

March 17, 2021

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

Subject: **Submission of SEC 20-IS Preliminary Information Statement**

Dear Director Felizmenio,

Relative to the submission of the SEC 20-IS Preliminary Information Statement, we hereby submit the following documents:

1. Cover letter attached to the online submission of SEC 20-IS Preliminary Information Statement
2. Undertaking executed by the Controller on the payment of filing fee
3. Cover Sheet
4. SEC 20-IS Preliminary Information Statement with signatures of Corporate Secretary (in pdf format) with the following components (in compliance with **SRC Rule 20** and **Revised SRC Rule 68**):

I	Preliminary Information Statement and Management Report
Annex A	Audited Financial Statements as of December 31, 2020 and 2019 and for the Years Ended December 31, 2020, 2019 and 2018; and Independent Auditor's Report
	Supplementary Schedules
	<ul style="list-style-type: none">• Reconciliation of retained earnings available for dividend declaration• Map showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsiidiaries, and associates, wherever located or registered• Supplementary schedules as required by Revised SRC Rule 68 - Annex 68- J• Schedule of financial soundness indicators
Annex B	SEC Form 17-C
Annex C	Certification of Independent Directors

We hope that you will find everything in order.

Thank you very much.

Very truly yours,


Leah M. Zamora
Controller and Finance Group Head
lmzamora@psbank.com.ph / 02-88858816

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Document Classification: PUBLIC

March 17, 2021

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

Subject: Submission of SEC 20-IS Preliminary Information Statement

Dear Director Felizmenio,

Relative to the submission of the SEC 20-IS Preliminary Information Statement, we hereby submit the following documents:


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PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City, 1226
Telephone: 885-8208 • Fax: 845-0048 • www.psbank.com.ph



PSBank

PHILIPPINE SAVINGS BANK

Metrobank Group

UNDERTAKING

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

Dear Director Felizmenio:

In line with our filing of our Preliminary SEC Form 20-IS for our Annual Stockholders' Meeting on April 26, 2021, we undertake to pay the entailing filing fee amounting to Seven Thousand Five Hundred Seventy Five Pesos (₱7,575.00) upon receipt of the Payment Assessment Form from your office.

Thank you.

PHILIPPINE SAVINGS BANK

LEAH M. ZAMORA

Controller and Finance Group Head

Date Signed: March 17, 2021

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Telephone: 885-8208 • Fax: 845-0048 • www.psbank.com.ph

COVER SHEET

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SEC Registration Number

P	H	I	L	I	P	P	I	N	E	S	A	V	I	N	G	S	B	A	N	K												
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(Company's Full Name)

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

Leah M. Zamora

(Contact Person)

8885-8208

(Company Telephone Number)

DEFINITIVE

1	2
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Month Day
(Fiscal Year)

3	1
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(Form Type)

0	4
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Month

2	6
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Day

(Annual Meeting)

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(Secondary License Type, If Applicable)

Markets and Securities Regulation Department

Dept. Requiring this Doc.

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Amended Articles Number/Section

1,450

Total No. of Stockholders as of
February 28, 2021

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

PHILIPPINE SAVINGS BANK
(COMPANY'S NAME)

PSBANK CENTER
777 Paseo de Roxas cor. Seden St. Makati City
(COMPANY'S ADDRESS)

8885-82-08
(TELEPHONE NUMBER)

DECEMBER 31
(FISCAL YEAR ENDING MONTH & DAY)

SEC Form 20-IS
(FORM TYPE)

March 17, 2021
(PERIOD ENDED DATE)

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

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20- IS**

**INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

- | | | |
|-----|--|--|
| 1. | Type of Statement | (<input checked="" type="checkbox"/>) Preliminary Information Statement
(<input type="checkbox"/>) Definitive Information Statement |
| 2. | Name of Registrant as specified in its character | PHILIPPINE SAVINGS BANK |
| 3. | Province, country or other jurisdiction or incorporation or organization | Manila, Philippines |
| 4. | SEC Identification No. | 15552 |
| 5. | BIR Tax Identification No. | 000-663-983-000 |
| 6. | Address of principal office & Postal Code | PSBank Center, 777 Paseo de Roxas corner Sedeño Sts., Makati City 1226 |
| 7. | Registrant's Telephone No. including area code | (632) 8885- 8208 |
| 8. | Date, time, and mode of conduct of meeting of security holder | April 26, 2021 3:00 PM
Virtual meeting via secure online meeting platform (CISCO WEBEX) |
| 9. | Approximate date on which the Information Statement is first to be sent or given to security holders | March 31, 2021 |
| 10. | In case of Proxy Solicitations Name of Person Filing the Statement Address and Telephone Number | Not Applicable
Not Applicable |
| 11. | Securities registered pursuant to Section 4 and 8 of RSA (information on number of shares and amount is applicable only to corporate registrant) | Common Shares
426,859,416 outstanding
as of February 28, 2021 |
| 12. | Are any or all of registrant's Securities listed on the Philippine Stock Exchange | Yes |



NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the annual meeting of stockholders of the Philippine Savings Bank (PSBank) will be held on **April 26, 2021, Monday, at 3:00 P.M.** In light of the COVID-19 pandemic and to ensure the safety and welfare of our stockholders, the meeting will be conducted virtually via secure online meeting platform (**CISCO WEBEX**) to pass upon the following matters:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on May 27, 2020
4. Presentation of the President's Report and the PSBank's 2020 Audited Financial Statements
5. Confirmation of All Acts of the Board of Directors, Management and All Committees
6. Election of the Members of the Board of Directors
7. Extension of Terms of Mr. Jose T. Pardo and Mr. Samson C. Lim as Independent Directors
8. Appointment of the External Auditor
9. Other Matters
10. Adjournment

Stockholders of record as of March 5, 2021 shall be entitled to vote at the Meeting.

Pocholo V. Dela Peña
Corporate Secretary

Stockholders who intend to participate or be represented in the virtual meeting shall first submit the following via email to psbasm@psbank.com.ph not later than April 12, 2021, subject to validation procedures, to gain access to the secure online meeting link:

- Letter of Intent (LOI) to participate by remote communication and vote in absentia
- Duly accomplished proxy instrument for a representative to the virtual meeting, as applicable
- Copy of proof of identity, ownership and other certification/information for validation purposes

Once validated, a confirmation along with access credentials to the secure online meeting link shall be sent to the stockholder's email as provided. For reference and other details, please go to <https://www.psbank.com.ph/annual-stockholders-meeting-2021/>.

The Information Statement (IS) containing the attendance/voting (via remote communication) and nomination/election procedures, along with the Notice and Agenda, Proxy and other ASM-related information can be accessed through any of the following options:

1. Go to the PSBank website via this [ASM](https://www.psbank.com.ph/annual-stockholders-meeting-2021/) link:
<https://www.psbank.com.ph/annual-stockholders-meeting-2021/>
2. Go to the PSE EDGE portal via <https://edge.pse.com.ph>
3. Request for a copy by sending an email to psbasm@psbank.com.ph

Philippine Savings Bank Head Office: 777 Paseo de Roxas corner Sedeño St., 1226 Makati City

The meeting proceedings shall be recorded in audio and video format and shall be made available in a secured manner to stockholders upon request by sending an email to psbasm@psbank.com.ph. For ASM-related matters, please go to <https://www.psbank.com.ph/annual-stockholders-meeting-2021/>. For ASM-related queries, please send an email to psbasm@psbank.com.ph or contact the Office of the Corporate Secretary at 8885-8208 local 8180/8535. For account updating/validation concerns, please get in touch with PSBank's Stock Transfer Agent, Metrobank Trust Banking Group (Attention: Walter R. Briones or Ma. Annette Valene A. Bautista), through 857-5694 to 95 or via email to walter.briones@metrobank.com.ph or annette.bautista@metrobank.com.ph.

EXPLANATION AND RATIONALE OF AGENDA ITEMS

1. **Call to Order**

Chairman Jose T. Pardo will welcome stockholders and guests to formally begin the 2021 Annual Stockholders' Meeting of PSBank.

2. **Certification on Notice and Quorum**

The Corporate Secretary, Pocholo V. dela Pena, will certify that the Notice of Meeting has been duly sent and circulated via appropriate disclosures and publications pursuant to the regulations of the Securities and Exchange Commission (SEC) for the purpose of informing the Stockholders of record. The Corporate Secretary will further announce whether or not a quorum is present constituting two-thirds of the outstanding capital stock.

3. **Approval of the Minutes of the Annual Stockholders' Meeting held on May 27, 2020**

The stockholders will be requested to approve the minutes of the Annual Stockholders' Meeting held on May 27, 2020, which contain, among others, the (a) Annual Report to Stockholders, (b) Confirmation of all acts of the Board of Directors, Management and all Committees, (c) Election of the members of the Board of Directors and (d) Appointment of the External Auditor.

Resolution to be Adopted: Stockholders will vote for the adoption of a resolution approving the minutes of the May 27, 2020 Annual Stockholders' Meeting.

4. **Presentation of the President's Report and the PSBank's Audited Financial Statements (AFS) as of December 31, 2020**

The President will render his Annual Report on the Bank's activities, business and financial performance for year-end 2020. It includes the summary of the AFS which is incorporated in the Definitive Information Statement for dissemination to stockholders of record within prescribed period and in a manner pursuant to the SEC rules. Due to logistical limitations of the meeting conducted virtually, voting and open forum/discussion will not be possible during the virtual meeting. However, a stockholder, once validated/ registered, will be given an opportunity to raise any relevant questions or express an appropriate comment limited to the agenda items by sending an email to psbasm@psbank.com.ph not later than April 21, 2021 to be properly noted and addressed accordingly.

Resolution to be Adopted: Stockholders will vote for the adoption of a resolution noting and approving the President's Annual Report for 2020 and the Bank's Audited Financial Statements as of December 31, 2020.

5. **Confirmation of all Acts of the Board of Directors, Management and All Committees in 2020**

The stockholders will be requested to confirm all acts, transactions and resolutions of the Board of Directors, including transactions with the Bank's DOSRI and other related parties, Management and all Committees during the year 2020.

Resolution to be Adopted: Stockholders will vote for the adoption of a resolution confirming the acts of the Board of Directors and all Committees during the year 2020.

6. **Election of the Members of the Board of Directors**

The Chairman of the Corporate Governance Committee will present nominees for election as members of the Board of Directors, including independent directors. This is in compliance with regulatory requirements of the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission on the nomination of directors, and after the Corporate Governance Committee's review and evaluation of the qualifications of all persons nominated to the Board.

Resolution to be Adopted: Stockholders will vote for the adoption of a resolution for the election of the members of the Board of Directors, including independent directors, for 2021-2022.

7. **Extension of Terms of Mr. Jose T. Pardo and Mr. Samson C. Lim as Independent Directors**

The BSP Monetary Board, in its Resolution No. 235 dated 24 February 2021, approved the request of the Philippine Savings Bank to extend the terms of Messrs. Jose Trinidad Pardo and Samson Co Lim as

Independent Directors of the Bank, within a maximum period of two (2) years until April 2023, subject to the stockholders' approval.

