved the application of the Bank for the listing of additional 142,856,925 common shares to cover the Bank’s 1:1.68177 stock rights offering at an offer price of ₱56.0 per share or additional capital of ₱8.0 billion. The Bank successfully completed ₱8.0 billion stock rights offer and shares were listed on January 18, 2019 in the PSE. Capital paid in excess of par related to the offering amounted to ₱6.5 billion, net of transactions costs of ₱101.5 million.

On April 15, 2019, by majority vote of the Board of Directors and by stockholders representing at least two-thirds of the outstanding capital stock, the amendment of Article VII of the Bank's Articles of Incorporation increasing its authorized capital stock from ₱4,250,000,000.00 divided into 425,000,000 common shares with a par value of ₱10.00 per share to ₱6,000,000,000.00 divided into 600,000,000 common shares with a par value of ₱10.00 per share has been approved. This was approved by the SEC on November 20, 2019.

Dividends Paid and Proposed

Details of the Bank's dividend distributions as approved by the Bank's BOD and the BSP follow:

	Cash Dividends			
Date of declaration	Per share	Total amount	Record date	Payment date
January 24, 2017	0.75	₱180,189,368.3	February 10, 2017	February 24, 2017
April 24, 2017	0.75	180,189,368.3	May 10, 2017	May 24, 2017
July 27, 2017	0.75	180,189,368.3	August 11, 2017	August 29, 2017
October 26, 2017	0.75	180,189,368.3	November 14, 2017	November 24, 2017
January 18, 2018	0.75	180,189,368.3	February 02, 2018	February 19, 2018
April 23, 2018	0.75	180,189,368.3	May 9, 2018	May 23, 2018
July 20, 2018	0.75	180,189,368.3	August 6, 2018	August 20, 2018
October 15, 2018	0.75	180,189,368.3	October 30, 2018	November 14, 2018
January 17, 2019	0.75	287,332,062.0	February 1, 2019	February 18, 2019
April 15, 2019	0.75	287,332,062.0	May 3, 2019	May 15, 2019
July 19, 2019	0.75	287,332,062.0	August 5, 2019	August 19, 2019
October 14, 2019	0.75	287,332,062.0	October 29, 2019	November 13, 2019

**The Bank's stock price closed at ₱58.35 per share as of December 31, 2019.*

On October 9, 2015, the BSP issued Circular No. 888, *Amendments to Regulations on Dividend Declaration and Interest Payments on Tier 1 Capital Instruments*, which liberalized said rules in the sense that prior BSP verification and approval is no longer required except for banks with major supervisory concerns. However, banks are bound to comply with the provisions of Section X136 of the Manual of Regulations for Banks (MORB) and its subsections, including the submission of documentary requirements under Subsection X136.4 of the MORB. Otherwise, banks, subsequently found to have violated the provisions on dividend declaration or have falsely certified/submitted misleading statements shall be reverted to the prior BSP verification wherein the bank can only make an announcement or communication on the declaration of the dividends or payment of dividends thereon upon receipt of BSP advice thereof. The Bank is compliant with the said circular.

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines.

In compliance with BSP regulations, 10.00% of the Bank's profit from trust business is appropriated to surplus reserves. This annual appropriation is required until the surplus reserves for trust business equals 20.00% of the Bank's authorized capital stock.

A portion of the surplus corresponding to the accumulated net earnings of a joint venture is not available for dividend declaration (Note 10) until receipt of cash dividends from the investee.

Capital Management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements, as mandated by the BSP, and that the Bank maintains healthy capital ratios in order to support its business and maximize returns for its shareholders. The Bank considers its paid in capital and surplus as its capital.

The Bank manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payments to shareholders or issue capital securities. The major activities in this area include the following:

- The Bank issued additional common shares for its qualified stockholders in 2008 and 2006 through stock rights offerings that raised ₱2.0 billion and ₱750.0 million in capital, respectively.

- On October 21, 2016, the BOD approved the Bank's updated Dividend Policy which provides, among others, the declaration and payment of cash dividends at a rate of ₱0.75 per share on a quarterly basis unless approved by a majority vote of the BOD at a different rate or otherwise restricted/prohibited from declaring/paying dividends.

Regulatory Qualifying Capital
Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's unimpaired capital (regulatory capital) as reported to the BSP. This is determined on the basis of regulatory accounting policies which differ from PFRS in some respects.

In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis and consolidated basis. Qualifying capital and risk-weighted assets are computed based on BSP regulations.

Risk-weighted assets consist of total assets less cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board of the BSP.

On January 15, 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements,* which states the implementing guidelines on the revised risk-based capital adequacy framework, particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The Circular took effect on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

The CAR of the Bank as of December 31, as reported to the BSP, based on BSP Circular No. 781 and BSP Circular No. 538, respectively, are shown in the table below (amounts in millions).

	2019	2018
Tier 1 capital	**₱32,807**	₱22,132
CET1 capital	**32,807**	22,132
Less: Required deductions	**3,146**	3,444
Total Tier 1 Capital	**29,661**	18,688
Total Tier 2 capital	**1,672**	4,323
Total qualifying capital	**31,333**	23,011
Risk weighted assets	**₱176,385**	₱165,836
Tier 1 ratio	**16.82%**	11.27%
CET1 ratio	**16.82%**	11.27%
Capital adequacy ratio	**17.76%**	13.88%

Regulatory qualifying capital consists of Tier 1 (going concern) capital, which comprises capital stock, surplus, surplus reserves, net unrealized gains on AFS securities, cumulative foreign currency translation and remeasurements of net defined benefit asset. Certain adjustments are made to PFRS-based results and reserves, as prescribed by the BSP. The other component of regulatory capital is Tier 2 (gone-concern) capital, which is comprised of the Bank's general loan loss provision and unsecured subordinated debt (refer to Note 17). Certain items are deducted from the regulatory Gross

Qualifying Capital, such as but not limited to, outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, and unsecured loans, other credit accommodations, and guarantees granted to subsidiaries and affiliates (net of specific provisions), deferred tax assets, goodwill, other intangible assets and significant minority investments in a joint venture.

Risk-weighted assets are determined by assigning defined risk weights to amounts of on-balance sheet exposures and to the credit equivalent amounts of off-balance sheet exposures.

As of December 31, 2019 and 2018, the Bank has complied with the requirements of BSP Circular No. 781 and BSP Circular No. 538.

On October 29, 2014, the BSP issued Circular No. 856 which covers the implementing guidelines on the framework for dealing with domestic systemically important banks (DSIBs) in accordance with the Basel III standards. Banks identified as DSIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer. Compliance with this requirement was phased-in starting January 1, 2017, with full compliance on January 1, 2019. On September 27, 2019, the BSP issued Circular No. 1051 which covers the enhancements in the assessment methodology of D-SIBs. The Bank has complied with this requirement.

The issuance of BSP Circular No. 639 covering the Internal Capital Adequacy Assessment Process (ICAAP) in 2009 supplements the BSP's risk-based capital adequacy framework under BSP Circular No. 538. In compliance with this new circular, the Metrobank Group has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget, as well as regulatory directives. The Bank follows the Group's ICAAP framework and submits the result of its assessment to the Parent Company. Per BSP Circular No. 869, effective January 31, 2015, submission of an ICAAP document is required by BSP every March 31 of each year. The Bank has complied with this requirement.

The Bank has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

BASEL III Leverage Ratio (BLR)

On June 9, 2015, the BSP issued Circular No. 881 covering the implementing guidelines on the Basel III Leverage Ratio Framework which is designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.0 percent. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018 under BSP Circular No. 990 issued on January 22, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The Basel III Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirements. The Basel III Leverage Ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as percentage. Capital measure id the Tier 1 capital. Exposure measure is the sum of on-balance sheet exposures, derivative exposures, security financing exposures and off-balance sheet items. The leverage ratio shall not be less than 5.0 percent computed on both solo (head office plus branches) and consolidated bases (including subsidiary financial allied undertakings but excluding insurance companies).

As of December 31, 2019 and December 31, 2018, the Bank maintains these ratios above minimum requirements as shown in the table below (in millions):

	December 31, 2019	December 31, 2018
A. Capital Measure	**₱29,661**	₱18,688
B. Exposure Measure	**221,774**	234,510
C. Basel III Leverage Ratio (A/B)	**13.37%**	7.97%

Liquidity Coverage Ratio
On March 10, 2016 and February 8, 2018, the BSP issued Circular Nos. 905 and 996, respectively, which include guidelines on liquidity coverage ratio (LCR), and LCR disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets (HQLAs) to total net cash outflows. To promote the short-term resilience of the liquidity risk profile of the Bank, it shall maintain an adequate stock of unencumbered high-quality liquid assets (HQLAs) that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs under stressed conditions. The stock of liquid assets should enable the Bank to withstand significant liquidity shocks for at least thirty (30) calendar days, which would give time for corrective actions to be taken by the Bank’s management and/or the Bangko Sentral.

On March 15, 2019, the BSP issued Circular No. 1035 which approved the: (1) extension of the observation period of the minimum Basel III Liquidity Coverage Ratio (LCR) requirement to December 31, 2019 for subsidiary banks and quasi-banks (QBs) of universal and commercial banks (U/KBs), (2) adoption of a seventy percent (70%) LCR floor for subsidiary banks and QBs during the observation period, (3) minimum requirement of one hundred (100%) starting January 1, 2020. As of December 31, 2019, the LCR in single currency as reported to the BSP, was at 130.22%.

Net Stable Funding Ratio
On June 6, 2018, the BSP issued Circular No. 1007, lmplementing Guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio (NSFR). The NSFR limits overreliance on short-term wholesale funding and promotes enhanced assessment of funding risk across all on and off balance sheet accounts. The NSFR complements the LCR, which promotes short term resilience of the Bank's liquidity profile. The covered bank shall maintain an NSFR of at least 100.0 percent at all times. Compliance with this requirement was phased-in effective July 1, 2018, with full implementation of the minimum NSFR on January 1, 2019.

On March 15, 2019, the BSP issued Circular No. 1034 which approved the extension of the observation period for the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio (NSFR) for subsidiary banks/quasi-banks of universal and commercial banks (UBs/KBs).

The implementation of the minimum NSFR shall be phased in to help ensure that the covered banks/QBs can meet the standard through reasonable measures without disrupting credit extension and financial market activities. In order to facilitate compliance, covered banks/QBs shall undergo an observation period before the NSFR becomes a minimum requirement. Subsidiary banks/QBs of UBs/KBs shall be subject to an NSFR floor of seventy percent (70% during the observation period. Starting January 1, 2020, the minimum NSFR for subsidiary banks/quasi-banks of universal and commercial banks (UBs/KBs) shall be 100%. As of December 31, 2019, the NSFR as reported to the BSP, was at 114.30%.

Basel III Countercyclical Capital Buffer
On December 6, 2018, the BSP issued Circular No. 1024 covering the Philippine adoption of the Basel III Countercyclical Capital Buffer (CCyB) which imposed the following capital buffers:

- Capital Conservation buffer (CCB) of two and a half percent (2.5%); and
- Countercyclical capital buffer (CCyB) of zero percent (0%) subject to upward adjustment to a rate determined by the Monetary Board of the BSP when systemic conditions warrant but not to exceed two and a half percent (2.5%). Any increase in the CCyB rate shall be effective 12 months after its announcements. Decreases shall be effective immediately.

The prescribed ratios shall be maintained at all times.

Financial Performance
The following basic ratios measure the financial performance of the Bank:

	2019	2018	2017
Return on average equity	**10.29%**	11.38%	12.51%
Return on average assets	**1.31%**	1.15%	1.26%
Net interest margin on average earning assets	**5.82%**	5.79%	6.10%
Liquidity ratio	**19.70%**	23.47%	20.70%
Debt-to-equity ratio	**5.53:1**	8.75:1	8.97:1
Asset-to-equity ratio	**6.53:1**	9.75:1	9.97:1
Interest rate coverage ratio	**1.59:1**	1.59:1	1.84:1

22. Net Service Fees and Commission Income

This account consists of:

	2019	2018	2017
Service Fees and Commission Income			
Credit-related fees and commissions	**₱1,383,966,509**	₱1,147,242,321	₱1,002,687,070
Deposit-related and other fees received (Note 29)	**531,415,495**	542,791,633	441,197,668
Trust fees	**36,559,669**	31,711,469	26,317,702
	1,951,941,673	1,721,745,423	1,470,202,440
Service Fees and Commission Expense			
Commissions	**84,651,434**	89,813,087	83,211,656
Brokerage	**3,785,862**	6,294,577	11,216,635
	88,437,296	96,107,664	94,428,291
Net Service Fees and Commission Income	**₱1,863,504,377**	₱1,625,637,759	₱1,375,774,149

23. Miscellaneous Income

This account consists of:

	2019	2018	2017
Recovery of charged-off assets	**₱305,034,325**	₱309,707,677	₱325,476,107
Insurance commission income	**146,397,446**	156,867,388	113,868,238
Rental income (Notes 12, 25 and 29)	**38,164,311**	50,548,338	50,137,646
Others (Note 29)	**65,301,808**	107,176,032	18,028,368
	₱554,897,890	₱624,299,435	₱507,510,359

Rental income arises from the lease of properties and safety deposit boxes of the Bank.

Others include income from renewal fees, checkbook charges, breakfunding cost and other miscellaneous income.

24. Retirement Benefits

The Bank has a funded, noncontributory defined benefit plan covering substantially all of its employees. The benefits are based on years of service and final compensation.

The plan administered by the Retirement Committee is composed of five (5) members appointed by the BOD of the Bank. The Retirement Committee have all the powers necessary or useful in the discharge of its duties of administration including, but not limited to determining the rights of Members under the Plan. The Retirement Committee may adopt such rules and regulations as it deems necessary and desirable, including those governing the establishment of procedures, the use of necessary forms, and the setting up of minimum periods where notice is required. The Retirement Committee may seek advice of counsel, and may appoint an independent accountant to audit the Plan and actuary to value the plan periodically, whose professional fees and expenses may be charged to the Fund.

Under the existing regulatory framework, Republic Act No. 7641, *Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The date of the latest actuarial valuation is December 31, 2019.