Resolution to be Adopted: Stockholders will vote for the adoption of a resolution approving the extension of terms of Mr. Jose T. Pardo and Mr. Samson C. Lim as Independent Directors within a maximum period of two (2) years until April 2023.

8. Appointment of the External Auditor

As endorsed by the Audit Committee and approved by the Board of Directors, the stockholders will be requested to confirm appointment of the selected External Auditor for 2021.

Resolution to be Adopted: Stockholders will vote for the adoption of a resolution for the appointment of said auditing firm as independent external auditor of the Bank for 2021.

9. Other Matters

Other relevant matters or issues may be taken up during the meeting. Any relevant questions or comments received by the Office of the Corporate Secretary via email within the prescribed period given to registered stockholders shall be properly acknowledged, noted and addressed accordingly.

10. Adjournment

Upon determination that there are no other matters to be considered, the Chairman shall declare the meeting adjourned. The meeting proceedings shall be recorded in audio and video format to be safekept by the Office of the Corporate Secretary and shall be made available in a secured manner to stockholders upon request by sending an email to psbasn@psbank.com.ph.

PROXY

I, _____ do hereby nominate, constitute and appoint _____ as my proxy and representative at the Annual Meeting of Stockholders of Philippine Savings Bank (PSBank) to be held on **April 26, 2021**, with authority to participate in the deliberations thereof, and to vote in my behalf all the shares standing in my name for the election of directors and/or approval of transactions included in the Agenda or any related matter or any adjournment thereof.

In witness whereof, I have signed on _____ (date) at _____ (place).

Name of Stockholder : _____

Signature : _____

This form is being provided for your convenience. Stockholders who wish to do so may adopt the above proxy form.

In case you cannot attend the virtual meeting and you wish to be represented, you may designate your authorized representative by submitting a proxy instrument on or before April 12, 2021 via email to psbasm@psbank.com.ph. If so preferred or if no name is indicated, the Chairman of the Meeting shall act as the proxy.

THIS PROXY FORM NEED NOT BE NOTARIZED.

PART I. INFORMATION STATEMENT

A. GENERAL INFORMATION

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

Date : April 26, 2021, Monday
Time : 3:00 PM
Platform : Virtual meeting via secure online meeting platform (CISCO WEBEX)

Mailing address of the principal office:
PSBank Center
777 Paseo de Roxas cor. Sedeño St., Makati City 1226

Approximate date on which copies of the Information Statement are first to be given to security holders:
March 31, 2021

<p style="text-align: center;">WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.</p>

Item 2. Dissenters' Right of Appraisal

There is no matter or proposed action in the Agenda which may give rise to the exercise by the security holders of their right of appraisal. Generally, however, the right of appraisal should be exercised in instances and in accordance with the procedures mentioned by the Revised Corporation Code of the Philippines.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken: Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If, within sixty (60) days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, That no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: Provided, further, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the corporation.

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

Other than election to office, there is no matter to be acted upon in which any director, executive officer, or nominee for election as director (or any associates of the foregoing), is involved or has a direct, indirect or substantial interest. There is also no incumbent director who has informed the Bank in writing that he intends to oppose any action to be taken at the Annual Stockholders' Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- a) No. of Shares outstanding as of February 28, 2021 : **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 : **March 5, 2021**
- c) Election of Directors:

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.

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

e) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

As of February 28, 2021, 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.

(2) Security Ownership of Directors and Management as of February 28, 2021

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.

(3) 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.

(4) 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 5. Directors and Executive Officers

a. Directors

The following are the Directors for 2020 – 2021:

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4 th Civil degree
Jose T. Pardo Chairman/ Independent Director	81	Filipino	<p><u>Present Involvements</u></p> <ul style="list-style-type: none"> • 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 /Director since 2003, Bank of Commerce • Non – Executive Director, National Grid Corporation of the Philippines since 2009 • Independent Director, JG Summit Holdings, Inc.* since 2003 • Independent Director, ZNN Radio Veritas since 2006 • Non – Executive Director, Monte Oro Grid Resources Corporation (Non – operational) 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 <p><u>Past Experiences/ Positions Held</u></p> <ul style="list-style-type: none"> • Chairman, De La Salle University Inc. in 2004 • Co-Chairman, De La Salle Philippines • Chairman, Assumption (Antipolo) in 2006 • 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 Corporation • Chairman/President, ABC Development Corporation (ABC-5) in 2004 • Chairman, Philippine Franchise Association • Director, San Miguel Purefoods, Inc. 	None

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4 th Civil degree
			<ul style="list-style-type: none"> • 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. <p><u>Past experiences/ Positions held in Government Service</u></p> <ul style="list-style-type: none"> • 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 • Chairman, Philippine Business Center Inc. from 2011 to 2019 <p><u>Academic Qualifications</u></p> <ul style="list-style-type: none"> • 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	54	Filipino	<p><u>Present Involvements</u></p> <ul style="list-style-type: none"> • Vice Chairman, Philippine Savings Bank* since 2001 • Chairman, Metropolitan Bank & Trust Company* since 2012 • Adviser, First Metro Investment Corporation since 2020 • Director, Federal Land, Inc. since 2002 • Chairman/ Director, Global Treasure 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 	None

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4 th Civil degree
			<ul style="list-style-type: none"> • 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 <p><u>Past Experiences/ Positions Held</u></p> <ul style="list-style-type: none"> • 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 • Vice Chairman/ Director, First Metro Investment Corporation since 2012 to 2020 <p><u>Academic Qualifications</u></p> <ul style="list-style-type: none"> • MBA, Columbia University • BS Economics, University of California Los Angeles 	
Vicente R. Cuna, Jr. Vice Chairman	59	Filipino	<p><u>Present Involvements</u></p> <ul style="list-style-type: none"> • 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 2016 • Chairman, OMLF International Trading Development Corp. since 2016 • Chairman, OMLF Insurance Agency, Inc. since 2016 <p><u>Past Experiences/ Positions Held</u></p> <ul style="list-style-type: none"> • 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* – 	None

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4 th Civil degree
			<p>Corporate Banking Group from 2006 to 2012</p> <ul style="list-style-type: none"> • 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 <p><u>Academic Qualifications</u></p> <ul style="list-style-type: none"> • Pursued further studies (MBA) at the Ateneo de Manila Graduate School of Business • AB Economics, De La Salle University Manila 	
<p>Samson C. Lim Independent Director</p>	<p>72</p>	<p>Filipino</p>	<p><u>Present Involvements</u></p> <ul style="list-style-type: none"> • 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 • Chairman for Tourism, Retail and Franchise, Philippine Chamber of Commerce and Industry since 2020 <p><u>Past Experiences/ Positions Held</u></p> <ul style="list-style-type: none"> • Director for Tourism, Retail and Franchise, Philippine Chamber of Commerce and Industry from 2018 to 2019 • President, LG Collins Electronics Philippines, Inc. from 1988 to 1999 • Vice Chairman for Asia, World Franchise Council from 2001 to 2002 • Chairman, Federation of Asian Retailers Association (FARA) from 1992 to 1993 • Founding Member, Institute of Corporate Governance in 1999 • President and Adviser, Philippines - Korea Economic Council from 1987 to 1999 • Director, USAID - Trade and Investment Policy Analysis and Advocacy in 1992 • Director, Chamber of Furniture Industries of the Philippines in 2001 	<p>None</p>

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4 th Civil degree
			<p><u>Past experiences/ Positions held in Government Service</u></p> <ul style="list-style-type: none"> • 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 <p><u>Academic Qualifications</u></p> <ul style="list-style-type: none"> • 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 	
<p>Benedicto Jose R. Arcinas Independent Director</p>	64	Filipino	<p><u>Present Involvements</u></p> <ul style="list-style-type: none"> • Independent Director, Philippine Savings Bank* since 2012 • Director & General Manager, Arcinas Freres, Inc. since 1989 <p><u>Past Experiences/ Positions Held</u></p> <ul style="list-style-type: none"> • Independent Director, Metrobank Card Corporation from 2018 to 2019 • 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 • Managing Director, ATR-Kim Eng Fixed Income, Inc. from 1998 to 2002 <p><u>Academic Qualifications</u></p> <ul style="list-style-type: none"> • 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 	None

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4 th Civil degree
Jose Vicente L. Alde Director/President	54	Filipino	<p><u>Present Involvements</u></p> <ul style="list-style-type: none"> • President since April 2018, Philippine Savings Bank* • Director since 2016, Philippine Savings Bank* • Chairman/Director, Sumisho Motor Finance Corporation since 2016 • Trustee, Chamber of Thrift Banks since 2020 <p><u>Past Experiences/ Positions Held</u></p> <ul style="list-style-type: none"> • ELECOM Member, Chamber of Thrift Banks from 2018 - 2020 • 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 <p><u>Academic Qualifications</u></p> <ul style="list-style-type: none"> • 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	62	Filipino	<p><u>Present Involvements</u></p> <ul style="list-style-type: none"> • 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 • 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 <p><u>Past Experiences/ Positions Held</u></p> <ul style="list-style-type: none"> • Consultant, Candelaria Rural Bank from 2016 to 2017 • Vice President/ Treasurer, Candelaria Rural Bank since 1998 to 2016 <p><u>Academic Qualifications</u></p>	None

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4 th Civil degree
			<ul style="list-style-type: none"> • 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	63	Filipino	<p><u>Present Involvements</u></p> <ul style="list-style-type: none"> • 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 <p><u>Past Experiences/ Positions Held</u></p> <ul style="list-style-type: none"> • 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 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 <p><u>Academic Qualifications</u></p> <ul style="list-style-type: none"> • 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 	None

Name/ Position	Age	Citizenship	Business Experience and Present and Past Directorship with Other Companies for the last five (5) years	Relatives up to 4 th Civil degree
Rosanna F. De Vera Director	52	Filipino	<p><u>Present Involvements</u></p> <ul style="list-style-type: none"> • Director, Philippine Savings Bank* since 2018 • First Vice President & Credit Group Division Head, Metropolitan Bank & Trust Company* since 2008 <p><u>Past Experiences/ Positions Held</u></p> <ul style="list-style-type: none"> • 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 <p><u>Academic Qualifications</u></p> <ul style="list-style-type: none"> • MBA (36 Units), Ateneo Graduate School of Business • BSC-Accounting , University of Sto. Tomas 	Antonell S. Interino Vice President 2 nd degree relative by affinity

*Company listed at The Philippine Stock Exchange, Inc.

b) Executive Officers

Name/ Position	Age	Citizenship	Experience	Relatives up to 4 th Civil degree
Jose Vicente L. Alde President/Director	54	Filipino	<p><u>Present Involvements</u></p> <ul style="list-style-type: none"> • President since April 2018 • Chairman, Sumisho Motor Finance Corporation since 2016 <p><u>Past Experiences/ Positions Held</u></p> <ul style="list-style-type: none"> • Director since 2016/ Executive Vice President from July 2010-April 2018, 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