The amounts of pension expense included in 'Compensation and fringe benefits' in the statements of income follow:

	2019	2018
Current service cost	**₱223,748,861**	₱225,888,075
Net interest cost	**(7,346,183)**	17,710,397
	₱216,402,678	₱243,598,472

The net retirement liability shown under ‘Other liabilities’ recognized in the Bank’s statements of condition follows (in thousands):

	2019											
						Remeasurements in other comprehensive income						
		Net benefit cost										
	January 1, 2019	Current service cost	Net Interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2019
Present value of defined benefit obligation	**₱2,452,459**	**₱223,749**	**₱174,993**	**₱398,742**	**(₱131,807)**	**₱–**	**₱52,870**	**(₱66,706)**	**₱634,758**	**₱620,922**	**₱–**	**₱3,340,316**
Fair value of plan assets	**(2,339,800)**	**–**	**(182,339)**	**(182,339)**	**131,807**	**46,711**	**–**	**–**	**–**	**46,711**	**(556,300)**	**(2,899,921)**
Net defined benefit liability	**₱112,659**	**₱223,749**	**(₱7,346)**	**₱216,403**	**₱–**	**₱46,711**	**₱52,870**	**(₱66,706)**	**₱634,758**	**₱667,633**	**(₱556,300)**	**₱440,395**

	2018											
						Remeasurements in other comprehensive income						
		Net benefit cost										
	January 1, 2018	Current service cost	Net Interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2018
Present value of defined benefit obligation	₱2,415,551	₱225,888	₱130,937	₱356,825	(₱171,324)	₱–	(₱24,119)	₱–	(₱124,474)	(₱148,593)	₱–	₱2,452,459
Fair value of plan assets	(1,899,698)	–	(113,227)	(113,227)	171,324	41,763	–	–	–	41,763	(539,962)	(2,339,800)
Net defined benefit liability	₱515,853	₱225,888	₱17,710	₱243,598	₱–	₱41,763	(₱24,119)	₱–	(₱124,474)	(₱106,830)	(539,962)	₱112,659

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The Bank expects to contribute ₱334.0 million to its noncontributory defined benefit plan in 2020.

The fair values of plan assets by each class as at the statements of condition date are as follows:

	2019	2018
Investment in other debt securities	**₱2,033,881,425**	₱1,379,868,233
Cash and cash equivalents		
Special deposit account	**753,284,758**	859,638,302
Unit Investment Trust Fund (UITF)	**55,533,465**	50,585,860
Investment in equity securities	**45,678,960**	37,503,773
Other assets	**17,388,012**	18,679,990
	₱2,905,766,620	2,346,276,158
Expected withdrawals	**2,186,497**	4,470,674
Other liabilities	**3,659,269**	2,004,942
	5,845,766	6,475,616
	₱2,899,920,854	₱2,339,800,542

The person exercising voting right for the foregoing equity instruments is currently a senior officer of the Bank.

The principal actuarial assumptions used in determining retirement liability as of December 31, 2019 and 2018 are shown below:

	2019	2018
Discount rate	**4.86%**	7.33%
Turnover rate	**3.72%, 7.03%**	5.00%
Future salary increases	**5.80%**	6.00%

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

	December 31, 2019		December 31, 2018	
	Possible Fluctuations	**Increase (decrease)**	Possible Fluctuations	Increase (decrease)
Discount rate	**+1.00%**	**(₱306,936,163)**	+1.00%	(₱212,902,648)
	-1.00%	**356,515,290**	-1.00%	246,261,251
Turnover rate	**+1.00%**	**(24,844,215)**	+1.00%	(4,634,269)
	-1.00%	**25,904,088**	-1.00%	4,868,884
Future salary increase rate	**+1.00%**	**365,875,807**	+1.00%	264,768,869
	-1.00%	**(320,611,308)**	-1.00%	(232,248,283)

The Retirement Committee ensures that there will be sufficient assets to pay pension benefits as they fall due and maintains the plan on an actuarially sound basis considering the benefits to members.

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

	2019	2018
Less than one year	**₱184,489,685**	₱130,213,096
One to less than five years	**968,188,477**	788,373,808
Five to less than 10 years	**1,984,484,132**	1,698,994,154
10 to less than 15 years	**2,385,120,244**	2,395,814,240
15 to less than 20 years	**3,514,621,971**	3,546,955,267
20 years and above	**3,998,539,092**	5,280,083,077

The average duration of the expected benefit payments at the statement of condition date is 15.43 years.

25. **Leases**

The Bank leases the premises occupied by its branches for periods ranging from 1 to 20 years renewable under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 10.00%.

As of December 31, 2019, the carrying amounts of lease liabilities (included in 'Other Liabilities' in Note 19) are as follows:

	2019
Balance at beginning of year	₱1,631,376,370
Additions	186,062,195
Expiry/termination	(24,419,449)
Accretion of interest	113,560,729
Payments	(439,476,020)
	₱1,467,103,825

With the adoption of PFRS 16, as of December 31, 2019, the Bank recognized interest expense on lease liabilities (included in 'Interest expense' in the statements of income) amounting to ₱113.6 million and rent expense from short-term leases and leases of low-value assets amounting to ₱94.1 million. Prior to adoption of PFRS 16, rentals charged against profit or loss under these lease contracts (included in 'Occupancy and equipment-related costs') amounted to ₱579.9 million in 2018 and 2017.

Future minimum rentals payable under non-cancelable operating leases are as follows:

	2018
Within one year	₱423,674,780
After one year but not more than five years	1,329,902,440
More than five years	290,459,635
	₱2,044,036,855

The Bank has also entered into commercial property leases on its surplus office space. These non-cancelable leases have remaining non-cancelable lease terms between 1 and 5 years. As of December 31, 2019 and 2018, there is no contingent rental income. Rental income of the Bank related to these property leases amounting to ₱37.5 million, ₱49.9 million, and ₱48.7 million in 2019, 2018 and 2017, respectively are shown under 'Miscellaneous income' in the statements of income (Notes 12 and 23).

Future minimum rentals receivable under non-cancelable operating leases are as follows:

	2019	2018
Within one year	**₱33,471,331**	₱32,955,174
After one year but not more than five years	**42,079,555**	35,863,669
	₱75,550,886	₱68,818,843

26. **Miscellaneous Expenses**

This account consists of:

	2019	2018	2017
Insurance (Note 29)	**₱526,287,475**	₱595,158,658	₱646,175,766
Information technology (Note 29)	**425,215,165**	297,643,153	300,919,189
Litigation	**282,384,260**	297,754,941	311,326,367
Communications	**177,856,164**	179,193,852	171,980,030
Fines, penalties and other charges	**128,331,742**	234,341,527	193,083,359
Repairs and maintenance (Note 12)	**110,547,531**	135,470,468	145,685,402
Transportation and traveling	**94,905,835**	95,921,603	108,019,662
Supervision and examination fees	**77,018,742**	70,287,368	59,666,717
Advertising	**69,277,788**	69,805,497	134,701,913
Stationery and supplies	**48,873,458**	65,109,689	61,923,426
Management and professional fees	**24,116,130**	23,735,142	29,477,993
Donations and charitable contributions	**11,477,405**	10,490,700	11,391,445
Training and seminars	**8,452,923**	12,134,080	19,158,180
Banking activities expenses	**8,038,978**	12,549,672	9,032,636
Meeting allowance	**4,702,558**	6,325,640	6,731,295
Rewards and incentives	**3,104,531**	7,167,172	6,595,774
Membership fees and dues	**2,983,128**	5,671,411	3,508,422
Entertainment, amusement and recreation (EAR) (Note 27)	**1,877,071**	2,504,229	3,492,739
Others	**17,740,398**	19,632,920	28,463,191
	₱2,023,191,282	₱2,140,897,722	₱2,251,333,506

Insurance expense includes premiums paid to the Philippine Deposit Insurance Corporation (PDIC) amounting to ₱361.4 million, ₱398.4 million, and ₱368.2 million in 2019, 2018 and 2017, respectively.

Other expenses include sponsorship expenses, home free loan expenses, appraisal fees and notarial fees. It also includes payments to union members amounting to ₱11.1 million , ₱10.7 million and ₱10.8 million in 2019, 2018 and 2017, respectively, for the successful completion of the collective bargaining agreement.

27. **Income and Other Taxes**

Under Philippine tax laws, the Bank is subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax (DST).

Income taxes include corporate income tax, further discussed below, and final taxes paid at the rate of 20.00%, which is a final withholding tax on gross interest income from government securities and other deposit substitutes.

The NIRC of 1997 also provides for rules on the imposition of a 2.00% MCIT on the gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the company commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three (3) immediately succeeding taxable years.

Starting July 1, 2008, the Optional Standard Deduction (OSD) equivalent to 40.00% of gross income may be claimed as an alternative deduction in computing for the RCIT. The Bank elected to claim itemized expense deductions instead of the OSD in computing for the RCIT in 2019 and 2018.

Current tax regulations also provide for the ceiling on the amount of EAR expense that can be claimed as a deduction against taxable income. Under the regulations, EAR expense allowed as a deductible expense for a service company is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10.00% income tax. In addition, interest income on deposit placements with other FCDUs and OBUs is taxed at 15.00% in 2019 and 2018.

Under current tax regulations, the income derived by the FCDU from foreign currency transactions with non-residents, OBUs, local commercial banks, including branches of foreign banks, is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Provision for income tax consists of:

	2019	2018	2017
Current:			
Final tax	**₱260,917,208**	₱260,261,959	₱259,181,580
RCIT	**153,911,132**	121,107,822	134,901,056
	414,828,340	381,369,781	394,082,636
Deferred	**135,612,443**	(71,774,541)	(127,021,129)
	₱550,440,783	₱309,595,240	₱267,061,507

Net deferred tax assets consist of the following tax effects:

	2019	2018
Deferred tax assets on:		
Allowance for credit and impairment losses	**₱1,243,297,588**	₱1,367,526,527
Unamortized pension cost contribution	**220,355,789**	175,312,814
Difference between book base and tax base of investment property	**112,799,780**	131,401,357
Leases	**68,373,851**	–
Accrued rent	**–**	57,169,719
Net pension liability	**132,118,445**	33,797,705
	1,776,945,453	1,765,208,122
Deferred tax liabilities on:		
Net unrealized gain on investment properties	**(375,267,861)**	(388,319,920)
Unrealized foreign exchange gains	**(1,774,776)**	(49,221,118)
Others	**(1,766,034)**	–
	(378,808,671)	(437,541,038)
	₱1,398,136,782	₱1,327,667,084

As of December 31, 2019 and 2018, the Bank did not recognize deferred tax assets on allowance for credit losses amounting to ₱16.8 million and ₱23.9 million, respectively. Income tax effect recognized in OCI amounted to (₱200.3 million), (₱32.0 million) and ₱1.6 million in 2019, 2018 and 2017, respectively.

The reconciliation between the statutory income tax and effective income tax follows (in thousands):

	2019	2018	2017
Statutory income tax	**₱1,073,634**	₱891,522	₱876,444
Tax effect of:			
Tax-paid and tax-exempt income	**(615,986)**	(675,048)	(688,672)
Nondeductible expenses	**215,415**	364,875	365,298
FCDU income	**(100,331)**	(67,360)	(97,955)
Others	**(22,291)**	(204,394)	(188,053)
Effective income tax	**₱550,441**	₱309,595	₱267,062

28. Earnings Per Share

The following table presents information used to calculate basic EPS:

	2019	2018	2017
a. Net income	**₱3,028,337,640**	₱2,662,145,866	₱2,654,419,128
b. Weighted average number of common shares for basic earnings per share	**377,064,998**	253,332,198*	253,332,198*
c. Basic/Diluted EPS (a/b)	**₱8.03**	₱10.51	₱10.48

*Restated to show the effect of stock rights issued in January 2019

As of December 31, 2019, 2018 and 2017, there were no potential common shares with dilutive effect on the basic EPS of the Bank.

29. **Related Party Transactions**

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

- Bank's Directors, Officers, Stockholders and their Related Interests (DOSRI) as defined per BSP's existing DOSRI rules and regulations;
- Close Family Members (i.e., 2nd degree relatives) of the Bank's Directors, Officers with rank of SVP and up, and Individual Substantial Stockholders;
- Bank's Subsidiaries and Affiliates as defined per BSP's existing rules and regulations on lending to subsidiaries and affiliates;
- Any party that the Bank exerts direct or indirect control over or that exerts direct or indirect control over the Bank;
- Subsidiaries, Affiliates and Special Purpose Entities (SPEs) of any party that the Bank exerts direct or indirect control over or that exerts direct or indirect control over the Bank;
- Corresponding Persons in Affiliated Companies as defined in the Bank's Related Party Transaction (RPT) Policy; and
- Any natural person or juridical entity whose interest may pose potential conflict with the Bank's interest.

The Bank has several business relationships with related parties. The terms of the transactions with such parties are listed below on substantially the same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties, and are usually settled in cash. These transactions also did not involve more than the nominal risk of collectability or present other unfavorable conditions.

<u>Transactions with the Retirement Plan</u>

On December 20, 2012, the SEC issued Memorandum Circular No. 12 providing for guidelines on the disclosure of transactions with retirement benefit funds. Under said circular, a reporting entity shall disclose information about any transaction with a related party (retirement fund, in this case) and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements.

Under PFRS, certain post-employment benefit plans are considered as related parties. The Bank has business relationships with its retirement plan pursuant to which it provides trust and management services to the said plan. The retirement plan of the employees of the Bank is being managed and maintained by the Trust Division of the Bank. The total fair value of the retirement fund as of December 31, 2019 and 2018 amounted to ₱2.9 billion and ₱2.3 billion, respectively. The details of the assets of the fund as of December 31, 2019 and 2018 are disclosed in Note 24.