Name/ Position	Age	Citizenship	<u>Experience</u>	Relatives up to 4th Civil degree
Noli S. Gomez Executive Vice President	55	Filipino	<u>Present Involvements</u> <ul style="list-style-type: none"> • EVP and Head at PSBank’s* Office of the Executive Vice President since October 2019 • Director, Sumisho Motor Finance Corporation since June 2018 <u>Past Involvements</u> <ul style="list-style-type: none"> • SVP and Head of PSBank’s* Operations Group from January 2006 – September 2019 • Chief Finance Officer at PSBank* from October 2001 to December 2005 • Head of Systems and Methods and Chief Risk Officer SAVP and VP at DBS Bank Phils., Inc. from September 1998 to October 2001 • SAVP at Southeast Asia from February 1997 to August 1998 • 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	59	Filipino	<u>Present Involvements</u> <ul style="list-style-type: none"> • Treasurer since January 2017 and Head of Corporate Services Office since April 2019. • Corporate Secretary, Sumisho Motor Finance Corp. since December 2009 <u>Past Involvements</u> <ul style="list-style-type: none"> • 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	57	Filipino	<u>Present Involvement</u> <ul style="list-style-type: none"> • SVP and Head of PSBank’s* Marketing Group since June 2016 <u>Past Involvements</u> <ul style="list-style-type: none"> • 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

Name/ Position	Age	Citizenship	<u>Experience</u>	Relatives up to 4th Civil degree
Neil C. Estrellado Senior Vice President	49	Filipino	<u>Present Involvement</u> <ul style="list-style-type: none"> • SVP since 2015 and Head of PSBank’s* IT Group since 2002 <u>Past Involvements</u> <ul style="list-style-type: none"> • Held various positions in the following Banks: <ul style="list-style-type: none"> - 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	49	Filipino	<u>Present Involvement</u> <ul style="list-style-type: none"> • SVP since October 2016 and Head of Branch Banking Group since October 2012. <u>Past Involvements</u> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> - 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	61	Filipino	<u>Present Involvement</u> <ul style="list-style-type: none"> • SVP since Oct 2013 and Head PSBank-Indirect Sales Channel Group <u>Past Involvements</u> <ul style="list-style-type: none"> • 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

Name/ Position	Age	Citizenship	Experience	Relatives up to 4th Civil degree
Mary Jane M. Valero Senior Vice President	52	Filipino	<u>Present Involvement</u> <ul style="list-style-type: none"> SVP since December 2020 and Head PSBank- Customer Experience and Human Resources Group <u>Past Involvements</u> <ul style="list-style-type: none"> FVP and Group Head of PSBank- Customer Experience and Human Resources Group from September 2019 to Nov 2020 FVP and Group Head of PSBank- Customer Experience and People Development Group from January 2019 to September 2019 FVP and Group Head of PSBank- Customer Experience Group from July 2017 to January 2019 VP and Division Head of Customer Experience Division from November 2014 to July 2017 VP and Division Head of Customer Service Division from February 2008 to November 2014 VP and Division Head of Service Quality Division from August 2004 to January 2008 AVP and Division Head of Service Quality Division from August 2002 to July 2004 Part-Time Professor of Enderun Colleges from June 2013 to June 2014 Front Office Manager of Mandarin Oriental Manila from January 1999 to August 2002 Duty Manager of Westin Philippine Plaza from January 1992 to January 1999. 	None
Leah M. Zamora Senior Vice President	47	Filipino	<u>Present Involvement</u> <ul style="list-style-type: none"> SVP since December 2020 and Controller and Finance Group Head of PSBank-Finance Group <u>Past Involvements</u> <ul style="list-style-type: none"> FVP and Controller and Finance Group Head of PSBank-Finance Group from January 2017 to November 2020 FVP and Division Head of Business Information Management Services Division from April 2010 to December 2016 Held various positions in the following Banks: <ul style="list-style-type: none"> - VP, FP&A Manager of GE Money Brank from May 2006 to April 2010 - Senior Manager of Banco de Oro Universal Bank from March 2000 to May 2006 - Administrative Officer of Equitable Banking Corporation from June 1993 to June 1998 	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.

c. 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

Name of nominees to become members of the Bank's 2021-2022 Board of Directors shall be available upon filing of the Definitive Information Statement.

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.

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, 2020 and 2019, 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, 2020 and 2019 (in thousands):

	2020		2019	
	DOSRI Loans	Related Party Loans	DOSRI Loans	Related Party Loans
Total outstanding loans	₱206,202	₱7,125	₱236,494	₱1,349,467
Percent of DOSRI/Related Party loans to total loan portfolio	0.0%	0.00%	0.1%	0.8%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	98.35%	0.00%	94.8%	89.7%
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 ₱0.9 million in 2020, ₱5.7 million in 2019, and ₱5.8 million in 2018.

Further discussion on transactions with related parties are found in Note 36 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.

Item 6. Compensation of Directors and Executive Officers

Name and Principal Position	2021 (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	₱57.95 million	₱22.14 million
All Officers (AVP up) and Directors	167.27 million	73.42 million

Estimated (Increased 2020 figures by 4%)

Name and Principal Position	2020	
	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	₱55.72 million	₱28.50 million
All Officers (AVP up) and Directors	160.84 million	83.07 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

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 ₱21.9 million, ₱19.0 million, and ₱19.3 million in 2020, 2019, and 2018, respectively. This translates to an average of ₱185,204, ₱ 160,343, and ₱157,820, per month/per director in 2020, 2019, and 2018, respectively. Aside from said amounts, they have no other compensation plan or arrangement with the Bank.

Item 7. Independent Public Accountants

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 2021. 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.

Item 8. Financial and Other Information

The Audited Financial Statements of PSBank is attached as **Annex "A"**.

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

On November 20, 2019, the SEC approved the amendment to the Articles of Incorporation (AOI) on the increase in authorized capital stock of the Bank from PhP4,250,000,000.00 divided into 425,000,000 common shares with a par value of PhP10.00 per share to PhP6,000,000,000.00 divided into 600,000,000 common shares with a par value of PhP10.00 per share. The increase in authorized capital stock was intended to provide the Bank more flexibility for any potential business opportunities in the future that would need sufficient authorized and unissued shares that can be issued promptly. The said increase in Capital Stock with corresponding amendment in the AOI was approved initially by the Board of Directors on 18 March 2019 and subsequently by the stockholders during the PSBank Annual Stockholders' Meeting held on 15 April 2019.

D. OTHER MATTERS

Item 10. Proposed Actions with Respect to Reports

- a. Approval of the Minutes of the Annual Stockholders' Meeting held virtually on May 27, 2020 at 3:00 p.m. via CISCO WEBEX Livestreaming.

Stockholders in Attendance via Remote Communication

NAMES	No. of Shares Held	Percentage of Equity
Metropolitan Bank & Trust Company (parent company) represented by Arthur Ty	377,279,068	88.38485%
Chairman Jose T. Pardo	2,063	0.00048%
Vice Chairman Arthur Ty	129	0.00003%
Director Vicente R. Cuna Jr.	111	0.00003%
Director Ma. Soledad D.S. De Leon	4,456,795	1.04409%
Director Jose Vicente L. Alde	111	0.00003%
Director Samson C. Lim	111	0.00003%
Director Benedicto Jose R. Arcinas	111	0.00003%
Director Eduardo A. Sahagun	111	0.00003%
Director Rosanna F. De Vera	111	0.00003%
Various PSBank stockholders	33,922,347	7.94696%
TOTAL	415,661,068	97.37657%

1. CALL TO ORDER

The Chairman of the Board, Mr. Jose T. Pardo, presided over the virtual meeting which he called to order. The minutes were taken down by the Corporate Secretary, Mr. Pocholo V. Dela Peña. Likewise, the audio/video recordings of the meeting were secured by the Office of the Corporate Secretary.

2. CERTIFICATION OF NOTICE AND QUORUM

Pursuant to applicable Securities and Exchange Commission (SEC) regulations in view of the ongoing COVID-19 pandemic, the Bank conducted its Annual Stockholders' Meeting (ASM) on May 27, 2020 via remote communication using a secure online meeting platform, Cisco Webex. This was in order to secure the health and safety of the stockholders, board members, management and all others who were involved in this meeting.

The Corporate Secretary, Mr. Pocholo V. Dela Pena, certified that the Notice of Meeting was duly sent and circulated via appropriate disclosures and publications pursuant to the regulations of the Securities and Exchange Commission (SEC) for the purpose of informing the Stockholders of record. The Corporate Secretary further certified that the required quorum was met, as signified by the presence of its stockholders who were in attendance via virtual basis and representing more than two-thirds (2/3) of the outstanding capital stock or 97% of the 426,859,416 common shares outstanding.

The Chairman of the Board, Mr. Jose T. Pardo, acknowledged that, there being a quorum, the virtual meeting was duly constituted for the transactions of the business in the agenda.

3. APPROVAL OF MINUTES FOR THE ANNUAL STOCKHOLDERS MEETING HELD ON 15 APRIL 2019

The Chairman continued on with the approval of the Minutes of the Annual Stockholders' Meeting held on April 15, 2019, copies of which were posted in the corporate website and included in the Information Statement disseminated accordingly.

Upon tabulation of votes cast, both in absentia and through proxy, with 97% of the 426,859,416 common shares outstanding voting in favor and there being no objection, the Minutes of the Annual Stockholders' Meeting held on April 15, 2019 were approved via the following resolution:

RESOLUTION NO. PSB-ASM-2020-01

“RESOLVED, that the Minutes of the Annual Stockholders' Meeting of the Philippine Savings Bank held on April 15, 2019 are hereby approved as recorded.”

4. PRESENTATION AND APPROVAL OF THE PRESIDENT'S REPORT AND THE AUDITED FINANCIAL STATEMENTS FOR 2019

The President, Jose Vicente L. Alde, rendered to the stockholders his annual report for 2019 including the audited financial statements.

Upon tabulation of votes cast, both in absentia and through proxy, with 97% of the 426,859,416 common shares outstanding voting in favor and there being no objection, the President's Report to the stockholders and the Audited Financial Statements for 2019 were noted and approved via the following resolution:

RESOLUTION NO. PSB-ASM-2020-02

“RESOLVED, that the President's Annual Report and the 2019 Audited Financial Statements of the Philippine Savings Bank are hereby noted and approved.”