The following table shows the amount of outstanding balances of related party transactions of the Bank with the retirement plan of the employees of the Bank as of December 31, 2019 and 2018:

		2019	
		Elements of Transaction	
Related Party	**Nature of Transaction**	**Statement of Condition**	**Statement of Income**
Philippine Savings Bank	Savings Deposit	**₱3,685,981**	
	Investment in Money Market Fund*	**52,092,458**	
	Income from UITF		**₱1,869,456**
	Interest income		**14,629**
First Metro ETF	Equity investment	**₱26,352,764**	

*Includes fair value gains of ₱0.3 million

Related Party	Nature of Transaction	2018 Elements of Transaction Statement of Condition	Statement of Income
Philippine Savings Bank	Savings Deposit	₱10,286	
	Investment in Money Market Fund*	50,122,781	
	Loss on sale of equity securities		₱900,961
	Income from UITF		7,816
	Interest income	25,019,522	
First Metro ETF	Equity investment	₱10,286	

*Includes fair value gains of ₱0.2 million

Transactions relating to the Bank's retirement plan are approved by its Retirement Committee. The voting right over the investments in the Bank's capital stocks is exercised by a member of the Retirement Committee as approved by all members of the Retirement Committee, whom are senior officers of the Bank.

Remunerations of Directors and Other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The Bank considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures.*

Total remunerations of key management personnel (covering assistant vice presidents and up) [included under 'Compensation and fringe benefits' in the statements of income are as follows:

	2019	2018
Short-term employee benefits	**₱300,297,110**	₱253,953,306
Post-employment pension benefits	**35,761,294**	7,858,066
	₱336,058,404	₱261,811,372

Short-term employee benefits include salaries and other non-monetary benefits.

Remunerations given to directors, as approved by the Board Remuneration Committee, amounted to ₱19.0 million, ₱19.3 million, and ₱19.3 million in 2019, 2018 and 2017, respectively.

The Bank also provides banking services to directors and other key management personnel and persons connected to them.

Other Related Party Transactions

Other related party transactions of the Bank by category of related party are presented below. The following tables show the amount and outstanding balances included in the financial statements (in thousands):

Category	**December 31, 2019 Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Significant Investor			
Due from other banks	**(₱385,380)**	**₱730,409**	Peso and foreign denominated deposit with 2.50% fixed interest rates and maturities ranging from 360 days
Interbank loans receivable		**–**	Peso-denominated lending with 4.00% to 5.09% fixed interest rates and maturities ranging from 1 to 3 days
Placements	**35,778,000**	**–**	
Maturities	**(35,778,000)**	**–**	
Investment securities at amortized cost	**(202)**	**66,294**	Pledged for security of payroll account with MBTC.
Accounts receivable (payable)	**(5,691)**	**(959)**	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Miscellaneous assets	**–**	**781**	Security deposits on lease contracts
Miscellaneous liabilities	**–**	**6,242**	Advance payments of security deposits

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	December 31, 2019		
Bills Payable		**–**	Peso-denominated borrowing with fixed interest rate of 3.00% with 1 day maturity.
Deposits/placements	**₱31,238,942**	**₱–**	
Withdrawals/maturities	**(31,238,942)**	**–**	
Accrued other expense payable	**(1,869)**	**32,460**	Outstanding information technology expense payable, charges on current and savings accounts processing
Interest income	**5,214**	**–**	Income on deposits and interbank loans receivables
Rental income	**418**	**–**	Income from leasing agreements with various lease terms ranging from 2 to 5 years
Miscellaneous income	**25,047**	**–**	Income received from ATM service fees, rental and utilities
Information technology expense	**294,813**	**–**	Payment of information technology expenses
Trading and security loss	**146,720**	**–**	Loss from securities transactions
Interest expense	**6,156**	**–**	Interest expense on bills payable
Securities transactions			
Outright purchases	**1,757,094**	**–**	Outright purchase of FVTPL, FVOCI and investment at amortized cost
Outright sales	**(4,921,605)**	**–**	Outright sale of FVTPL, FVOCI and investment at amortized cost
Joint Venture			
Investment in a joint venture	**–**	**755,781**	Investment in SMFC
Share in net income of a joint venture	**105,905**	**–**	30% share in net income of SMFC
Dividends from joint venture	**39,960**	**–**	Dividends from SMFC
Share in unrealized gain on remeasurement of retirement liability	**(2,189)**	**942**	30% share in remeasurement of SMFC retirement liability taken up in OCI
Accounts receivable	**(867)**	**866**	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	**8,938**	**23,877**	Demand and short-term peso time deposits with annual fixed rates of 1.25%
Miscellaneous liabilities	**–**	**4,630**	Payment of security deposits
Rental income	**13,900**	**–**	Income from leasing agreements
Interest expense	**254**	**–**	Interest on deposit liabilities with 1.25% annual fixed rate
Other Related Parties			
Interbank loans receivable		**–**	Peso-denominated lending which earn 4.00% to 5.00% fixed daily interest rate with maturity terms from 1 to 5 days
Placements	**36,850,000**	**–**	
Maturities	**(36,850,000)**	**–**	
Receivable from customers		**994,425**	Loans granted bear interest of ranging 7.05% to 7.38% with 1 to 10 years term.
Placements	**985,000**	**–**	
Maturities	**992,700**		
Miscellaneous assets	**1,351**	**2,784**	Three months advance security deposits
Accounts receivable	**3,659**	**6,321**	Outstanding ATM service fees, rental and utility receivables, non-interest bearing
Prepaid expense	**(4,575)**	**9,993**	Payment for various policy renewals
Deposit liabilities	**(233,268)**	**688,847**	Demand, savings and short-term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 3.50%
Bills Payable	**–**	**–**	Peso denominated borrowing with 4.00% to 5.00% fixed interest rates and maturities ranging from 1 to 3 days
Deposits/placements	**83,019,000**	**–**	
Withdrawals/maturities	**(83,019,000)**	**–**	
Accrued other expense payable	**–**	**1,388**	Outstanding group life insurance
Accounts payable	**244**	**4,056**	Various personal and car insurance payable
Miscellaneous liabilities	**(3,530)**	**–**	Advance payment of security deposits from various tenants
Interest income	**68,986**	**–**	Income on receivables from customers and interbank loans receivables
Trading and securities loss	**4,605**	**–**	Loss from securities transactions
Rental income	**15,195**	**–**	Income from leasing agreements with various lease terms
Bank commission	**3,194**	**–**	Commission income on ATM service fees
Miscellaneous income	**617**	**–**	Service income from referral fees on approved credit card issuances and bank insurance with rates ranging from 2.00% to 10.00%
Insurance expense	**54,164**	**–**	Payment of insurance premium
Interest expense	**32,272**	**–**	Interest on deposit liabilities and bills payable
Rent expense	**6,003**	**–**	Payment of rent expense to various lessors

(Forward)

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	December 31, 2019		
Securities transactions			
Outright purchases	**₱–**	**₱–**	Outright purchase of FVTPL and FVOCI
Outright sales	**(300,000)**	**–**	Outright sale of FVTPL and FVOCI
Key Personnel			
Receivables from customers	**₱–**	**₱11,329**	Unsecured, no impairment, with annual fixed interest rates of 6.00% and maturities ranging from 2 to 10 years
Placements	**2,387**	**–**	
Maturities	**(4,188)**	**–**	
Interest income	**1,019**	**–**	Interest income from loans

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
	December 31, 2018		
Significant Investor			
Due from other banks	₱203,044	₱1,115,789	Peso-denominated lending with 2.50% fixed interest rates and maturities ranging from 360 days
Interbank loans receivable		–	Peso-denominated lending with 3.13% to 4.75% fixed interest rates and maturities ranging from 1 to 3 days
Placements	66,800,000	–	
Maturities	(66,800,000)	–	
Investment securities at amortized cost	66,496	66,496	Pledged for security of payroll account with MBTC.
Accounts receivable	(12,919)	4,732	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Miscellaneous assets	–	781	Security deposits on lease contracts
Miscellaneous liabilities	–	6,242	Advance payments of security deposits
Bills Payable		–	Peso-denominated borrowing with fixed interest rate of 3.00% with 1 day maturity.
Deposits/placements	400,000	–	
Withdrawals/maturities	(400,000)	–	
Accrued other expense payable	(3,403)	34,329	Outstanding information technology expense payable, charges on current and savings accounts processing
Interest income	11,012	–	Income on deposits and interbank loans receivables
Rental income	20,140	–	Income from leasing agreements with various lease terms ranging from 2 to 5 years
Miscellaneous income	16,368	–	Income received from ATM service fees, rental and utilities
Information technology expense	150,406	–	Payment of information technology expenses
Trading and security loss	(11,934)	–	Loss from securities transactions
Interest expense	33	–	Interest expense on bills payable
Securities transactions			
Outright purchases	4,115,480	–	Outright purchase of FVTPL, FVOCI and Amortized cost investments
Outright sales	(1,274,420)	–	Outright sale of FVTPL and FVOCI investments
Joint Venture			
Investment in a joint venture	–	691,426	Capital investment in SMFC
Share in net income of a joint venture	82,377	–	30% share in net income of SMFC
Share in unrealized gain on remeasurement of retirement liability	1,886	3,131	30% share in remeasurement of SMFC retirement liability taken up in OCI
Accounts receivable	(247)	1,733	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	1,618	14,939	Demand and short-term peso time deposits with annual fixed rates of 1.25%
Miscellaneous liabilities	–	4,630	Payment of security deposits
Rental income	13,900	–	Income from leasing agreements
Interest expense	198	–	Interest on deposit liabilities with 1.25% annual fixed rate
Other Related Parties			
Interbank loans receivable		–	Peso-denominated lending which earn 2.50% to 3.25% fixed daily interest rate with maturity terms from 1 to 5 days
Placements	189,042,000	–	
Maturities	(189,542,000)	–	
Receivable from customers		1,002,125	Loans granted bear interest of ranging 7.05% to 8.75% with 1 to 10 years term.
Placements	998,406	–	
Maturities	6,522		

(Forward)

Category	December 31, 2018 Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Miscellaneous assets	₱43	₱1,433	Three months advance security deposits
Accounts receivable	192	2,662	Outstanding ATM service fees, rental and utility receivables, non-interest bearing
Prepaid expense	917	14,568	Payment for various policy renewals
Deposit liabilities	(690,572)	922,115	Demand, savings and short-term peso and foreign currency time deposits with fixed rates ranging from 0.00% to 2.00%
Accounts payable	1,195	3,812	Various personal and car insurance payable
Miscellaneous liabilities	361	3,530	Advance payment of security deposits from various tenants
Interest income	60,746	–	Income on receivables from customers and interbank loans receivables
Trading and securities loss	16	–	Loss from securities transactions
Rental income	14,388	–	Income from leasing agreements with various lease terms
Bank commission	3,388	–	Commission income on ATM service fees
Miscellaneous income	18,353	–	Service income from referral fees on approved credit card issuances and bank insurance with rates ranging from 2.00% to 10.00%
Insurance expense	42,458	–	Payment of insurance premium
Interest expense	13,139	–	Interest on deposit liabilities and bills payable
Rent expense	3,263	–	Payment of rent expense to various lessors
Securities transactions			
Outright purchases	100,000	–	Outright purchase of FVTPL and AFS invXestments
Outright sales	(50,000)	–	Outright sale of FVTPL and AFS investments
Key Personnel			
Receivables from customers	–	13,130	Unsecured, no impairment, with annual fixed interest rates of 6.00% and maturities ranging from 2 to 10 years
Placements	3,761	–	
Maturities	(3,700)	–	
Interest income	1,065	–	Interest income from loans

Regulatory Reporting

As required under existing BSP rules and regulations, the Bank discloses loans and other credit accommodations granted to its DOSRI. These loans and other credit accommodations were made substantially on the same terms as with other individuals and businesses of comparable risks and were subject of prior BOD approval and entailing BSP reportorial requirements.

Existing banking regulations also limit the total amount of credit exposure to each of the Bank’s DOSRIs, at least 70.00% of which must be secured, to the total of their respective deposits and book value of their respective unencumbered deposits and, if any, book value of their respective paid-in capital contribution in the Bank. In the aggregate, the Bank’s total credit exposure to all its DOSRIs should not exceed its net worth or 15.00% of its total loan portfolio, whichever is lower, with any unsecured portion thereof not exceeding the lower between 30.00% of the aggregate limit or of the total actual exposure. However, loans and other credit accommodations to DOSRIs that are secured by assets considered by the BSP as non-risk are exempt from these ceilings. As of December 31, 2019 and 2018, the Bank's credit exposures to DOSRI are within the said regulatory limits.

BSP Circular No. 423 dated March 15, 2004, as amended by BSP Circular No. 914 dated June 23, 2016, provide the rules and regulations governing credit exposures to DOSRI. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to BSP Circular No. 423 and new DOSRI loans and other credit accommodations granted under said circular as of December 31, 2019 and 2018 (in thousands):

	2019		2018	
	DOSRI Loans	**Related Party Loans**	DOSRI Loans	Related Party Loans
Total outstanding loans	**₱236,494**	**₱1,349,467**	₱234,161	₱1,378,978
Percent of DOSRI/Related Party loans to total loan portfolio	**0.1%**	**0.8%**	0.1%	0.9%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	**94.8%**	**89.7%**	96.3%	88.8%
Percent of past-due DOSRI /Related Party loans to total DOSRI/Related Party loans	**0.00%**	**0.00%**	0.00%	0.00%
Percent of non-performing DOSRI/Related Party loans to total DOSRI /Related Party loans	**0.00%**	**0.00%**	0.00%	0.00%

Total interest income from DOSRI loans amounted to ₱5.7 million in 2019, and ₱5.8 million in 2018 and 2017.

30. Trust Operations

Securities and other resources held by the Bank in fiduciary or agency capacity for its customers are not included in the accompanying statements of condition since these are not assets of the Bank.

As of December 31, 2019 and 2018, the Bank deposited government securities with carrying value of ₱143.2 million and ₱84.2 million, respectively, in compliance with trust regulations (Note 8).

In compliance with existing banking regulations, the Bank transferred from surplus to surplus reserve the amount of ₱1.3 million and ₱0.5 million, which corresponds to 10.00% of the net income realized from the Bank’s Trust Department in 2019 and 2018, respectively.

31. Commitments and Contingent Liabilities

In the normal course of the Bank's operations, there are various outstanding commitments and contingent liabilities such as guarantees and commitments to extend credit, which are not reflected in the accompanying financial statements. The Bank, however, does not anticipate significant losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2019	2018
Trust department accounts (Note 30)	**₱6,981,353,030**	₱6,400,841,134
Stand-by credit lines	**84,000,000**	70,500,000
Swap forward exchange - sold	**50,635,000**	2,602,710,000
Late deposits/payments received	**9,521,669**	9,521,669
Items held for safekeeping	**455,693**	296,024
Others	**488,280**	124,429

Also, several suits and claims, in behalf of or against the Bank in relation to its banking operations and labor-related cases are pending before the courts and quasi-judicial bodies. The Bank and its legal counsel believe that any losses arising from suits and claims which are not specifically provided for will not have a material adverse effect on the financial statements.

32. Notes to Statements of Cash flows

The following is a summary of principal non-cash activities that relate to the analysis of the statements of cash flows:

	2019	2018	2017
Additions to chattel mortgage in settlement of loans (Note 14)	**₱3,304,131,638**	₱2,592,446,719	₱2,577,163,081
Recognition of right-of-use assets (Note 2)	**1,628,345,834**	–	–
Recognition of lease liabilities (Note 2)	**1,817,438,565**	–	–
Fair value changes in financial assets at FVOCI / Change in net unrealized gain/loss on AFS investments (Note 8)	**994,927,408**	(815,985,665)	381,641,780
Additions to investment properties in settlement of loans (Note 12)	**735,282,417**	791,786,329	868,280,425
Cost adjustment on intangible assets (Note 13)	**84,291,800**	–	–
Net retirement of ROU/ (Lease liability)	**(17,314,414)**		
Cumulative translation adjustment	**(181,095)**	(6,116)	(5,292,411)

The table below provides for the changes in liabilities arising from financing activities in 2019 and 2018 (in millions):

	Subordinated Notes	**Bills Payable**	**Bonds Payable**	**Lease Liability**	**Total Liabilities from Financing Activities**
January 1, 2019	**₱2,982**	**₱2,969**	**₱–**	**₱1,631**	**₱7,582**
Cash flows from availments	**–**	**382,499**	**6,243**	**–**	**388,742**
Cash flows from settlement	**(3,000)**	**(381,299)**	**–**	**(439)**	**(384,738)**
Foreign exchange movement	**–**	**–**	**–**	**–**	**–**
Others	**18**	**21**	**11**	**275**	**325**
December 31, 2019	**₱–**	**₱4,190**	**₱6,254**	**₱1,467**	**₱11,911**

Others include amortization of subordinated notes, bills payable and bonds payable, additions to lease liability, and accretion and termination of lease liability.

	Subordinated Notes	Bills Payable	Total Liabilities from Financing Activities
January 1, 2018	₱2,979	₱1,492	₱4,471
Cash flows from availments	–	87,841	87,841
Cash flows from settlement	–	(86,365)	(86,365)
Foreign exchange movement	–	–	–
Others	3	1	4
December 31, 2018	₱2,982	₱2,969	₱5,951

Others include amortization of subordinated notes and bills payable.

As of December 31, 2019 and 2018, the Bank recognized allowance for credit losses from ‘Due from BSP’, ‘Due from other banks’ and ‘Interbank loans receivable and SPURA’ as follows:

	2019	2018
Due from BSP	**₱1,226,349**	₱2,827,898
Due from other banks	**1,043,119**	2,300,673
Interbank loans receivable and SPURA	**–**	180,000
	₱2,269,468	₱5,308,571

33. **Offsetting of Financial Assets and Liabilities**

PFRS 7 requires the Bank to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables.

Financial assets

As of December 31, 2019, there were no derivative assets and SPURA.

December 31, 2018						
				Effect of remaining rights of set-off (including rights to set-off financial collateral) that do not meet PAS 32 offsetting criteria		
Financial assets recognized at the end of reporting period by type	Gross carrying amounts (before offsetting) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in statement of condition [a-b] [c]	Financial instruments [d]	Fair value of financial collateral [d]	Net exposure [c-d] [e]
Derivative Assets (Note 8)	₱1,620,584,984	₱1,610,511,852	₱10,073,132	₱2,895,073	₱–	₱7,178,059
SPURA (Note 7)	1,892,000,000	–	1,892,000,000	–	1,883,224,805	8,775,195

Financial liabilities

As of December 31, 2019, there were no outstanding foreign currency swaps and forwards and SSURA.

December 31, 2018						
				Effect of remaining rights of set-off (including rights to set-off financial collateral) that do not meet PAS 32 offsetting criteria		
Financial liabilities recognized at end of reporting period by type	Gross carrying amounts (before offsetting) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in statement of condition [a-b] [c]	Financial instruments [d]	Fair value of financial collateral [d]	Net exposure [c-d] [e]
Derivative Liabilities (Note 8)	₱985,290,611	₱982,395,538	₱2,895,073	₱10,073,132	₱–	₱–

34. **Subsequent Events**

<u>Cash Dividend Declaration</u>
On January 16, 2020, the BOD of the Bank approved the declaration of a 7.50% regular cash dividend for the fourth quarter of 2019 for stockholders on record as of January 31, 2020 amounting to ₱287.3 Million or ₱0.75 per share to be paid on February 17, 2020.

<u>Stock Dividend Declaration</u>
On November 20, 2019, the SEC approved the amendment to the Articles of Incorporation on the increase in authorized capital stock of the Bank.

On January 16, 2020, the Bank received the SEC Order fixing the Record Date of the 11.42% Stock Dividend involving 43,750,000 shares on January 31, 2020. Payment date of February 21, 2020 was set in accordance with the BOD approval and the rules of the PSE.

<u>Issuance of Bonds</u>
On February 4, 2020, the Bank issued ₱4.65 billion fixed rate bonds with an issue price at 100% face value, which bear an interest of 4.50% per annum and will mature on February 4, 2023.

35. Approval for the Release of the Financial Statements

The accompanying comparative financial statements by the Bank were authorized for issue by the BOD on February 20, 2020.

36. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002. The regulations provide that starting 2010, the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Bank reported and/or paid the following types of taxes for the year:

Taxes and Licenses
For the taxable year ended December 31, 2019, taxes and licenses of the Bank consist of:

Gross receipts tax	₱844,518,076
Documentary stamps tax	600,290,332
Local taxes	93,104,920
Fringe benefit tax	11,840,715
	₱1,549,754,043

Withholding Taxes
As of December 31, 2019, total remittances and balance of withholding taxes in 2019 are as follows:

	Total Remittances	Balance
Withholding taxes on compensation and benefits	₱416,622,286	₱22,547,368
Final withholding taxes	821,806,194	59,171,311
Expanded withholding taxes	92,743,942	9,794,806
	₱1,331,172,422	₱91,513,485

The Bank has no ongoing tax assessment as of December 31, 2019.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Philippine Savings Bank
PSBank Center
777 Paseo de Roxas corner Sedeño Street
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Philippine Savings Bank (the Bank) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated February 20, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Bank's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Veronica Arce

Veronica Mae A. Arce
Partner
CPA Certificate No. 0117208
SEC Accreditation No. 1740-A (Group A),
February 7, 2019, valid until February 6, 2022
Tax Identification No. 234-282-413
BIR Accreditation No. 08-001998-135-2018,
December 17, 2018, valid until December 16, 2021
PTR No. 8125206, January 7, 2020, Makati City

February 20, 2020

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

Exhibit 7

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Philippine Savings Bank
PSBank Center
777 Paseo de Roxas corner Sedeño Street
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Philippine Savings Bank (the Bank) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and have issued our report thereon dated February 20, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Bank's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Bank's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Veronica Arce

Veronica Mae A. Arce
Partner
CPA Certificate No. 0117208
SEC Accreditation No. 1740-A (Group A),
February 7, 2019, valid until February 6, 2022
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PTR No. 8125206, January 7, 2020, Makati City

February 20, 2020

PHILIPPINE SAVINGS BANK

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
AS OF DECEMBER 31, 2019

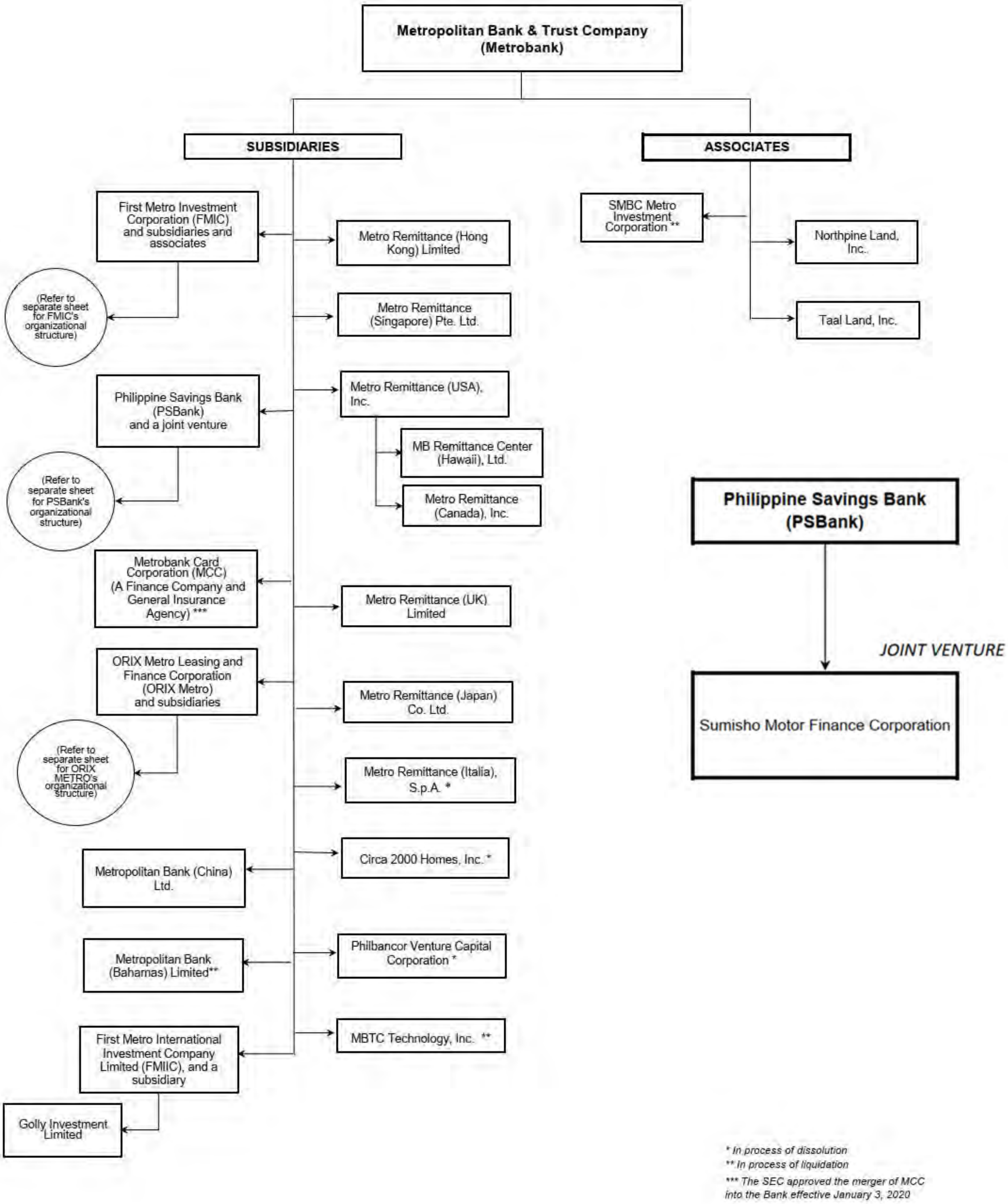
Annex I

PHILIPPINE SAVINGS BANK
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated Retained Earnings, 12/31/2018		**₱19,391,850,112**
Prior year adjustments		
Less: Non-accrual/unrealized income net of tax		
Equity in net income of a joint venture	(185,657,319)	
Unrealized foreign exchange gains – net	(584,711,822)	
Unrealized gains on investment properties	(940,694,231)	
Recognized deferred tax assets	(1,407,135,371)	
Mark to market gains on FVTPL	(6,476,341)	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	(52,981,190)	(3,177,656,274)
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		**16,214,193,838**
Net Income during the period closed to Retained Earnings		3,028,337,640
Less: Non-accrual/unrealized income net of tax		
Equity in net income of a joint venture	30,817,631	
Unrealized foreign exchange gains – net	580,570,678	
Mark to market gains on FVTPL	6,479,188	
Recognized deferred tax assets	410,979,127	
Unrealized gains on investment properties	65,069,222	1,093,915,846
Net income actually earned during the period		**4,122,253,486**
Less:		
Dividend declarations during the period		(1,149,328,248)
Retained earnings available for dividend distribution		**₱19,187,119,076**

Annex II

PHILIPPINE SAVINGS BANK
MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES OR CO-SUBSIDIARIES, AND ASSOCIATES, WHEREVER LOCATED OR REGISTERED



Annex III

PHILIPPINE SAVINGS BANK
SCHEDULE A – FINANCIAL ASSETS
As of December 31, 2019

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at end of reporting period (iii)	Income accrued
Fair Value Through Profit or Loss (FVTPL) Investments				
Government Bonds	₱46,521	₱43,674	₱43,674	₱669
Derivatives with positive fair value	-	-	-	–
	₱46,521	**₱43,674**	**₱43,674**	**₱669**
Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)				
Debt Securities				
Government Bonds				
Peso – denominated	₱1,804,686,467	₱1,855,048,199	₱1,855,048,199	₱10,797,612
Dollar – denominated				
	1,804,686,467	1,855,048,199	1,855,048,199	10,797,612
Private Corporation				
Peso – denominated	2,755,300,000	2,685,319,332	2,685,319,332	20,113,768
Dollar – denominated	202,540,000	223,249,715	223,249,715	3,437,556
	4,762,526,467	4,763,617,246	4,763,617,246	34,348,936
Equity Securities	6,594,720	11,771,221	11,771,221	–
	₱4,769,121,187	**₱4,775,388,467**	**₱4,775,388,467**	**₱34,348,936**
Investment Securities at Amortized Cost				
Government Bonds				
Peso – denominated	₱26,262,242,820	₱30,784,497,489	₱31,500,652,622	₱503,769,779
Private Corporation				
Peso – denominated	2,271,950,000	2,278,642,235	2,208,118,093	14,758,510
Dollar – denominated	1,139,186,230	1,170,835,092	1,213,211,905	17,621,464
	3,411,136,230	3,449,477,327	3,421,329,998	32,379,974
	₱29,673,379,050	**₱34,233,974,816**	**₱34,921,982,620**	**₱536,149,753**

i. Each issue shall be stated separately, except that reasonable grouping, without enumeration may be made of (a) securities issued or guaranteed by the Philippine Government or its agencies and (b) securities issued by others for which the amounts in the aggregate are not more than two percent of total assets.
ii. State the basis of determining the amounts shown in the column. This column shall be totaled to correspond to the respective balance sheet caption or captions.
iii. This column may be omitted if all amounts that would be shown are the same as in the immediate preceding column.