5. CONFIRMATION OF ALL CORPORATE ACTS OF THE BOARD OF DIRECTORS, MANAGEMENT AND ALL COMMITTEES DURING THE YEAR 2019

Upon tabulation of votes cast, both in absentia and through proxy, with 97% of the 426,859,416 common shares outstanding voting in favor and there being no objection, all corporate acts, transactions and resolutions of the Board of Directors, Management and all Committees during the year 2019, including significant transactions with the Bank's DOSRI and other related parties as shown in the 2019 Annual Report, were confirmed via the following resolution:

RESOLUTION NO. PSB-ASM-2020-03

“RESOLVED, that all acts, transactions and resolutions of the Philippine Savings Bank's Board of Directors, Management and all Committees done in the ordinary course of business during the year 2019 including, among others, the approval of loans/credit transactions, investments, Bank products and services, and

significant transactions with the Bank's DOSRI and other related parties, are hereby confirmed."

6. ELECTION OF THE MEMBERS OF THE BOARD OF DIRECTORS

In compliance with the regulatory requirements of the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission on the nomination of directors, the Bank's Corporate Governance Committee consisting of Directors Samson C. Lim and Eduardo A. Sahagun as members, and Director Jose T. Pardo as the Chairman, reviewed and evaluated the qualifications of all persons nominated to the Board, and certified that, based on the records, the nominees possess all the qualifications and none of the disqualifications prescribed by law and the regulations.

Upon tabulation of votes cast, both in absentia and through proxy, the stockholders representing 97% of the 426,859,416 common shares outstanding elected the nine (9) nominees, with four (4) of them as Independent Directors (ID), to serve on the Board for 2020-2021 via the following resolution:

RESOLUTION NO. PSB-ASM-2020-04

"RESOLVED, that the following are hereby elected as Directors of the Philippine Savings Bank for the year 2020-2021 and until their successors are duly elected and qualified:

- 1) Jose T. Pardo (Independent Director)
- 2) Arthur V. Ty
- 3) Vicente R. Cuna, Jr.
- 4) Jose Vicente L. Alde
- 5) Samson C. Lim (Independent Director)
- 6) Benedicto Jose R. Arcinas (Independent Director)
- 7) Eduardo A. Sahagun (Independent Director)
- 8) Ma. Soledad D.S. De Leon
- 9) Rosanna F. De Vera

7. APPOINTMENT OF THE EXTERNAL AUDITOR FOR THE YEAR 2020-2021

Upon the recommendation and approval of the Audit Committee and the Board of Directors, respectively, and with the tabulation of votes cast, both in absentia and through proxy, with 97% of the 426,859,416 common shares outstanding voting in favor and there being no objection, Sycip Gorres Velayo & Co. was re-appointed as the Bank's external auditor for 2020-2021 via the following resolution:

RESOLUTION NO. PSB-ASM-2020-05

"RESOLVED that, as recommended by the Audit Committee and approved by the Board of Directors, Sycip Gorres Velayo & Co. (or "SGV & Co.") is hereby re-appointed as the Philippine Savings Bank's External Auditors for the year 2020-2021."

8. OTHER MATTERS

The Corporate Secretary stated that, since no relevant questions or comments were received from the stockholders within the prescribed period in accordance with the Bank's procedures on the conduct of meeting via remote communication, there were no other matters taken up aside from the aforementioned transactions in the agenda.

9. ADJOURNMENT

The Chairman acknowledged that, there being no other business to transact, the meeting was adjourned. On behalf of the Board of Directors, the Chairman expressed gratitude for the continued support and trust from the Bank's stockholders. Moreover, the Chairman conveyed appreciation on the stockholders' understanding of the Bank's use of the virtual platform in consideration of the COVID-

19 pandemic and the government's implementation of the community quarantine. The Chairman stated that the Bank fully supports and cooperates with the national and local governments in their preventive and security efforts in relation to the said pandemic. Furthermore, the Chairman mentioned that the Bank has also put in place several measures to reassure its employees, customers and stakeholders that it puts premium on their safety, health and well-being.

- b. Presentation and Approval of the President's Annual Report and the Bank's Audited Financial Statements as of December 31, 2020.

The President's Annual Report on the Bank's activities, business and financial performance for year-end 2020, including the Bank's Audited Financial Statements as of December 31, 2020, will be presented for notation and approval of the stockholders. Please refer to Item 8. "Financial and Other Information".

- c. Confirmation of All Acts of the Board of Directors, Management and All Committees

All acts, transactions and resolutions of the Board of Directors, Management and all Committees done in the ordinary course of business during the year 2020 including, among others, the approval of loans/credit transactions, investments, Bank products and services, and transactions with the Bank's DOSRI and other related parties, will be presented for confirmation of the stockholders.

- d. Election of the Members of the Board of Directors

The Members of the Board of Directors of the Bank for the year 2021-2022 are to be elected to hold office until the next succeeding annual meeting, and/or until their respective successors have been duly elected and qualified. Please refer to the list of nominees under Item 5. "Directors and Executive Officers - Nominee Directors" for details.

- e. Extension of Terms of Mr. Jose T. Pardo and Mr. Samson C. Lim as Independent Directors

The BSP Monetary Board, in its Resolution No. 235 dated 24 February 2021, approved the request of the Philippine Savings Bank to extend the terms of Messrs. Jose Trinidad Pardo and Samson Co Lim as Independent Directors of the Bank, within a maximum period of two (2) years until April 2023, subject to the stockholders' approval.

- f. Appointment of the External Auditor

The re-appointment of SGV & Co. as independent external auditor of the Bank for 2021-2022 will be presented for approval of the stockholders. Please refer to the Item 7. "Independent Public Accountants" for details.

Item 11. Voting Procedures

- a. Majority vote is required for the following:

- i. Approval of the Minutes of the Annual Meeting of Stockholders
- ii. Confirmation of all corporate acts of the Board of Directors, the Management and all committees including significant transactions with the Bank's Directors, Officers, Stockholders & their Related Interests (DOSRI) and other related parties
- iii. Appointment of External Auditors

- b. Majority vote is required for the election of members of the Board of Directors. Nominees receiving the highest number of votes shall be declared elected following the provisions of the Corporation Code.

- c. Every stockholder entitled to vote on the particular question or matter involved shall be entitled to one vote (1) vote for each share of stock in his name. Cumulative voting is allowed provided that the total votes cast by a stockholder shall not exceed the number of shares registered in his name in the books of the bank as of the record date multiplied by the whole number of directors to be elected. Matters submitted to stockholders for ratification shall be decided by the required vote of stockholders present, in person or by proxy.

- d. A stockholder can exercise his vote at the meeting or remotely (in absentia or through proxy).

Pursuant to applicable regulations of the Revised Corporation Code which allow voting in absentia by the stockholders, an online link may be accessed by the stockholders to register and/or vote in absentia on the matters for resolution at the meeting. A stockholder who votes in absentia shall be deemed present for purposes of quorum. Please refer to Item 12-Participation of Shareholders by Remote Communication for the applicable instructions for voting in absentia or through proxy.

- e. All votes will be counted by the Office of the Corporate Secretary, to be assisted by the Bank's stock transfer agent, Metrobank Trust Banking Group, and validated by SGV & Co.

Item 12. Participation of Shareholders by Remote Communication

To comply with applicable regulations prohibiting mass gatherings, identifying authorized persons outside residence, and/or requiring social distancing to prevent the spread of COVID-19 pandemic and to ensure the safety and welfare of our stockholders, the Bank shall allow attendance by remote communication, voting in absentia and through proxy. The following are the corresponding requirements and procedures for participation by remote communication:

**PARTICIPATION BY REMOTE COMMUNICATION, VOTING
IN ABSENTIA AND THROUGH PROXY**

A. Attendance by Remote Communication and Voting in Absentia and through Proxy

1. Stockholders intending to participate by remote communication and/or voting in absentia should notify the Office of the Corporate Secretary through a Letter of Intent (LOI) to be sent via e-mail to psbasm@psbank.com.ph on or before April 12, 2021, complete with the following requirements for validation purposes:
 - 1.1 Indicate the following required information:
 - 1.1.1 Complete Registered Name
 - 1.1.2 Complete Registered Residential/Mailing Address
 - 1.1.3 Active e-Mail Address
 - 1.1.4 Active Mobile #
 - 1.1.5 Active Landline #
 - 1.2 Attach the following documents (e- copy/scanned copy):
 - 1.2.1 Valid government-issued ID with photo and signature (scanned front and back)
 - 1.2.2 Proof of Ownership, such as, but not limited to, the following:
 - a) Stockholder's certificate (for certificated shares); or
 - b) Broker's certification (for scripless or uncertificated shares); or
 - c) Secretary's certificate for authorized representative (for corporate)
 - 1.2.3 Other supporting document, as applicable
2. In case a stockholder cannot attend the virtual meeting and wishes to be represented, said stockholder shall designate an authorized representative ("Proxy") by submitting the following additional documents, aside from the requirements as enumerated under items 1.1 and 1.2 above, on or before April 12, 2021 via email to psbasm@psbank.com.ph, for validation purposes:
 - 2.1 Duly-accomplished proxy form/instrument (If so preferred or if no name is indicated, the Chairman of the Meeting shall act as the proxy.)
 - 2.2 Valid government-issued ID with photo and signature of designated Proxy (scanned front and back)
3. The Office of the Corporate Secretary shall forward the email containing the LOI and its attachments to the Bank's stock transfer agent, Metrobank Trust Banking Group. The validation process will be completed by the stock transfer agent no later than three (3) business days from its receipt of the LOI. The Bank's stock transfer agent reserves the right to request for additional information and documents, as needed/necessary. Moreover, electronic signature for the required documents shall be allowed while notarization requirement shall not be considered for the meantime, as applicable, given the current situation.
4. Once validated/verified, a stockholder shall be provided a confirmation correspondence with secure links for virtual meeting registration and voting in absentia. For security purposes, the confirmation correspondence which include access credentials, links and instructions for participation through remote communication and voting in absentia shall only be sent to the stockholder's email address, and if necessary, notification shall be sent to the stockholder's mobile number provided. It is the duty of the stockholder to securely provide the information on access credentials and instructions to his/her Proxy, as needed/applicable.
 - 4.1 A verified stockholder or his/her Proxy shall have to access the corresponding link in order to be able to join the virtual meeting on the ASM day.

4.2 A verified stockholder or his/her Proxy may cast his/her vote on each of the agenda items as contained in the link provided in the confirmation correspondence. Deadline to vote in absentia through its corresponding link is on April 19, 2021. Beyond this date, stockholders may no longer avail of the option to vote in absentia. The Office of the Corporate Secretary shall then tabulate all votes, to be assisted by the Bank's stock transfer agent, Metrobank Trust Banking Group, and validated by SGV & Co. The Corporate Secretary shall report the results of voting during the meeting. For information on counting and tabulation of votes, please refer to "Item 11. Voting Procedures" of this Information Statement.