PHILIPPINE SAVINGS BANK
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
As of December 31, 2019

Name and Designation of Debtor (i)	Balance at Beginning of the Period	Additions	Amounts Collected (ii)	Amounts Written-off (iii)	Current	Not Current	Balance at End of the Period

NONE TO REPORT

Note: Transactions to these parties are made in the ordinary course of business.

i. Show separately accounts receivables and note receivable. In case of notes receivable, indicate pertinent information such as the due date, interest rate, terms or repayment and collateral, if any.
ii. If collection was other than in cash, explain.
iii. Give reasons for write-off.

PHILIPPINE SAVINGS BANK
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
As of December 31, 2019

Name and Designation of debtors	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of the period

NOT APPLICABLE

(i) If collection was other than in cash, explain.
(ii) Give reasons for write off.

PHILIPPINE SAVINGS BANK
SCHEDULE D – LONG TERM DEBT
As of December 31, 2019

Title of Issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion of Long-Term Debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Interest Rate	Maturity Date
Medium Term Fixed rate Notes (MTFNs)	₱3,000,000,000	₱2,989,736,932	–	7.07%	June 10, 2020
Bonds Payable	₱6,300,000,000	–	₱6,254,701,780	5.60%	July 21, 2021

(i) Include in this column each type of obligation authorized.
(ii) This column is to be totaled to correspond to the related balance sheet caption.
(iii) Include in this column details as to interest rates, amounts or number of periodic installments, and maturity dates.

PHILIPPINE SAVINGS BANK
SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES
(LONG TERM LOANS FROM RELATED PARTIES)
As of December 31, 2019

Name of Related Party (i)	Balance at Beginning of the Period	Balance at the End of the Period (ii)

NONE TO REPORT

(i) The related parties named shall be grouped as in Schedule D. The information called for shall be stated separately for any persons whose investments were shown separately in such related schedule.
(ii) For each affiliate named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10 percent of the related balance sheet at either the beginning or end of the period.

PHILIPPINE SAVINGS BANK
SCHEDULE F – GUARANTEES OF SECURITIES OF OTHER ISSUES
As of December 31, 2019

Name of issuing entity of securities guaranteed by the company for which the statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement if filed	Nature of guarantee (ii)

NONE TO REPORT

i. Each issue shall be stated separately, except that reasonable grouping, without enumeration may be made of (a) securities issued or guaranteed by the Philippine Government or its agencies and (b) securities issued by others for which the amounts in the aggregate are not more than two percent of total assets.
ii. State the basis of determining the amounts shown in the column. This column shall be totaled to correspond to the respective balance sheet caption or captions.
iii. This column may be omitted if all amounts that would be shown are the same as in the immediate preceding column.

PHILIPPINE SAVINGS BANK
SCHEDULE G – CAPITAL STOCK
As of December 31, 2019

Title of Issue (i)	Number of Shares Authorized	Number of Shares Issued and Outstanding at shown under related Balance Sheet caption	Number of Shares reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by related parties (ii)	Directors, Officers, and Employees	Others (iii)
Common Stock - P10 par value	600,000,000	383,109,416	–	338,610,090	4,002,569	40,496,757

(i) Include each type of issue authorized.
(ii) Related parties referred to include persons for which separate financial statements are filed and those included in consolidated financial statements, other than the issuer of the particular security.
(iii) Indicate in a note any significant changes since the date of the last balance sheet filed.

Annex IV

PHILIPPINE SAVINGS BANK
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE PERIODS INDICATED

	December 31, 2019	December 31, 2018
PROFITABILITY RATIOS		
Return on Assets		
Net Income / Average Total Resources	1.31%	1.15%
Return on Equity		
Net Income / Average Stockholders' Equity	10.29%	11.38%
Net Interest Margin		
Net Interest Income / Average Earning Assets	5.82%	5.79%
Cost to Income Ratio		
Operating Expenses Excluding Provision for Impairment and Credit Losses and Income Taxes / Net Interest Income + Operating Income	61.28%	64.83%
SOLVENCY RATIOS		
Debt to Equity Ratio		
Total Liabilities / Total Stockholders' Equity	5.53:1	8.75:1
Asset-to-Equity Ratio		
Total Assets / Total Stockholders' Equity	6.53:1	9.75:1
Interest Rate Coverage Ratio		
Earnings Before Interest and Taxes / Interest Expense	1.59:1	1.59:1
LIQUIDITY RATIOS		
Liquidity Ratio		
Current Assets / Current Liabilities	19.70%	23.47%
Loans to Deposit Ratio		
Gross Loans / Total Deposits	95.14%	78.08%
CAPITAL ADEQUACY RATIO		
Total Qualifying Capital / Total Risk-Weighted Assets	17.76%	13.88%

Trucost
ESG Analysis

S&P Global

Philippine Savings Bank (PS Bank) ESG Report

Financial Year 2019

Credits
Erik Christianto | Account Manager
Ryan Christianson | Account Manager
Rochelle March | Project Advisor
Deepti Panchratna | Project Manager
Ankita Sinha | Lead Analyst

About Trucost

Trucost is part of S&P Global. A leader in carbon and environmental data and risk analysis, Trucost assesses risks relating to climate change, natural resource constraints, and broader environmental, social, and governance factors. Companies and financial institutions use Trucost intelligence to understand their ESG exposure to these factors, inform resilience and identify transformative solutions for a more sustainable global economy. S&P Global's commitment to environmental analysis and product innovation allows us to deliver essential ESG investment-related information to the global marketplace. For more information, visit www.trucost.com.

About S&P Global

S&P Global (NYSE: SPGI) is a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide. For more information, visit www.spglobal.com.

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Table of Contents

About PS Bank

Philippine Savings Bank (hereafter referred as PS Bank) is headquartered in Manila and is a subsidiary of Metropolitan Bank and Trust company. It provides banking services primarily in savings and mortgage banking segments that include deposits, loans, treasury, and trust products to individual and corporate customers. The Bank also offers fund transfer, payroll account, and payment collection services.

The organization and management of the operating segments of PS Bank depends largely on the nature of services provided and the markets served. These business segments are consumer banking, corporate banking, branch banking and treasury. PS Bank caters mainly to the retail and consumer markets.

Companies in the financial services industry rely on purchased electricity as critical inputs for their business continuity. Companies that manage their overall energy use through increased efficiency and use of alternative energy sources can increase profitability by lowering expenses and reducing risk. Products in the financial services sector also deal with large amounts of data in operations, most of which requires maintenance of confidentiality. Improving data privacy and security through better management processes and checks can lead to improved brand image, reduced risk, and higher intangible asset value.

The financial services industry can face reputational harm, or even taxes and lawsuits, if the investments are not as per the local and global norms. Through education, engagement, community partnerships, and financial inclusion measures, banks can address and mitigate many of the issues associated with financial assets and investments. Companies that effectively manage these issues can reduce the likelihood of extraordinary expenses, improve market share, and decrease liabilities.

Introduction

PS Bank engaged Trucost to review its reporting of environmental, social, and governance (ESG) impacts for the financial year of 2019 (FY2019), which comprised January 2019-December 2019. PS Bank is interested in measuring its baseline ESG impact that it can use to track progress against ESG-related activities over time. The results from this report are in line with common sustainability reporting frameworks and can be used for further disclosures in alignment with GRI, CDP, SASB and TCFD, among others, and can satisfy the sustainability reporting requirements for the Philippine Stock Exchange.

A proactive approach to integrate sustainability into business practices is essential for continued business growth. Identifying material issues is an essential step in this regard. These material issues may be categorized on the basis of their duration of impact as impacting business in the short, medium and long term material issue or on the basis of their degree of impact as high, medium, and low material issue. Focusing on these material ESG issues can allow companies to positively impact their growth in terms of profit and customers, while failure to address these issues can have an effect on the Bank’s reputation and profits. Through the ESG report, PS Bank can communicate it’s commitment to sustainability and its key achievements, practices, and management approaches to its target audiences and stakeholders.

Scope

PS Bank assessed and disclosed environmental, social and governance impacts for its owned buildings and operations in rural banking units and foreign currency deposit units.

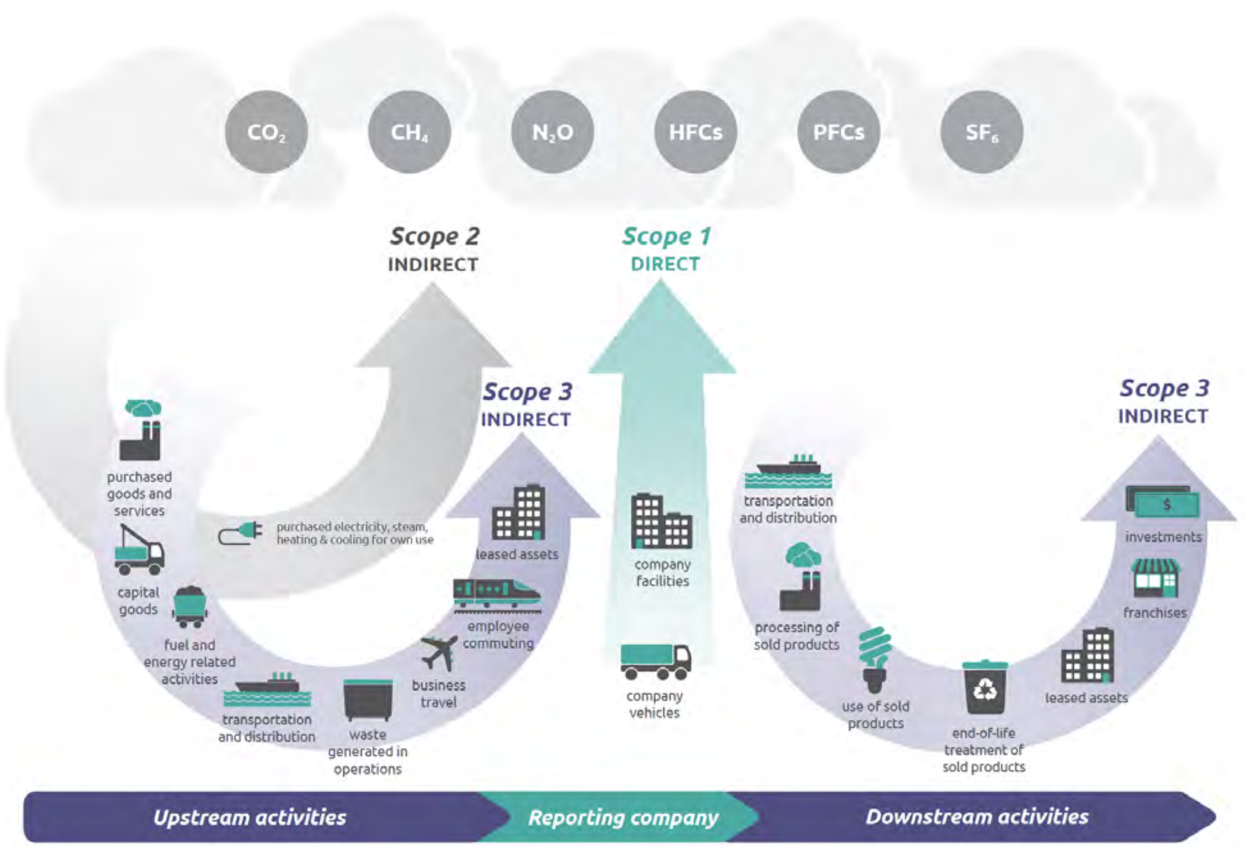
Environmental indicators covered include:

- GHG emissions, scope 1, 2 and select scope 3 (see exhibit 1 below)
- Electricity use

- Waste generation
- Water use

The figure below summarizes an organization's sources of GHG emissions, across scope 1 (direct emissions), scope 2 (indirect emissions, primarily purchased electricity) and scope 3 (indirect emissions from upstream suppliers and downstream customers).

FIGURE 1: SCOPE OF VALUE CHAIN GHG EMISSIONS FOOTPRINT



Source: WRI (2015) GHG Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard

Social indicators covered include:

- Workforce diversity
- Workforce safety
- Labor practices
- Employee training and development

Governance indicators covered include:

- Data privacy and security
- Financial Inclusion
- Responsible investments
- Systemic Risk Management
- Business ethics

Board Statement

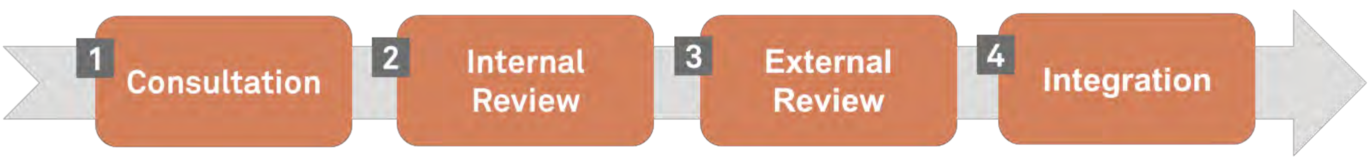
Believing that we have a role to play in promoting sustainable development, PS Bank is committed to driving progress towards achieving the United Nations Sustainable Development Goals (SDGs). Through our products and services and the integration of digital technology, we aim to create added value to our clients, the general public, and the rest of society.

ESG Materiality

The concept of materiality is central to sustainable business practice as it helps in determining the types of ESG issues to address and report on. The identified issues are the material topics that reflect their significance over economic, environmental and social aspects of PS Bank. These issues are also the ones that substantively influence the assessments and decisions of the stakeholders of the PS Bank.

Description of Materiality Process

FIGURE 2: STEP-WISE APPROACH TO MATERIALITY ASSESSMENT



1. **Consultation** – This step involved organization-level consultation where Trucost explored the universe of issues with PS Bank. In this step:
    - The Bank identified and prepared a list of the areas and topics material to their business.
    - Trucost reviewed this list, made necessary changes, then, provided a list of the universe of issues for the Bank to review. These issues were ranked as high, medium and low impact issues to uncover prioritization of these issues.
2. **Internal Review** – This step involved review of various reporting frameworks (SASB, CDP, TCFD, GRI, DJSI, SDG) for the financial and banking sector.
    - Trucost primarily consulted SASB Materiality Map to identify metrics as it has been articulated by the investor community and described as metrics that are material to investors. SASB Materiality Map was used to identify all those metrics specific to the banking and financial sector.
    - Other standard ESG reporting frameworks, such as GRI, CDP, TCFD and SDG were also consulted in order to gather a full palette of issues that may not be highly material but are still important to disclose for the investor and extended stakeholder audience.
3. **External Review** – Peer Benchmarking
    - Trucost reviewed the sustainability report and materiality matrix of the peer companies to further identify the key material topics.
4. **Integration** – Integration of Bank's feedback and insights from the review process

PS Bank Materiality Matrix

Trucost considered both sector-level and organization-level materiality to identify all issues relevant to PS Bank and the associated sectors. These materiality themes were identified using SASB, investor trend review and a wider literature review. Sector-level materiality was identified and refined based on specific practices of the Bank. Many of these issues are not applicable to PS Bank due to its specific operations. For the same reason, some material issues were identified to be material organization-level. Exhibit 1 highlights the material ESG issues identified for PS Bank. The material topics have been identified under four categories:

1. Material to both sector and organization
2. Material to sector
3. Material to organization
4. Immaterial

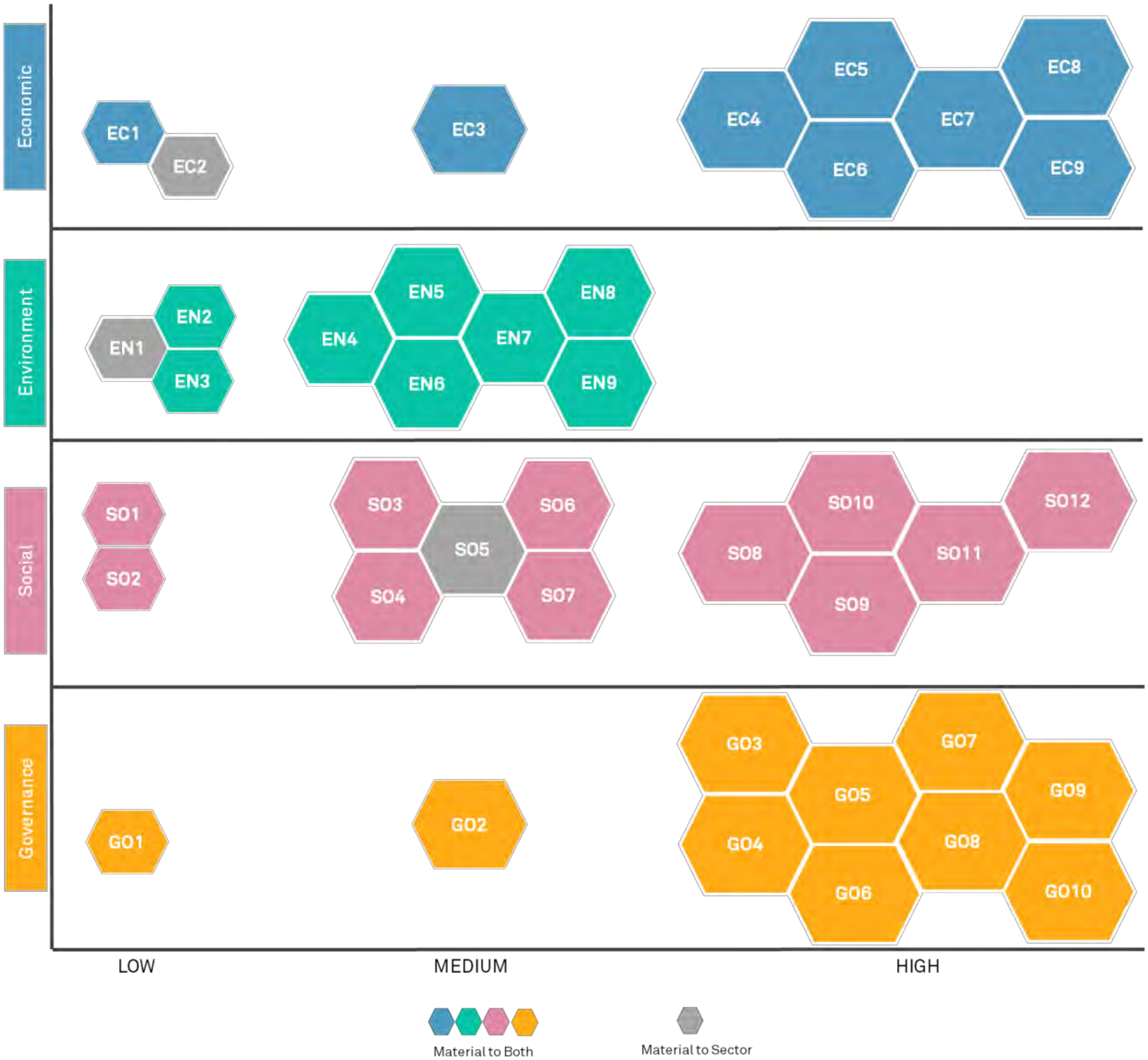
These material issues have been further classified as high, medium and low priority issues. This priority level is depicted through their size as issues with:

1. High materiality in the largest (right-most cluster) hexagons
2. Medium materiality in the medium (central cluster) hexagons
3. Low materiality in the smallest (left-most cluster) hexagons

As shown in Exhibit 1, materiality assessment exercise for PS Bank resulted in identification of material issues as high, medium and low priority issues under two categories – material to both sector and organization (shown in respective color codes) and material to sector (shown in grey color). No material issues were found relevant only to the organization or immaterial to both organization ad sector.

While non-discrimination, workplace health and safety, labor practices, diversity and equal opportunity, talent acquisition and retention were found to be of high materiality in social aspects; anti-fraud and anti-bribery, data management and security practices, financial risk management, anti-corruption/whistle blower practice and human rights protection were found to be of high materiality for governance aspects. Most of the environment related issues were reported to be of low or medium materiality for PS Bank while market presence, financial performance, geographical footprint, innovation and digitalization etc. were of high materiality for the economic aspects of the business.

EXHIBIT 1: MATERIAL ESG ISSUES FOR PS BANK



- **EC1:** Indirect Economic Impact
- **EC2:** G-SIB
- **EC3:** Product Portfolio for Environmental and Social Benefit
- **EC4:** Financial Performance
- **EC5:** Market Presence
- **EC6:** Geographical Footprint
- **EC7:** Brand Positioning and Management
- **EC8:** Innovation and Digitization
- **EC9:** Customer Experience

- **EN1:** Biodiversity Management
- **EN2:** GHG Emissions
- **EN3:** Supplier Environmental Assessment
- **EN4:** Environmental Compliance
- **EN5:** Waste Management
- **EN6:** Material Management
- **EN7:** Energy Intensity
- **EN8:** Water Intensity
- **EN9:** Supply Chain Management

- **SO1:** Socio-Economic Compliance
- **SO2:** Prevention of Child Labor and Forced Labor
- **SO3:** Employee Learning and Development
- **SO4:** Corporate Social Responsibility
- **SO5:** Supplier Social Assessment
- **SO6:** Customer Health and Safety
- **SO7:** Rewards and Recognitions
- **SO8:** Diversity and Equal Opportunity
- **SO9:** Non-Discrimination
- **SO10:** Workplace Health and Safety
- **SO11:** Labor Relations
- **SO12:** Talent Acquisition and Retention

- **GO1:** Anti-Competitive Behavior
- **GO2:** Integrating ESG Risks in Business Practice
- **GO3:** Ant-Fraud and Anti-Bribery
- **GO4:** Data Management and Security Practices
- **GO5:** Customer Privacy
- **GO6:** Anti-Corruption/Whistle Blower Protection
- **GO7:** Ethics and Integrity
- **GO8:** Human Rights Protection
- **GO9:** Financial Risk Management
- **GO10:** Regulations and Compliance Management

Source: Trucost analysis with SASB materiality review

Financial Inclusion and Literacy

PS Bank believes in inclusive growth and hence emphasizes on financial inclusion as an important part of its initiatives. The financial tools and services of PS Bank are easily accessible to individuals and organizations in need with includes the community as well as small-and-medium-scale enterprises (SMEs).

EXHIBIT 2: CREDIT LENDING FOR COMMUNITY AND SMEs

Credit lending for Community	
Total amount of loans outstanding qualified to promote community development (PHP)	396,192,668
Total number of loans outstanding qualified to promote community development	7
Credit Lending for SMEs	
Total amount of loans outstanding qualified to promote small business (PHP)	7,032,188,251
Total number of loans outstanding qualified to promote small business	1,979

PS Bank has also launched two financial literacy campaigns:

1. **Be Aware** – Through this campaign, the Bank developed 27 materials on Phishing, Pharming, Vishing and Skimming. The Bank also released the materials through the following 6 channels for external parties:
   a.) PS Bank Website "What's New" Section
   b.) PS Bank Social Media (Facebook, Twitter, Instagram)
   c.) PS Bank Mobile app advisories/reminders
   d.) PS Bank Online (Inbox)
   e.) Email blast to clients' personal email
   f.) Press Releases
2. **Good to Know** – Through this campaign, the Bank developed 52 materials on the topics related to tips on purchasing pre-owned homes, the importance of saving, benefits of buying second-hand cars, benefits of saving in a bank, PSBank Innovative services, e-Payments, PS Bank PaSend, Mobile Check Deposit, and Cardless Withdrawal. The Bank also released the materials through the following 3 channels for external parties:
   a.) PSBank Website "What's New" Section
   b.) PSBank Social Media (Facebook, Twitter, Instagram)
   c.) Press Releases

   PS Bank also manages the following 3 social media initiatives under this campaign:

   I. **PS Bankabulary** - Defines banking/financial concepts in a more “down-to-earth” language, presented in a consumer-relatable format.
   II. **Simpleng Tanong** (translates to Simple Questions) - Features actual frequently-asked questions raised by customers as a reaction to the ads posted on the Bank’s social media pages.
   III. **How To** – Guides users on how to access PS Bank services/facilities and how to perform transactions (e.g. PaSend, Mobile Check Deposit)

Responsible Investment

PS Bank employs an Environmental and Social Risk Checklist to understand the environmental and social risks of potential borrowers. This aids credit officers in determining the exposure of the loan and the customer to any future or present financial, legal, and reputational risks from environmental and social issues. Results of these internal assessments are then disclosed to the approving committee for further deliberation and action.

PS Bank does not give any undue preference to any sector for its investment decisions and, thus, invests in a wide range of sectors. A detailed list of all these sectors and the respective investments in these sectors is given below. It is also interesting to note here that during the reporting period, FY2019, PS Bank made an investment of 1,170,300,576 PHP on ESG themed projects.

EXHIBIT 3: SECTOR_WISE CREDIT LENDING EXPOSURE

Sector-wise credit lending exposure		
Total commercial and industrial credit exposure, by industry	**Amount (in PHP)**	**% Contribution**
Accommodation and Food Services Activities	125,134,045	0.9%
Activities of Households as Employers and Undifferentiated Goods-and-Services-Producing Activities of Households for Own Use	374,257,354	2.7%
Administrative and Support Service Activities	129,437,820	0.9%
Agriculture, Forestry and Fishing	74,422,698	0.5%
Arts, Entertainment and Recreation	20,072,068	0.1%
Construction	487,047,879	3.6%
Loans to individual for household and personal consumption	12,835,938	0.1%
Education	49,195,435	0.4%
Electricity, Gas, Steam and Air Conditioning Supply	1,862,872,869	13.6%
Financial and Insurance Activities	1,170,511,190	8.6%
Human Health and Social Activities	164,867,239	1.2%
Information and Communication	514,297,056	3.8%
Manufacturing	545,915,778	4.0%
Mining and Quarrying	7,551,733	0.1%
Other Service Activities	2,870,794,629	21.0%
Professional, Scientific and Technical Services	150,749,735	1.1%
Real Estate Activities	2,530,033,681	18.5%
Transportation and Storage	383,326,894	2.8%
Water Supply, Sewerage, Waste Management and Remediation Activities	211,113,472	1.5%
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	1,994,093,503	14.6%

Environmental Impact

Operational Greenhouse Gas Emissions

Trucost reviewed PS Bank's environmental data for FY2019. Exhibit 3 below relates the key findings for environmental impacts. These impacts are described in absolute terms, or their total volume, as well as in intensity terms by m^2 of PS Bank's floor area (87,504 m^2), by employee (3,130 employees) and revenue (3,028 mPHP).

While the Bank, currently, does not have a strong regulating mechanism in place to control its emissions but it plans to roll out initiatives and programs in future to enhance its products, services and operations to reduce its emissions. Details of these programs and initiatives will be available in the consecutive reports.