B. Participation and Determination of Quorum and Votes

1. Only those stockholders who have notified the Company of their intention to participate in the Meeting via remote communication, including those who voted in absentia and by proxy, will be included in the determination of quorum at the meeting. By participating remotely, a stockholder shall be deemed present for purposes of quorum.
2. Due to logistical limitations of the meeting conducted virtually, voting and open forum/discussion will not be possible during the virtual meeting. However, a stockholder (or through his/her Proxy), once verified, will be given an opportunity to raise any relevant questions or express an appropriate comment in relation to the agenda items by sending an email to psbasm@psbank.com.ph not later than April 21, 2021 to be properly noted and addressed accordingly. Any relevant questions or comments received by the Office of the Corporate Secretary via email within the prescribed period given to verified stockholders shall be properly acknowledged, noted and addressed accordingly.
3. The Office of the Corporate Secretary shall take down minutes of the meeting accordingly and shall note all comments and other relevant matters discussed covering the agenda of the meeting. The meeting proceedings shall be recorded in audio and video format to be safekept by the Office of the Corporate Secretary and shall be made available in a secured manner to stockholders upon request by sending an email to psbasm@psbank.com.ph.
4. The Office of the Corporate Secretary shall ensure confidentiality of all votes for tabulation, including those cast in absentia and by proxy, with assistance from the Bank's stock transfer agent, Metrobank Trust Banking Group, and for validation by SGV & Co. The Corporate Secretary shall report the results of voting during the meeting. For information on counting and tabulation of votes, please refer to "Item 11. Voting Procedures" of this Information Statement.

** All participants are requested to adhere to the Bank's Confidentiality and Data Privacy guidelines for the meeting which shall be posted in the ASM-related page of the corporate website.

For ASM-related matters, please go to <https://www.psbank.com.ph/annual-stockholders-meeting-2021/>. For ASM-related queries, please send an email to psbasm@psbank.com.ph or contact the Office of the Corporate Secretary at 8885-8208 local 8180/8535. For account updating/validation concerns, please get in touch with PSBank's Stock Transfer Agent, Metrobank Trust Banking Group (Attention: Walter R. Briones or Ma. Annette Valene A. Bautista), through 857-5694 to 95 or via email to walter.briones@metrobank.com.ph or annette.bautista@metrobank.com.ph.

THE BANK SHALL PROVIDE EACH STOCKHOLDER WITHOUT CHARGE A COPY OF SEC FORM 17-A (ANNUAL REPORT) UPON WRITTEN REQUEST ADDRESSED TO:

**Mr. Pocholo V. dela Pena
Corporate Secretary
3rd Floor, PSBank Center,
777 Paseo de Roxas cor. Sedeño St., Makati City 1226**

SIGNATURE


After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct.

PHILIPPINE SAVINGS BANK


**Pocholo V. dela Pena
Corporate Secretary**

Date: March 16, 2021

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Series of 2021


Notary Public
Roll No. 51202
PTR No. 0533042 / 1.04.21 / Makati
ISP 135617 / 10.18.2020 / For 2021 / Cam. Sta.
Unit 403B, PG Bldg., 150 Amorsolo St.
Legaspi Village, 1229 Makati (Tel. 8871-4417,
MCLE Compliance No. V-0005315 (01.10.2018)

PART II. MANAGEMENT REPORT

Brief Description and General Nature and Scope of Business of Registrant

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, 2020 and 2019, the Bank had 250 branches. In 2020, the Bank had 266 Automated Teller Machines (ATMs) in the branches (on-site) and 269 in other locations (off-site) bringing its total number of ATMs to 535 as of December 31, 2020 and 557 as of December 31, 2019

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.

On November 20, 2019, the SEC approved the amendment to the Articles of Incorporation (AOI) on the increase in authorized capital stock of the Bank from PhP4,250,000,000.00 divided into 425,000,000 common shares with a par value of PhP10.00 per share to PhP6,000,000,000.00 divided into 600,000,000 common shares with a par value of PhP10.00 per share. The increase in authorized capital stock was intended to provide the Bank more flexibility for any potential business opportunities in the future that would need sufficient authorized and unissued shares that can be issued promptly. In order to satisfy the mandated 25% subscription requirement in relation to the Bank's increase in authorized capital stock, the Bank declared and paid stock dividends on February 21, 2020 in the amount of Php 437,500,000.00 equivalent to 43,750,000 common shares with par value of Php 10 per share. The shares that were given as stock dividends to the shareholders were taken from the shares created pursuant to the increase in authorized capital stock. The said increase in Capital Stock with corresponding amendment in the Articles of Incorporation was approved initially by the Board of Directors on 18 March 2019 and subsequently by the stockholders during the PSBank Annual Stockholders' Meeting held on 15 April 2019.

As of December 31, 2020 and 2019, Metropolitan Bank & Trust Company (MBTC), the Bank's ultimate parent, owned eighty-eight percent (88%) of the Bank.

Market Price 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, 2020 and 2019 and subsequent interim periods were as follows:

	Highest	Lowest
2021:		
January	56.25	53.60
February	55.80	54.30

	Highest	Lowest
2020:		
First quarter	54.60	34.20
Second quarter	52.00	40.10
Third quarter	52.00	47.00
Fourth quarter	54.60	51.00
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

Closing price as of March 16, 2021 was at ₱54.70 per share.

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 Part II. Management Report on 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:

Date of declaration	Cash Dividends			Record date	Payment date
	Per share	Total amount			
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
January 16, 2020	0.75	287,332,062.0		January 31, 2020	February 17, 2020
April 21, 2020	0.75	320,144,562.0		May 7, 2020	May 21, 2020
July 23, 2020	0.75	320,144,562.0		August 7, 2020	August 24, 2020
October 22, 2020	0.75	320,144,562.0		November 9, 2020	November 23, 2020

No unregistered securities were sold or offered for sale by the Bank for the year 2020.

Cash Dividend Declaration

On January 21, 2021, the BOD of the Bank approved the declaration of a 7.50% regular cash dividend for the fourth quarter of 2020 for stockholders on record as of February 5, 2021 amounting to ₱320.14 million or ₱0.75 per share to be paid on February 22, 2021.

Stock Dividend Declaration

In order to satisfy the mandated 25% subscription requirement in relation to the Bank's increase in authorized capital stock, the Bank declared and paid stock dividends on February 21, 2020 in the amount of Php 437,500,000.00 equivalent to 43,750,000 common shares with par value of Php 10 per share. The shares that were given as stock dividends to the shareholders were taken from the shares created pursuant to the increase in authorized capital stock.

The SEC approved the amendment to the Articles of Incorporation on the increase in authorized capital stock of the Bank on November 20, 2019. 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, with payment date of February 21, 2020 which was set in accordance with the Board of Directors approval and the rules of the PSE.

Holders

As of February 28, 2021, the Bank has 1,450 stockholders.

	Name of Stockholders	No. of Shares	% to Total
1	METROPOLITAN BANK & TRUST COMPANY ***	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 CORPORATION (FILIPINO) *	5,243,502	1.2284%
5	DE LEON, MARIA SOLEDAD S.	4,456,795	1.0441%
6	DE LEON, GIAN CARLO SERRANO	3,054,440	0.7156%
7	DE LEON, LEONARD FREDERICK SERRANO	2,895,061	0.6782%
8	DE LEON, ALVIN BENJAMIN SERRANO	2,716,290	0.6363%
9	DE LEON, KEVIN ANTHONY SERRANO	2,682,950	0.6285%
10	PCD NOMINEE CORPORATION (NON-FILIPINO)	2,631,944	0.6166%
11	GO, JAMES	332,947	0.0780%
12	GRAND ASIA REALTY INVESTMENT CORPORATION	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	SY, VICTOR GAN	45,654	0.0107%
18	PEREZ, MA. GEORGINA V.	44,418	0.0104%
19	DY BUNCIO, ANJANETTE TY	42,710	0.0100%
20	PEOPLE'S GENERAL INSURANCE CORPORATION	41,776	0.0098%

* Includes 206,331,982 shares lodged with PCD Nominee Corp.

** Includes 18 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

As of February 28, 2021, public ownership of the Bank was at 10.57%. Of the total shares issued, 2,666,809 shares or 0.63% represents foreign ownership.

COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

MAKING GOVERNANCE COUNT

Corporate governance helps us identify and respond to the right risks. This becomes even more important in the context of the current global pandemic, and the economic and societal challenges that it induced.

PSBank believes that the true essence of good corporate governance goes beyond compliance with applicable laws, rules, and regulations, which we regard as a minimum requirement. We 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.

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 three basic values that we observe:

Fairness

We see to it that we conduct fair dealings with counterparties and other stakeholders. We ensure that such dealings, especially with our related parties, are made in the regular course of our business, and upon mutually favorable terms. 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. These are 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 RPT policy is regularly reviewed and updated on an annual basis. It was last updated in November

2020 to address the recommendations of the Bank’s Internal Audit Group based on its latest RPT process review. It also aligns with the latest RPT policy of parent-Metrobank and incorporates the submission of the prescribed BIR Form No. 1709 on the Information Return on Related Party and its attachments as required under BIR Revenue Regulations (RR) No. 19-2020.

Our transaction materiality thresholds for RPTs were set on a per transaction type basis, taking into account the high end of their historical ticket sizes, their nature, and our risk appetite. These thresholds are applied on a per single transaction basis for one-time or non-recurring transactions, or the aggregate amount of multiple transactions expected in a year for some arrangements with recurring/continuing transactions. Except for loan transactions to Directors, Officers, Stockholders, and their 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 with amounts within these 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 Board approval prior to their consummation and for stockholders’ confirmation in the Annual Stockholders’ Meeting.