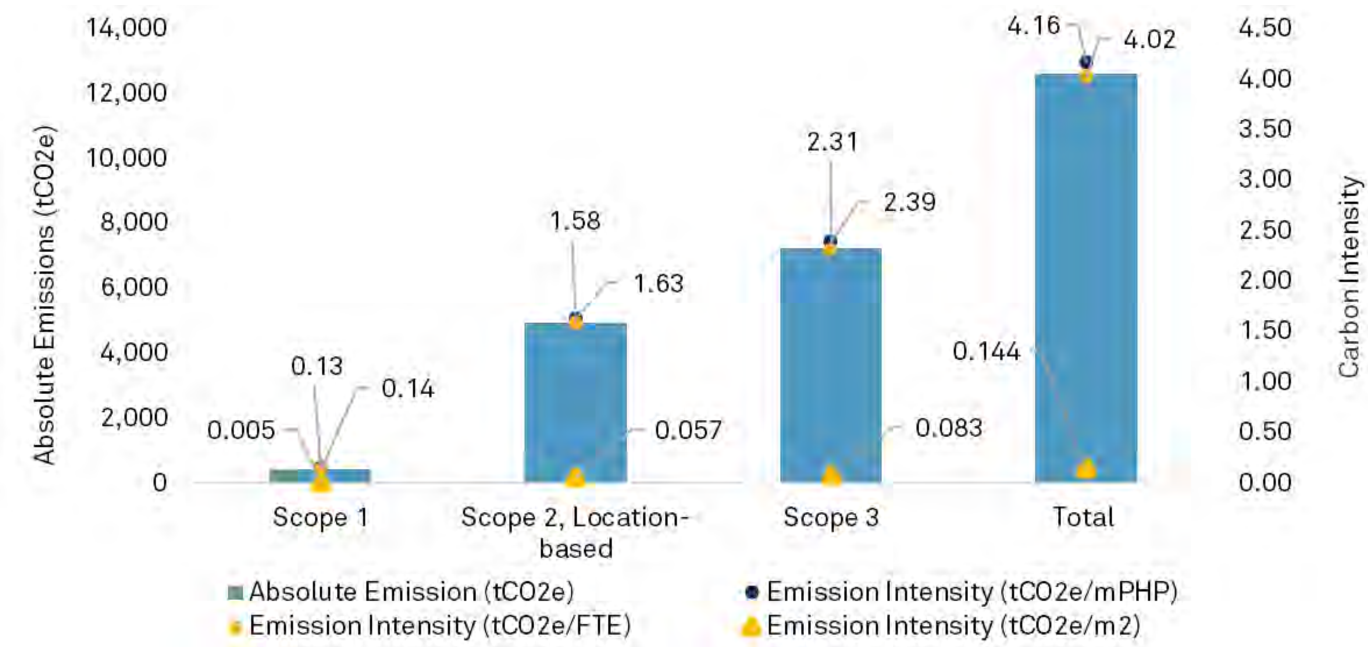
EXHIBIT 4: COMBINED DIRECT AND INDIRECT OPERATIONAL GREENHOUSE GAS EMISSIONS, FY2019

Scope	Absolute Emissions	Carbon Intensity		
		tCO2e per m^2 of floor area	tCO2e per employee	tCO2e per million PHP revenue
Scope 1	416	0.005	0.13	0.14
Scope 2 (Location-Based)	4,945	0.057	1.58	1.63
Scope 3	7,232	0.083	2.31	2.39
Total GHG Emissions	12,593	0.144	4.02	4.16

Breakdown of emissions

Scope	Category	Absolute emissions tCO2e
Scope 1	Stationary Emissions	409
Scope 1	Mobile Emissions	7
Scope 2	Electricity: Location-based	4,945
Scope 3	Category 5: Waste generated in operations	985
Scope 3	Category 6: Business travel	413
Scope 3	Category 8: Upstream leased asset	5,834
Total GHG Emissions		12,593

EXHIBIT 5: GHG EMISSIONS ABSOLUTE VALUES AND INTENSITY VALUES, FY2019



Direct (Scope 1) GHG Emissions

One component of GHG emissions from organizational operations are direct (or scope 1) emissions derived from fuel used in generator sets and vehicles owned by the Bank. PS Bank's scope 1 emissions during FY2019 was 416 tCO2e, and the intensities of GHG emissions normalized by square meter of floor area, employees and revenue were 0.005 tCO2e/m^2, 0.13 tCO2e/employee and 0.14 tCO2e/mPHP, respectively.

Indirect (Scope 2) GHG Emissions

A second component of GHG emissions related to organizational operations are indirect scope 2 emissions primarily from the consumption of purchased electricity. PS Bank's scope 2 emissions during FY2019 was 4,945 tCO2e. PS Bank relies on electricity purchased from an electric grid for most of its energy requirements. The intensities of GHG emissions normalized by square meter floor area, employees and revenue were 0.057 tCO2e/m^2, 1.58 tCO2e/employee and 1.63 tCO2e/mPHP, respectively.

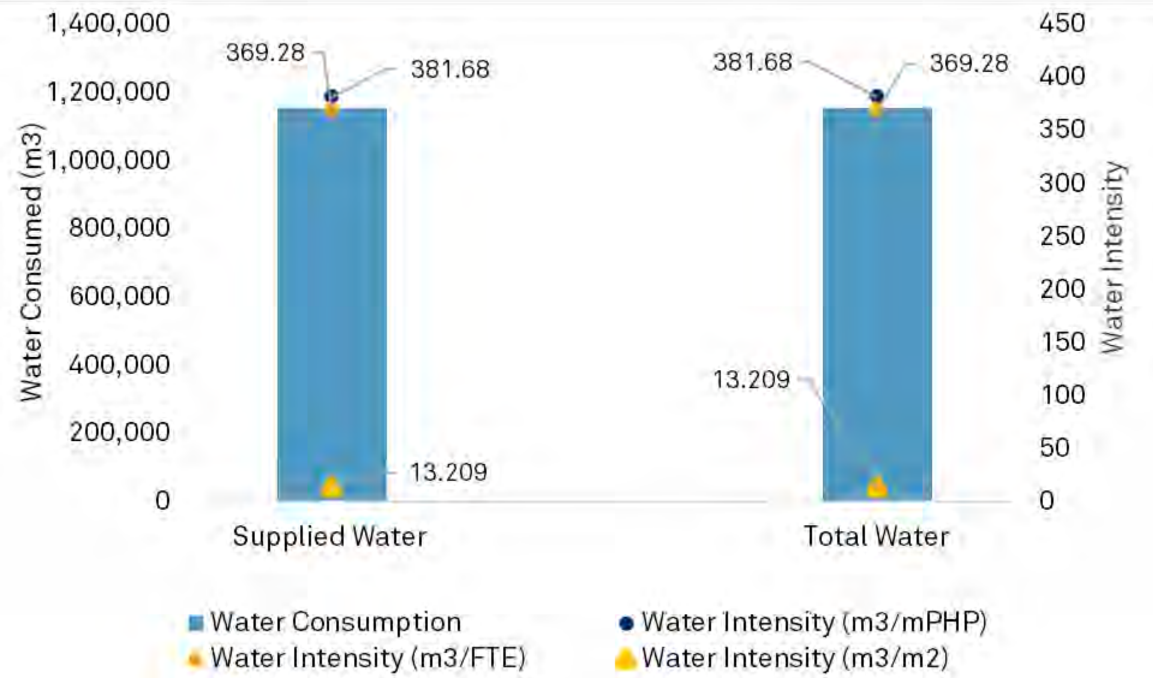
Indirect (Scope 3) GHG Emissions

A final component of GHG emissions related to organizational operations are indirect scope 3 emissions which was assessed to be 7,232 tCO2e for PS Bank for FY2019. This scope 3 emissions was estimated for category 5, waste generated in operations, category 6, business travel and category 8, upstream leased asset. The intensities of GHG emissions normalized by square meter floor area, employees and revenue were 0.083 tCO2e/m^2, 2.31 tCO2e/employee and 2.39 tCO2e/mPHP, respectively.

Water Use

In FY2019, absolute water use was 1,155,862 cubic meters (m^3), which was the supplied water from utilities. Out of the total water used, 163,123 cubic meters (m^3) was consumed by facilities owned by PS Bank while 992,739 cubic meters (m^3) was consumed by facilities leased by PS Bank. Water use intensity normalized by square meter of floor area, employee and revenue were 13.209 m^3/m^2, 369.28 m^3/employee and 381.68 m^3/mPHP respectively.

EXHIBIT 6: WATER USE, FY2019

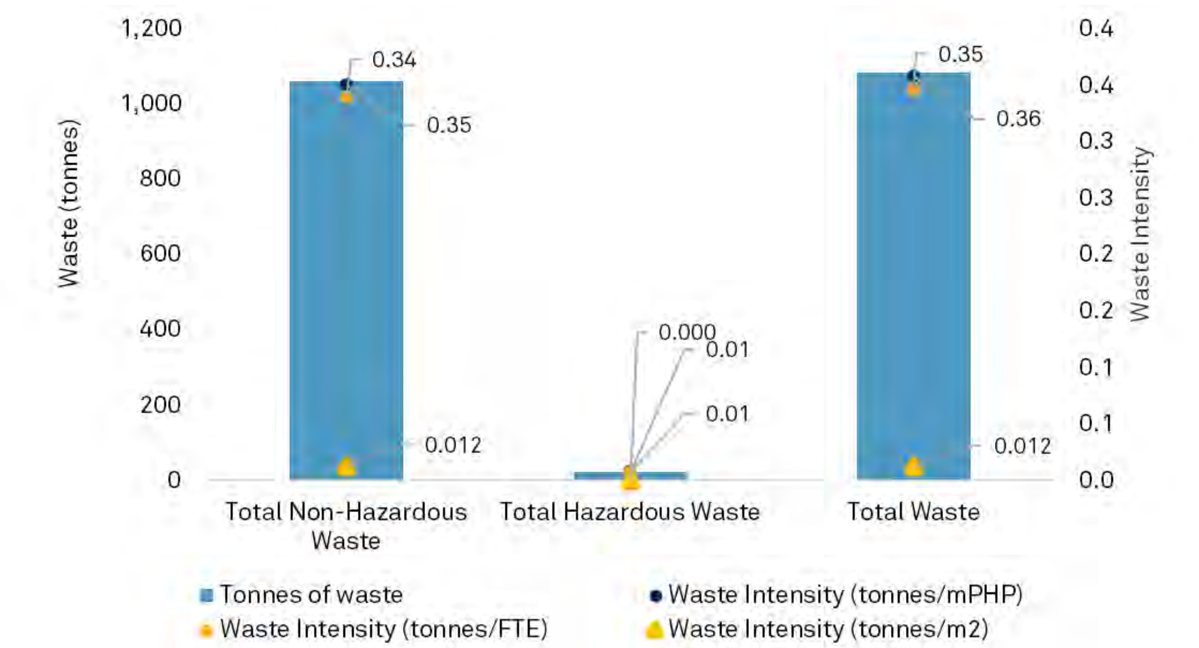


Waste Management

Absolute waste generated in FY2019 was 1,084 tonnes, with 98% of non-hazardous waste and 2% of hazardous waste. Major types of waste that contributed to the total mass were paper, plastic, batteries, electronic scraps and cartridges. The intensity of total waste generated normalized by square meter of floor area, employee and revenue were 0.012 tonnes/m^2, 0.35 tonnes/employee and 0.36 tonnes/mPHP.

All the paper waste generated by the Bank is recycled by the business units. With efforts towards digitalization, PS Bank aims to achieve paperless transaction and hence drastically bring down its paper waste quantity in near future. The Bank generated 1,500 kilograms of e-waste during the reporting period which was safely disposed using third party waste disposal service providers. Apart from the e-waste, the safe disposal of all the other wastes generated by the Bank is also entrusted to third party waste collectors who are accredited by the city central estate association.

EXHIBIT 7: TOTAL HAZARDOUS AND NON-HAZARDOUS WASTE, FY2019



Environmental Standards

The Bank provides guidance for the disposal of physical wastes and destruction of e-wastes. Proper segregation is observed for physical waste. Non-hazardous waste is disposed through city-accredited garbage collectors while hazardous waste is disposed via accredited scrap buyers. On the other hand, electronic data is properly expunged/cleared based on existing server decommissioning policies, and hard drives wiping and destruction, and data destruction certification whenever available. For Bank's commercial lending, the account officers check and validate if their customers' businesses have the necessary permits and licenses from the Department of Environment and Natural Resources (DENR). This ensures that businesses that have potential impacts on the environment follow regulations set forth by the DENR.

Social Impact

Workforce Diversity

Overall, the Bank has 3,310 employees with 65% male employees comprising the workforce while the proportion of female employees comprising the workforce stands at 35%. The largest age group of all staff in the Bank is between the ages 30-50 (65%), followed by age-group less than 30 (30%), then over 50 (5%).

Out of the 9 members of the Board, the total number of female members is 2 which makes up 22% of the Board.

EXHIBIT 8: GROUP DIVERSITY AND EMPLOYEE REPRESENTATION, FY2019

Diversity		**Number of Staff**		
		Executive	Non-executive	Total
Gender	Male	36	1,996	2,032
	Female	20	1,078	1,098
Age group	Under 30	-	930	930
	30-50	44	1,999	2,043
	Over 50	12	145	157

EXHIBIT 9: WORKFORCE BY AGE

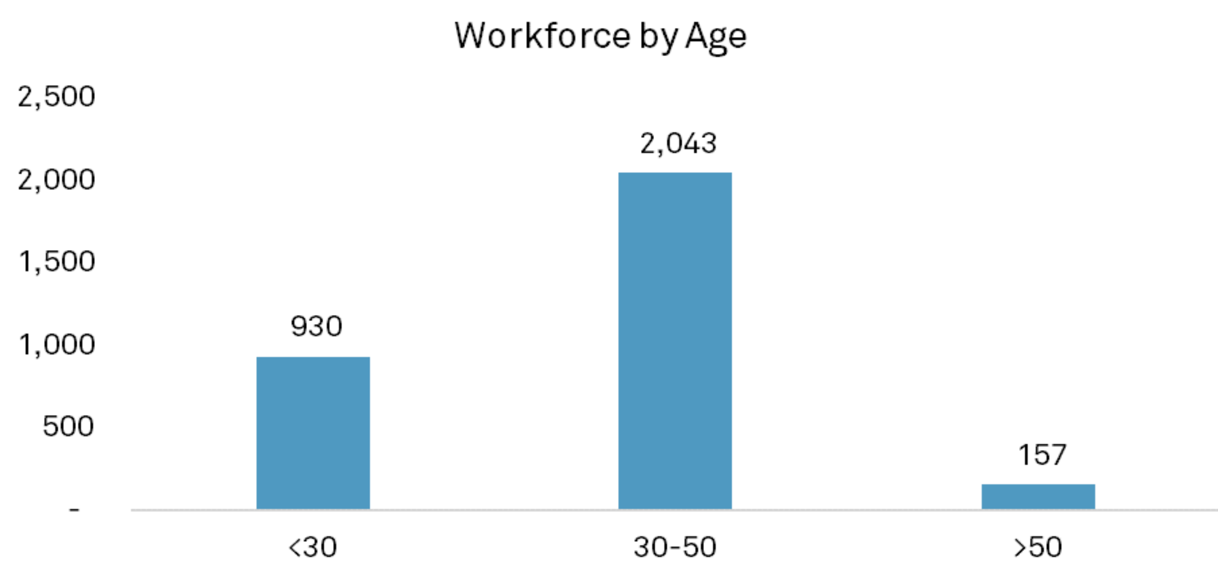
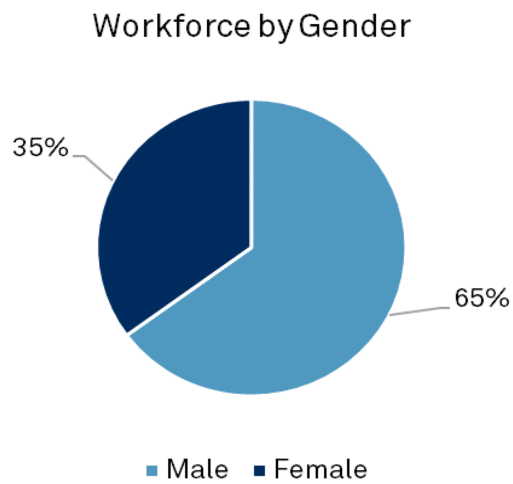


EXHIBIT 10: GENDER DIVERSITY



Workplace Safety and Labor Practices

In FY2019, the Bank had no incidents involving deaths or diseases. The Total Recordable Incident Rate (TRIR) for permanent employees was 23.76 and the Near Miss Frequency Rate (NMFR) was 0.46.