In 2020, the following material RPTs were entered into between the Bank and its related parties (*see also Note 29 of the Audited Financial Statements section*):

Related Parties	Relationship	Nature of Transaction	Terms & Conditions	In PhP Millions	
				Original Amount	Dec. 31, 2020 Balance
INSURANCE					
AXA Philippines (AXA)	Affiliate	Annual Renewal of the Bank’s Fire Insurance Coverage for ROPA-Real Estate Properties	Total sum insured is PhP3.111 billion with a net annual premium rate of 0.1500% thereof	5.91	N/A
		Annual Renewal of Bank’s Money, Securities, Payroll & Robbery Insurance Coverage	Total sum insured is PhP425 million with a net annual premium rate of 1.72% thereof	8.61	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 Loans (IBCL) only; secured lines are collateralized by non-risk assets i.e., Government securities (GS)	Clean – 2,000; Secured - 16,000; Settlement – 1,500 & Pre-Settlement - 750	N/A
First Metro Investment Corporation (FMIC)	Affiliate		Clean/unsecured lines for Interbank Call Loans (IBCL) only; secured lines are collateralized by non-risk assets i.e., Government securities (GS)	Clean –1,000; Secured - 4,000 & Pre- Settlement – 85	N/A
ORIX Metro Leasing & Financing Corporation (OMLFC)	Affiliate		Clean/unsecured lines for Interbank Call Loans (IBCL) only	Clean –1,000	N/A
First Metro Investment Corporation (FMIC)	Affiliate	Annual Renewal of Related Intercompany Lines of Trust Division	Counterparty line for fixed income securities (i.e., corporate bonds, government securities)	Pre-Settlement – 70 & Settlement – 700	N/A
First Metro Securities Brokerage Corp. (FMSBC)	Affiliate		Counterparty line for equity transactions of various trust accounts	Pre-Settlement – 500 & Settlement – 500	N/A

Related Parties	Relationship	Nature of Transaction	Terms & Conditions	In PhP Millions	
				Original Amount	Dec. 31, 2020 Balance
Metropolitan Bank & Trust Company (MBTC)	Parent bank		Counterparty line for fixed income securities (i.e., corporate bonds, government securities)	Clean – 1,000; Pre-Settlement – 5; Settlement – 50 & IMA – 100	N/A
LOANS AND OTHER CREDIT ACCOMMODATIONS					
PSBank Trust Division	Bank Proper	Credit /Domestic Bill Purchase Line	Renewal of Domestic Bills Purchase Line for the purchase of local and regional checks issued by PSBank Trust Division’s clients payable to PSBank Trust Division for outright crediting of their investments	1,000	N/A
Director of parent-MBTC	Corresponding Persons of Affiliated Companies	Renewal of Business Credit Line	One-year business credit line subject to annual renewal with interest rate of 7.00% p.a.	30	14.35 (aggregate balance inclusive of other loans is 29.41, all in current status)
OTHERS					
Sumisho Motor Finance Corporation (SMFC)	Affiliate	Renewal and increase 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	10	N/A
Sumisho Motor Finance Corporation (SMFC)	Affiliate	Lease Arrangement - Renewal of existing lease agreement with PSBank as lessor	Three-year lease term for an office space with four parking slots	16.52	N/A
ORIX Metro Leasing & Finance International Trading & Development Corporation (OITDC)	Affiliate	Lease Arrangement - Temporary lease agreement with PSBank as lessee	Six-month lease agreement to be temporarily used as Bank’s warehouse for its foreclosed vehicles	8.35	N/A
Metropolitan Bank & Trust Company (MBTC)	Parent bank	Provision of Services - Amended service fee rate, allowances and provisions under the existing IT Services Agreement on the use of Bank’s various systems	Increase in service fee rates for consistency across all IT services arrangements within the Metrobank Group and enhancement of certain provisions to improve overall productivity and efficiency	N/A	N/A
Toyota Manila Bay Corporation (TMBC)	Affiliate	Renewal of Stand-by booking line facility	Booking arrangement for auto loan accounts via the Bank’s Online Dealer System Standby Line Facility terminal	30	N/A

Our RPT policy likewise requires our directors and officers with personal interest in our transaction (e.g., they themselves or any of their close family members act as our counterparty) to inhibit or abstain from the discussion, approval, and management of such a transaction, except to provide material information to the RPTC or Board about the transaction. Provisions against conflict of interest situations are also stipulated in our 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), or the “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 10% of its Total Assets based on its latest Audited Financial Statement (AFS), either individually or in aggregate over a 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 our corporate website and intranet site.

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 favourable reputation for our Bank
- Corrective measures for unacceptable behaviour 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 behaviour, dishonesty, health, safety and security, reporting of violations, and information security
- 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 trading days after their election/appointment in office and from the date of these changes, respectively. They are likewise prohibited from selling or buying PSBank shares during “blackout periods,” i.e., upon obtaining material non-public information up to two trading days after such information is disclosed. The Bank did not have any trading transactions with reporting insiders and/or their associates in 2020. However, a 25% stock dividend, which amounted to PhP437,500,000.00 equivalent to 43,750,000 common shares with par value of PhP10 per share, was declared on March 12, 2019 by our Board of Directors and ratified by our stockholders representing at least two-thirds of our capital stock on April 15, 2019. The issuance of stock dividends to all of its stockholders of record, as approved by the SEC, was made on February 21, 2020. Directors’ level of share ownership and movements throughout 2020 are summarized below:

#	Name of Director	Position	Rollforward of Common Shares					
			Beginning		Movements		End	
			12/31/2019	%	Additions	Deductions	12/31/2020	%
1	Jose T. Pardo	Chairman and Independent Director	1,852	0.000483	211	-	2,063	0.000483
2	Arthur V. Ty	Vice-Chairman	117	0.000031	12	-	129	0.000030
3	Vicente R. Cuna Jr.	Vice-Chairman	100	0.000026	11	-	111	0.000026

#	Name of Director	Position	Rollforward of Common Shares					
			Beginning		Movements		End	
			12/31/2019	%	Additions	Deductions	12/31/2020	%
4	Samson C. Lim	Independent Director	100	0.000026	11	-	111	0.000026
5	Benedicto Jose R. Arcinas	Independent Director	100	0.000026	11	-	111	0.000026
6	Eduardo A. Sahagun	Independent Director	100	0.000026	11	-	111	0.000026
7	Jose Vicente L. Alde	President and Director	100	0.000026	11	-	111	0.000026
8	Ma. Soledad D.S. De Leon	Director	4,000,000	1.044088	456,795	-	4,456,795	1.044090
9	Rosanna F. De Vera	Director	100	0.000026	11	-	111	0.000026
	Total		4,002,569	1.044758	457,084	-	4,459,653	1.044759

Whistleblowing

PSBank's whistleblowing 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 Customer Experience and 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 identity 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 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 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 following basic AML/CFT controls required under existing AML/CFT laws, rules and regulations:

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
5. Employee Training and Continuing Education

Our MLTFPP was updated in September 2020 to realign with the recent AMLC Regulatory Issuance A, B & C No. 1 Series of 2020, address the recommendations of the most recent BSP examination and incorporate the various CO AML Advisories, among others. 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

As a publicly listed company and a responsible financial institution, we abide by the various disclosure requirements of the BSP, the SEC, and the Philippine Stock Exchange (PSE). 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. Our CGM is reviewed on an annual basis and was updated in March 2020 to update and incorporate certain provisions. In November 2020, the updates included the duties and responsibilities of the Board of Directors with respect to the Sustainable Finance Framework mandated by the BSP and the disclosure of the Bank's beneficial owners and to add certain stockholder's rights per recent SEC issuances.

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 and 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 comprises 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
5. Financial education and awareness

This FCP Framework was updated in March 2020 to realign with the pertinent provisions of the amended FCP rules & regulations per recently issued BSP Circular No. 1048. It was further amended in July 2020 to rationalize the scope of the Compliance Office's specialized FCP Independent Compliance Testing (ICT) and the FCP compliance risk rating system.

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

As part of our corporate-wide risk management system spearheaded by our 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 our 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 effective means of doing so. While positive feedback is welcome, we are more vigilant about negative feedback or complaints as they cover areas for improvement. For data analytics purposes, complaints received from clients are lodged in an automated tracking system to manage our defined turnaround time in resolving them and to serve as a database of all customer complaints, including the record of actions taken. This process is implemented in four steps, namely:

- (1) Acknowledgement
- (2) Decision/Disposition by designated Senior Officers
- (3) Investigation and communication of feedback to the customer concerned

(4) Resolution of complaint

While all personnel are given access to the system for the reporting of customer complaints and feedback, the investigation and resolution are 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 (e.g., process improvement efforts, policy revision, system enhancement, personnel training).
- **Designated Senior Officers:** consists of Senior Officers or Group Heads 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 and Human Resource Group (CXHRG) Head, Information Technology Group (ITG) Head, Branch Banking Group (BBG) Head, Marketing Group (MG) Head, . Issues requiring PR solutions or those with media impact are also submitted to the PR and Corporate Communications Head.
- **Process Owner Representative:** 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:** a top-level advisory and action group of Senior Officers. The Council is composed of holistic organizational leaders who review the biggest issues and recommend 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 demerit point against the responsible personnel's performance rating.

CUSTOMER INTERACTION: Aside from the branches, we offer other channels for customer interaction. The Customer Experience Operations Division handles loan and deposit inquiries, requests, and complaints coursed through 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.

Data Privacy

PSBank respects and values data privacy rights and makes sure that all personal data collected from its data subjects (i.e. employees, clients & customers, suppliers, etc.) are processed in adherence to the principles of transparency, legitimate purpose, proportionality, quality and security in compliance with Republic Act No. 10173 otherwise known as "The Data Privacy Act of 2012", its Implementing Rules and Regulations and the related issuances of the National Privacy Commission (NPC). Our Board-approved Data Privacy Policy encapsulates the privacy and data protection protocols/security measures that need to be observed and carried out within the Bank for specific circumstances (i.e. from collection to destruction) directed towards the fulfilment and realization of the rights of our data subjects and protection of personal data against natural dangers such as accidental loss or destruction, and human dangers such as unlawful access, fraudulent misuse, unlawful destruction, alteration and contamination.

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.

As of end 2020, there are nine directors in our Board, four of whom are independent directors, four are non-executive directors, and one 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. Their selection was based on their qualifications (i.e., integrity/probity, physical/mental fitness, competence, relevant education/financial literacy/training, diligence and knowledge/experience) without discrimination against gender, age, and ethnic, political, religious, or cultural backgrounds, and therefore achieving diversity in the Board.

In accordance with our 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 our 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 (ICD) 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. In our nine-seat Board, we have four 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 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 our goals and objectives and to determine the integrity of our internal controls and effectiveness of risk management systems. Further, the Board 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 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. Due to the challenges brought about by the COVID-19 pandemic such as lockdown and mobility restrictions, our parent bank's training academy has decided to postpone the Group's holding of its 2020 annual Corporate Governance refresher program for directors and principal officers to the first quarter of 2021 and has formally notified the SEC accordingly. Some of our directors and all our principal/key officers instead attended a webinar on Anti-Money Laundering and Countering the Financing of Terrorism in December 2020.

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 as it administers, attends, and 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 in 2020, regular Board meetings were scheduled in advance and were set on 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 Directors, all of whom are independent directors, including the committee chairperson. The Committee meets monthly and is supported by our Compliance Office (CO). The CGC meeting attendance records in 2020 were logged as follows:

Members	Position	Attendance	%
JOSE T. PARDO <i>Independent Director</i>	Chairperson	12/12	100%
EDUARDO A. SAHAGUN <i>Independent Director</i>	Member	12/12	100%
SAMSON C. LIM <i>Independent Director</i>	Member	12/12	100%
GILBERT L. NUNAG <i>Chief Compliance Officer</i>	Secretary	12/12	100%

The **Risk Oversight Committee (ROC)** is responsible for the development and oversight of our risk management program. The Committee is composed of three members of the Board of Directors and one non-voting member appointed as adviser. Two or majority of its voting members are independent directors, including its Chairperson, who is not the Chairman of the Board 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). The ROC meeting attendance records in 2020 were logged as follows:

Members	Position	Attendance	%
BENEDICTO JOSE R. ARCINAS <i>Independent Director</i>	Chairperson	12/12	100%
JOSE VICENTE A. ALDE <i>President/Director</i>	Member	12/12	100%
EDUARDO A. SAHAGUN <i>independent Director</i>	Member	11/12	92%
EDMUND A. GO <i>Independent Professional</i>	Adviser	12/12	100%

The **AML Oversight Committee (AMLOC)** 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. The committee is composed of three Directors, of whom two are non-executive directors, including the Chairperson and an independent director. The Committee meets monthly and is supported by our Compliance Office (CO). The AMLOC meeting attendance records in 2020 were logged as follows:

Members	Position	Attendance	%
VICENTE R. CUNA, JR. <i>Non-Executive Director</i>	Chairperson	11/12	92%
BENEDICTO JOSE R. ARCINAS	Member	12/12	100%

<i>Independent Director</i>			
ROSANNA F. DE VERA <i>Non-Executive Director</i>	Member	12/12	100%
GILBERT L. NUNAG <i>Chief Compliance Officer</i>	Secretary	12/12	100%

The **Audit Committee (AudCom)** is designated to provide independent oversight for our 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 composed of three non-executive directors, all of whom 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). The AudCom meeting attendance records in 2020 were logged as follows:

Committee Members	Position	Attendance	%
EDUARYDO A. SAHAGUN <i>Independent Director</i>	Chairperson	13/13	100%
SAMSON C. LIM <i>Independent Director</i>	Member	13/13	100%
JOSE T. PARDO <i>Independent Director</i>	Member	12/13	92%
ATTY. EMMA B. CO <i>Chief Audit Executive</i>	Secretary	13/13	100%

Other Board-level committees are as follows:

The **Executive Committee (ExCom)** is tasked to regularly review and approve credit proposals within its limits. It recommends additional conditions and requirements on loan applications Board approval. The Committee is composed of four Directors which includes the President, and our Credit & Collections Sector Head as the Bank's representative. The ExCom meeting attendance records in 2020 were logged as follows:

Members	Position	Attendance	%
ARTHUR V. TY <i>Non-Executive Director</i>	Chairperson	13/13	100%
VICENTE R. CUNA JR. <i>Non-Executive Director</i>	Member	13/13	100%
JOSE VICENTE L. ALDE <i>President/Director</i>	Member	13/13	100%
ROSANNA F. DE VERA <i>Non-Executive Director</i>	Member	13/13	100%
MARY MYLEEN M. MASANQUE <i>PSBank Representative</i>	Member	13/13	100%
JOSE M. MANUEL JR.	Secretary	13/13	100%
ARLYN S. MONTEBON	Alternate Secretary		

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 composed of three non-executive Directors, two or majority of who are independent directors, including the committee Chairperson. It meets monthly and is supported by our Compliance Office (CO). The RPTC meeting attendance records in 2020 were logged as follows:

Members	Position	Attendance	%
SAMSON C. LIM <i>Independent Director</i>	Chairperson	12/12	100%
JOSE T. PARDO <i>Independent Director</i>	Member	12/12	100%
MA. SOLEDAD D.S. DE LEON <i>Non-Executive Director</i>	Member	11/12	92%

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 (TrustCom)** is a special committee tasked to be primarily responsible for overseeing the fiduciary activities of the Bank. It is composed of five 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. The TrustCom meeting attendance records in 2020 were logged as follows:

Members	Position	Attendance	%
EDMUND A. GO <i>Independent Professional</i>	Chairperson	4/4	100%
JOSE VICENTE A. ALDE <i>President/Director</i>	Member	4/4	100%
BENEDICTO JOSE R. ARCINAS <i>Independent Director</i>	Member	4/4	100%
MA. SOLEDAD D.S. DE LEON <i>Non-Executive Director</i>	Member	4/4	100%
REUEL R. JAVIER <i>Trust Officer</i>	Member	4/4	100%

Board Meetings. In 2020, our Board had 12 regular meetings, in addition to the annual stockholders' meeting (ASM) and organizational meeting. Directors logged a 99% attendance rate. Attendance records to Board meetings in 2020 are summarized below:

Directors		Attendance	%	ASM
1	JOSE T. PARDO <i>Chairman and Independent Director</i>	12/12	100%	YES
2	ARTHUR V. TY <i>Vice Chairman and Non-Executive Director</i>	12/12	100%	YES
3	VICENTE R. CUNA JR. <i>Vice Chairman and Non-Executive Director</i>	12/12	100%	YES
4	JOSE VICENTE L. ALDE <i>President and Executive Director</i>	12/12	100%	YES
5	SAMSON C. LIM <i>Independent Director</i>	12/12	100%	YES
6	BENEDICTO JOSE R. ARCINAS <i>Independent Director</i>	12/12	100%	YES
7	EDUARDO A. SAHAGUN <i>Independent Director</i>	12/12	100%	YES
8	MA. SOLEDAD D.S. DE LEON <i>Non-Executive Director</i>	12/12	100%	YES
9	ROSANNA F. DE VERA <i>Non-Executive Director</i>	11/12	92%	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, we have various Management-level committees tasked as follows:

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

- The **Credit Committee (CRECOM)** regularly reviews and approves 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 our Compliance Office in terms of AML policy review/development, and in addressing AML deficiencies/adverse findings.
- The **Outsourcing Oversight Committee (OOC)** oversees the accreditation of service providers, performance monitoring, post-implementation reviews and contract renewals in accordance with our Board-approved risk-based Outsourcing Policy Guidelines pursuant to existing BSP rules and regulations on outsourcing.
- The **IT Steering Committee (ITSC)** monitors IT performance and institutes 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)** manages and monitors 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)** resolves policy-related issues that require escalation or cross-functional discussion for resolution.
- The **Personnel Committee (PERCOM)** assists 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 our Code of Conduct.
- The **Retirement Committee (RETCOM)** exclusively administers our Gratuity and Retirement Benefit Plan.
- The **Related Party Transactions Management Committee (RPTMC)** assists 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)** establishes investment guidelines and oversees 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, which was updated in October 2020 to incorporate certain process enhancements and other relevant updates, has 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 key players, namely:

1. The line units are the first line of defense being the risk owners and managers.
2. The Compliance Office (CO) is the second line of defense and the compliance risk overseers.
3. The Internal Audit Group (IAG) is 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

The Internal Audit Group (IAG) is established by the Board of Directors. Its responsibilities are defined by the Audit Committee (AudCom) as part of its 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 AudCom and administratively to the President. The CAE confirms annually to the Board the organizational independence of the internal audit activity.

IAG is self-governed and adheres to The Institute of Internal Auditors' (IIA) 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 the 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 AudCom
3. Allocate resources, set frequencies, select subjects, determine scopes of work, apply the procedures and techniques required to accomplish audit objectives, and issue reports
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 annually vis-à-vis annual performance scorecards so structured to achieve business objectives and adjusted as needed, based on performance.

Our compensation package for non-officers/rank-and-file employees is in accordance with labor law requirements and is linked to both performance and our contractual obligation under a collective bargaining agreement which include loyalty bonuses for long-term employees.

We also grant fixed bonuses, including a 13th-month pay in accordance with the law, and a performance bonus (non-guaranteed) based on our 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 our long-term interests, compliant with labor laws and 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 2020 was Php21.91 million. Our remuneration policy for directors indicates that the Chairman, Vice Chairpersons, 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 adopted 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 perform better. This procedure on merit increase comes immediately after the performance appraisal exercise 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. Amid the pandemic in 2020, top-performing PSBankers from Branch Banking Group, Collections and Remedial Management Division, and Credit Verification Division were recognized for exceeding more than 100% of their target productivity.
- **Job Evaluation.** We regularly conduct job evaluation on new positions resulting from our reorganization. This was an offshoot of a bank-wide job evaluation conducted every three years, which aimed to measure and benchmark 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 offers. The Bank recognizes need to attract and retain top talent, thus it reviews the existing scale periodically to ensure competitiveness.

SENIOR MANAGEMENT SELECTION PROCESS

The Bank has pre-defined job descriptions for its senior management positions (i.e., those to be held by officers from Assistant Vice President and up). It evaluates the qualifications of internal and/or external candidates for the available positions. Every candidate undergoes a series of interviews by the Line Head, Customer Experience and Human Resources Group, and the President. Any hiring or appointment to the role is 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 our regular employees (officers and staff) is at 55 years old. This has been established in our Retirement and Gratuity Plan, duly approved by the Bureau of Internal Revenue. To aid in workforce planning, we review the roster of employees reaching the compulsory retirement age before the end of the applicable year. Appropriate notification is arranged, and deferential treatment is accorded to retired employees, ensuring that they receive the compensation for their loyal service within 30 days after their effective date of retirement.

In 2020, succession was among our focus areas. A more comprehensive Succession Planning Program was launched which consists of five stages: (1) identification of the successor, (2) assessment of the gap, (3) addressing of the gap, (4) evaluation, and (5) implementation. This instituted program helps ensure the continuity and viability of the business. Positions that are critical to the business have identified “Ready Now” and “Ready Later – Ready in 1-3 Years or Ready in 3-5 Years” replacements, which are reviewed periodically. Potential successors are subjected to Individual Development Plans, which are a combination of classroom training, cross-postings, immersions, and development assignments. Strategic workforce planning is also implemented annually to ensure that critical positions are filled up and that Talent Management 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 have adopted an age limit of 75 years old as a general rule for directors, patterned after that of our parent bank. Upon the recommendation of the Corporate Governance Committee, this age limit for directors may be waived by the Board if such a waiver is deemed to be the best interest of the Bank. Our independent directors may only serve as such for a maximum cumulative term of nine years from 2012, after which the independent director shall be perpetually barred from re-election, 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 years, the Board should provide meritorious justification/s and seek prior BSP’s approval as well as 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 our 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 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 by a majority vote of the Board at a different rate depending on our 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 Php3.00 per share per annum or Php0.75 per share per quarter, provided that these comply with the regulatory requirements of the SEC and the BSP. 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 2020 stood at PhP1.247 billion. Details are shown under Note 21 of the Audited Financial Statements section.

OUR GOVERNANCE EVALUATION

Every 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. Using scorecards, this exercise aims to gauge their effectiveness and determines the areas of improvement vis-à-vis set performance standards that are consistent with our 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”.

Our Corporate Governance Committee reviews the scorecard results, which are 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 continues to believe that corporate social responsibility awareness starts with small initiatives that produce a culture of concern when combined. These were the initiatives in 2020:

- **PSBayanihan.** PSBankers from around the country provided monetary donations, goods, and gave their time to fellow PSBankers and various communities. This employee initiative was launched in January 2020 after the Taal Volcano eruption. With a total of 10 donation dispatches that benefited 407 families or approximately 1,800 individuals from the towns of Balayan, Bauan, Calaca, Lemery, Padre Garcia, Ibaan, Santo Tomas, Agoncillo, and Batangas. Assistance was likewise given to 18 PSBankers, including security personnel and messenger-janitors, from the most severely hit towns of Taal, Calaca, and Lemery.