At PS Bank, health and safety of employees is one of the top priorities. The Bank also understands the need to protect its employees and ensure their overall health and wellness. The Bank initiated 8 programs on health and safety for 2019. These programs address a wide range of areas that cover mental health, physical fitness, and environmental stewardship.

EXHIBIT 11: WORKPLACE SAFETY, FY2019

Workplace Safety	
Total recordable incident rate (TRIR)	23.76
Near miss frequency rate (NMFR)	0.46

EXHIBIT 12: LABOR PRATICES

Labor Practices	
Voluntary turnover rate for employees	8%
Involuntary turnover rate for employees	1%
Total amount of monetary losses as a result of legal proceedings associated with labor law violations and/or employment discrimination	None recorded in last 3 years
Percentage of employees earning minimum wage	Not applicable. The Bank provides wages above minimum rate

Employee Training and Development

PS Bank recognizes that training and education form an important part in the development of employee skills and supporting career development. In 2019, the Bank dedicated 1,913 hours on employee training, which entailed a total expenditure of 11,572,215 PHP.

Additionally, performance reviews are scheduled bi-annually to support in career development, promotion and merit enhancement. PS Bank also provides several government mandated and voluntary benefits to its employees such as leaves, salary loans, saving benefits, several loans options, medical benefits, and other benefits.

EXHIBIT 13: EMPLOYEE TRAINING AND DEVELOPMENT, FY2019

Employee Training	
Number of hours of training completed	1,913
Total expenditure on employee training programs (PHP)	11,572,215
Employee Development	
Percentage of employees receiving regular performance and career development reviews	100%

Out of the total training hours highlighted above, 1,261 hours i.e. 68% of the total training hours were utilized for providing relevant trainings to female employees while the male employees took 617 hours training i.e. 32% of the total training hours.

Governance

Data Privacy and Security

During the reporting period, FY2019, a total of 1,006,954 individual customer data were maintained by PS Bank. The Bank follows a Data Privacy Policy Manual and Data Security Framework that provides all the necessary guidelines for ensuring data security. The Bank also undertakes information security assessments that helps in risk quantification and better alignment of data management with Information Security Framework. Results of risk assessments are reported to management through the Risk Management Office.

EXHIBIT 14: DATA PRIVACY AND SECURITY, FY2019

Data Management Practices	
Number of individual clients for whom data was primarily stored	1,006,954
Number of individual clients for whom secondary data was stored	0
Data Breaches	
Number of data security breaches in financial year	0

During the reporting period, FY2019, 194 hard-disks containing client data were securely destroyed.

The disposal of any e-waste containing client data is done in compliance with Information Technology Group's Server Decommissioning for Head Office Units and Branches within Metro Manila. Hard drives are wiped and destroyed to ensure that device can no longer be re-used. For data managed by third party service providers, a

Data Destruction Certificate is submitted by them as evidence for successful and secure destruction of data that is longer needed for business continuity.

Systemic Risk Management

PS Bank undertakes ICAAP exercise which helps in proactive determination of whether the Bank's qualifying capital can support its mid-term risk asset growth. This includes consideration of various factors ranging from economic and regulatory landscape to domestic and international market scenario. With the help of this exercise, a base case financial outlook of the Bank for a period of next five years is generated where economic growth is assumed to be "normal". This base case scenario is then subjected to market-wide stress indicators, which contain economic decay assumptions to stress the Bank's Capital Adequacy Ratio (CAR). The Bank uses four scenarios or simulations to stress the base case with minimal or no management intervention to obtain a "black swan" environment, if possible. The purpose of these stress scenarios is to test the Bank's capital strength and resilience against adverse conditions.

The four types of stress scenarios used are as follows:
1. Real Estate Bubble
2. Pseudo 2008 Global Financial Crisis
3. Pandemic Stress
4. Auto Industry Stress

The ICAAP exercise encompasses actions that help in determination of several management-initiated remedial actions to mitigate the effects of financial decay during stress situations, which results in the deterioration of the capital adequacy ratio. These remedial action plans include evaluating investment portfolio options, reducing capital and operating expense items, lending slow down and raising of Tier 1 capital.

One of the important aspect of future risk management at PS Bank is stress testing mechanism. This stress testing exercise results in timely identification and projection of future risks and the thus helps the Bank in better mitigation of these risks in case of their occurrence. One of the examples of this risk identification and mitigation exercise is the **COVID19 Stress Testing Model**. PS Bank's capital planning considers stress testing for pandemic scenarios. For this purpose, using COVID-19 scenario, interest rates will be lower by 100bps, and NPL will be doubled. Results showed that the Bank will survive the crisis for four years and stand in strong capital and liquidity position.

Stakeholder Management

PS Bank organizes promotions and awareness campaigns from time to time in order to improve the ease of banking for both its existing customers and prospective clients. In line with this agenda, PS Bank institutionalized customer financial literacy and empowerment campaigns: "Be Aware"[1] and "Good to Know"[2]. These campaigns, which have been in place for four years now, aim to provide all its stakeholders relevant information on savings and investments, as well as raise awareness on how to secure them given advances in technology and heightened fraud perpetuated by unscrupulous elements. These initiatives are in support of the Bangko Sentral ng Pilipinas Financial Consumer Protection mandate. The Bank's primary corporate social responsibility efforts are in collaboration with the Group's Metrobank Foundation. There are however localized CSR activities focused on community-based sustainable development done during the year which also involves the voluntary contribution by PS Bank employees.

[2] Details of these initiatives are given in Financial Inclusion section of this report

Business Ethics

PS Bank ensures that all transactions are executed in accordance with the Anti-Money Laundering (AML) policy guidelines, procedures, tools and controls that are set forth in their Money Laundering & Terrorism Financing Prevention Program (MLTFPP). Compliance with the requirements of this MLTFPP is continuously monitored by the Board-designated AML Compliance Officer (AMLCO) under the Compliance Office as lead implementer.

PS Bank values all information received from whistle blowers and/or anonymous sources. It encourages all stakeholders to communicate, confidentially and without the risk of reprisal, legitimate concerns about illegal, unethical or questionable practices and transactions entered by any of its employees and officers. PS Bank's "Whistle Blowing" policy requires its employees to report any impropriety or malpractice committed by co-employee(s) or third party(ies) to their Group Heads or to the Human Resources Group Head, the Fraud Management Group Head/ Division Heads, or the Chief Audit Executive/ Internal Audit Group Head for evaluation if it would warrant an investigation.

The Anti-Corruption Policy of the Bank has been incorporated in the Bank's Code of Conduct. Violation of these Codes merit the penalty of suspension to dismissal. The anti-corruption programs and procedures such as Reporting of Impropriety or Malpractice are already captured in the Bank's "Whistle Blowing" policy apart from the Bank's Code of Conduct.

EXHIBIT 15: GOVERNANCE INDICATORS, FY2019

Governing policies	
Total amount of monetary losses as a result of legal proceedings associated with money laundering	Not applicable
Anti-money laundering policy in place?	Yes
Whistle-Blower Protection Policy in place?	Yes
Anti-corruption policy in place?	Yes

Recommendations

Trucost recommends the next steps listed below for PS Bank based on the operational footprint analysis for FY2019.

I. TCFD Alignment

Identification of climate-related business risks and increasing exposure to ESG themed investments – PS Bank is exposed to emission and climate-related risks through its own operations as well as through its customers due to its credit lending and other financial intermediary activities. As the markets for lower-carbon and energy-efficient alternatives grow, it becomes important for banks and financial institutions to limit their exposure to projects with high climate-related risks. PS Bank must also aim to identify and systematically reduce its direct exposure to all such investments with climate-related risks. This may include limiting investments in projects of fossil fuel producers, intensive fossil fuel consumers, real property owners or agricultural/food companies.

Improving ESG alignment of governance structure – PS Bank should work on aligning its governance structure and Board functionalities to cater to climate-related risks and opportunities. For this purpose, the Bank should disclose its Board's oversight of climate-related issues which may include details of Board committees or frequency of Board meetings for addressing climate change related issues. The Bank can also describe management's role, governing strategies or systems and checks in place for assessing and managing climate related risks and opportunities.

Integrating ESG risks in business strategy – PS Bank can further ensure sustainable business growth through alignment of its business strategy with prevalent ESG risks and opportunities. This can be achieved by strategy level incorporation of climate-related risks and opportunities the organization has identified over the short, medium, and long term. PS Bank can improve its disclosure of these risks and opportunities along with their impact (both financial and non-financial) on the organization's businesses, strategy, and business planning.

Improving climate-related risk management framework – PS Bank should work on developing a risk management framework that guides the organization's processes for identifying, assessing and mitigating climate-related risks in short, medium and long run. This framework should be made available for perusal of all the stakeholders of the Bank through relevant disclosures. This will not only help safeguard Bank against climate-related risks but also help improve stakeholder trust.

II. GHG Emissions

Set Targets related to GHG emissions – PS Banks operates both owned and leased facilities for its business activities, which in turn also contribute to its GHG emission. Now that PS Bank has a baseline measurement of its GHG footprint (both from its owned and leased facilities), the Bank can aim to set targets towards reducing its footprint over time. Setting targets can motivate companies to make efforts that have the potential to unlock previously untapped areas of innovation or efficiency that can lower financial costs as well as environmental costs.

Set Science-based Targets - Trucost recommends that PS Bank explore setting targets on its GHG emissions that align with a scientifically agreed-upon threshold for limiting the worst effects of climate change, also known as science-based targets (SBTs). Science-based targets are defined by the Science Based Targets initiative[3] (Please see Appendix I for further details) for existing GHG emissions. This will ensure that PS Bank's emissions are in line with ensuring a safe future as it relates to the effects of climate change.

[3] https://sciencebasedtargets.org

Increase Exposure to Renewable Energy– PS Bank procures electricity from local utility providers and do not have renewable energy sourcing. Trucost recommends PS Bank to purchase electricity from sources which have renewable mix in their offerings and intend to decarbonize further over time and also to explore options to install renewable electricity generation such as solar panels over its owned facilities.

III. Water

Water Use Reduction and Target Setting – PS Bank operates only in Philippine and all of its water needs are met through purchased supply water. PS Bank can explore strategies on water reduction through further water reclamation and usage reduction through water efficiency initiatives (e.g., real-time metering, equipment maintenance, automatic shut-off when equipment needing water is not in use etc.) as well as raising employee awareness on reducing water use. It can also undertake initiatives to recycle and reuse its waste water for in-house gardening purpose and as flush-water across its owned facilities.

IV. Waste

Waste Reduction and Target Setting – The waste generated by PS Bank mostly comes from paper and electronics scraps. Although PS Bank recycles all of its paper waste generated, there remains a high proportion of total waste, i.e. electronics scraps, metals, plastics and other e-wastes which are mostly disposed through third party waste collectors and end up in landfill. Trucost recommends considering waste reduction strategies and extending recycling to additional material categories. PS Bank may also take undertake further collaboration with other waste collecting agencies for recycle and reuse of some of its wastes like metals and plastics. Setting waste reduction targets, such as lowering the amount sent to landfill or aiming for paperless transactions, is also a best practice strategy.

E-waste Management for Data Protection and Privacy – For a financial intermediary like PS Bank, it is essential that it maintains absolute data privacy and security in order to maintain stakeholder and customer trust. PS Bank generates 1500 kilograms of e-waste every year which is safely disposed using third party. Trucost recommends that PS Bank provides breakdown of these e-wastes and the total e-waste pertaining to client data along with details of their disposal.

V. Human Resource Management

Increase Disclosure of Workforce Metrics and Set Inclusion Targets – Workforce diversity has risen in importance among companies and investors as the workforce diversifies and studies increasingly highlight the benefits of having a diverse workforce. In addition to gender and age metrics, Trucost recommends that PS Bank capture and disclose racial diversity metrics. Where there are areas with discrepancy between diversity metrics, PS Bank can set inclusion targets focused on increasing minority representation in underrepresented areas, such as management or overall operations.

Employee Engagement and Training – Being a human resource driven business, it is important for PS Bank to enhance its efforts in employee engagement activities as well as increase its contributions for employee training. This is essential not only for attracting the right talents but also to retain its intellectual capital in the long run. Trucost recommends that PS Bank can undertake more frequent employee engagement activities across areas like employee-management interaction sessions, setting up grievance redressal channels etc. PS Bank can also undertake training programs for improving skills of its employees and report the number of hours for these skill development activities for each level of employee.