At the onset of the Enhanced Community Quarantine until the second half of the year, PSBayanihan benefited the Bank’s more than 800 security guards and messenger-janitors and their families. In partnership with iVolunteer Philippines, Inc., PSBayanihan also assisted five organizations, namely: Bikes for the Philippines; Cribs Foundation, Inc.; Citizens’ Disaster Response Center (CDRC); The Coalition of Services of the Elderly (COSE); and iVolunteer Philippines, Inc. It likewise helped Trails to Empower Kids (TREK), a regular partner for community outreach programs since 2015. In November 2020, the initiative helped 69 PSBankers and their families in Cagayan Valley, Bicol Region, CALABARZON, and the National Capital Region (NCR) who were affected by Typhoons Quinta, Rolly, and Ulysses.

- **Educational Assistance Program for indigent students.** PSBank believes in the important role education plays in nation building. Thus, it established an Educational Assistance Program with partner institutions – Chiang Kai Shek College (CKSC) and the Association of Chinese-Filipino Schools (ACFS) — to provide quality educational opportunities to talented but financially challenged students. For academic year 2020-2021, PSBank supported 10 college students taking up Engineering, Computer Science, Accountancy, and Marketing from CKSC and 28 grades 2- 12 students from 16 schools under ACFS during the first semester.

- Regular partnerships were sustained in 2020 with cause-oriented groups Resources for the Blind, Inc., World Vision Philippines, and Chosen Children Village Foundation, Inc.

- **Financial Education and Awareness Programs.** This continuing commitment to PSBank customers and the banking public continued through such social media campaigns such as Be Aware!, PSBankabulary, and *Simpleng Tanong, Simpleng Sagot*.

- **Commitment to Environment Conservation.** Through the Eco-Warriors Club, PSBankers were able to have recycling initiatives and #GreeningPSBank efforts through the Plant-me-a-Future campaign in 2020.

Health, Safety and Welfare of Employees

PSBank believes that integrating a strong Occupational Safety and Health (OSH) management with its business operations is paramount to ensuring confidence in the health, safety, and well-being of its employees and customers. In turning this belief into actions, the Bank takes charge of its responsibilities of identifying workplace hazards, creating and promoting risk control strategies, and establishing top management commitment that comes with systematic planning and implementation of effective OSH programs and policies.

In 2020, the Bank focused on strengthening its OSH initiatives especially in the advent of the COVID-19 pandemic. A ‘Workplace Safety Culture’ has been created where every PSBanker is trained to embrace that health is a personal responsibility and safety is always top of mind.

- **Occupational Safety and Health (OSH) Program.** The Bank launched its comprehensive Occupational Safety and Health (OSH) Program in 2020 to ensure Employee Well-being and Workplace Wellness. It likewise strengthened the OSH Committee (OSHCOM), with all members being certified as Safety Officers 2 for the first time in 2020.

- **24/7 Flu Management Team.** The Bank formed this action team at the onset of the Enhanced Community Quarantine in March 2020. It helped the Bank greatly save on the cost of an external COVID-19 management service provider. The team registered a 100% recovery rate for all those who tested positive in 2020. Among the success elements of this team are the following:

- 24/7 availability through Workplace/Workchat from Facebook, email, landline, or mobile
- COVID-19: Screening, Testing and Return to Work Clearance Procedures, which guide PSBankers on what to do every time they report to work from quarantine, travel, or leave
- Full visibility and digital access of employees on all COVID-19 announcements and advisories via Workplace/Workchat from Facebook. A total of 60 Health Advisories were released in 2020.
- Partnership with People Compliance team on implementing and monitoring adherence to PSBank's COVID-19 Health and Safety Protocols. Requests for Explanation Memos (REM) are being issued to violators. Sanctions are strictly implemented based on the established guidelines and the severity of the violation (e.g., non-wearing of mask, no physical distancing, non-submission of health declaration form).
- Automation of the Health Declaration Form via QR code and linking it to the Daily Attendance Record. Those with time-in entries but without a Health Declaration Form get an automated SMS to remind them of the required submission. Failure to submit results to REM issuance.
- Availability of online consultation for all PSBankers via TeleMed Hotline
- Full coordination with testing facilities for employees in Head Office and Branches, even those in provincial areas. Employees in the provinces are allowed to choose the nearest facility. Funds are transferred by the Flu Management team electronically to cover for the testing expenses.
- Psychological First Aid is provided to those on quarantine and those who tested positive. This is done through virtual consultations and counseling.

● **Mental Health Programs.** Advocating for overall well-being, the Bank also places special focus on the mental health of PSBankers through the following:

- Mind Over Matter: The Bank's primary program to support Mental Health was in full force the entire year.
- For the very first time, the Bank sought the help of a resident psychologist to attend to employees' mental health concerns.
- Regular call backs and counseling were given, not just to those who tested positive to COVID-19, but even to employees who lost loved ones or are experiencing increased anxiety and other mental health concerns.
- Aside from webinars on well-being, a regular Mental Health Advisory is released through the #SelfcareSunday initiative. A total of 37 Mental Health Advisories were posted in 2020.

● **PSBank Clinic.** A bigger and better clinic was inaugurated in 2020 to serve as the Bank's Wellness Center. Mandated to provide immediate healthcare, this serves as the first point of contact with a health professional and to address employees' needs for outpatient medical, nursing, and other types of care services. It also features lactation areas and rest and recovery rooms. The clinic is open daily during office hours and houses a dedicated physician and two nurses.

● **Emergency Preparedness.** PSBank is committed to maintaining a safe and secure workplace environment for its employees and customers. Part of this is to offer effective resources on emergency preparedness with the following course of actions:

- ❖ **Business Contingency Plan (BCP).** The Bank implements an annual BCP exercise to ensure that the organization is able to create a strong system of prevention and recovery from any threats, which also covers current operations. In 2020, 100% of PSBankers took the BCP Refresher Course.
- ❖ **Earthquake Drill.** The Bank conducted an earthquake drill that aims 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 December 2020, Head Office and Branch personnel performed the initial earthquake response of "duck-cover-hold."
- ❖ **Emergency Plan and Utility.** The Bank ensures that emergency and evacuation plans, along with emergency contact numbers, are posted in conspicuous places. In 2020, the Bank likewise utilized e-mail, Infochannel, and Workplace from Facebook in cascading updated information or announcements to employees.

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 2020, these were streamed online via Workplace from Facebook. Virtual Fellowships for other religious denominations also continued throughout the year.

Learning and Development

The Bank migrated its Learning and Development online through the e-PSBank Business Campus (e-PBC) which was anchored on the #NewNormalIsDigital principle. The e-PBC was transformed into a strategic business hub through non-stop learning and accelerated, targeted, and immersive programs. Through the digitization of learning, the Bank was able to save 70.2% of its training cost versus the previous year. Despite this, 2020 had the most number of curricular programs on record at 189.

- **The Bank's Learning Management System (LMS)** – Modular Object-Oriented Dynamic Learning Environment or MOODLE was launched in July 2020. PSBankers are now able to maximize self-paced and online learning through this system. MOODLE provides PSBankers an online educational

learning platform designed to give administrators, faculty, and learners with a single, robust, secure, and integrated system that allows the creation of personalized learning environments.

- **Ladderized Programs were strengthened for various teams in 2020** – Finance, Decision Management and Analytics, Information Technology, Information Security, Operations, Credit and Collections, Customer Experience and Human Resources. High-potential and high-performing rank-and-file staff took customized programs based on their specific curriculum. A total of 26 employees completed their courses and were promoted to junior officer in 2020 – the most number of ladderized program graduates on record.
- **Redefining Institutional Sales Efficiency (RISE)** – The Bank’s flagship program on sales also continued despite the pandemic. Sixteen PSBankers graduated in 2020.
- **Staff Professional Enhancement and Educational Development Accelerated Learning (SPEED AX-L)** - This management training program, initially intended only for future Branch Service and Control Officers (BSCOs), evolved to also produce Head Office-based Officers. Nineteen graduated in 2020.
- **New Accounts Clerk (NAC) Step Up** - for Branch Banking’s Customer Service Associates (CSAs). Twenty-seven completed the program in 2020.
- For the first time, all the **Bank’s regulatory training sessions registered 100% compliance**. All of these were done virtually: Anti-Money Laundering Act, Related Party Transactions, Information Technology Risk Assessment, Foreign Account Tax Compliance Act for Branch Banking, Financial Consumer Protection, and Business Continuity Plan.
- **Each PSBanker enrolled in at least three training programs** in 2020. All these were done by the e-PSBank Business Campus, enabling the Bank to reduce its budget by 70.2% (vs 2019) through MOODLE and other digitization initiatives.

Information Technology (IT) Training

In 2020 – because of the COVID-19 pandemic, the Bank migrated Learning and Development (L&D) online through the **e-PSBank Business Campus (e-PBC)** which was anchored on the **#NewNormalIsDigital** principle. The e-PBC was transformed into a strategic business hub through non-stop learning and accelerated, targeted, and immersive programs. Through the digitization of learning, the Bank was able to save 70.2% of its training cost versus the previous year – despite this, 2020 has the most number of offered curricular programs on record – at 189.

In order to continuously provide the Bank’s IT workforce with Industrial Revolution 4.0-relevant learning opportunities, they were among the priority learners for 2020. This was also intensified by the need to ensure the Bank’s Information Technology Group (ITG) remains a benchmark for industry leadership in IT – even in the New Normal.

The IT trainings with the most number of attendees were the following:

Cisco CCNA Network Fundamentals (Various Chapters):	54 participants
DevOps Essentials:	23 participants
Cyber Security 2020:	22 participants
Quality Management Essentials Simplified:	21 participants
Agile Crash Course: Agile Project Management: Agile Delivery:	20 participants
Introduction to ITIL 4:	19 participants
Project Management Fundamentals:	18 participants
Native React:	16 participants
Process Flowchart and Process Mapping – The Beginner’s Guide	16 participants
Cost of Quality Analysis and Reporting:	15 participants
ISO 9001: 2015 QMS Auditor Course:	14 participants

Introduction to Emotional Intelligence:

14 participants

Aside from the L&D programs designed and offered by e-PBC, ITG personnel – being advocates of continuous learning themselves also looked for external trainings, short courses, and training sessions applicable to their respective functions. They registered to a total of 209 of these programs in 2020.

e-PBC also collaborated with ITG in deploying the Bank’s Learning Management System – **Modular Object-Oriented Dynamic Learning Environment or MOODLE** in 2020. PSBankers are now able to maximize self-paced and online learning through this system. MOODLE provides PSBankers an online educational learning platform designed to give administrators, faculty, and learners with a single, robust, secure, and integrated system that allows the creation of personalized learning environments.

PHILIPPINE SAVINGS BANK
STATEMENTS OF CONDITION

	December			Amount	%	Amount	%
	2020	2019	2018	2020 vs 2019		2019 vs 2018	
ASSETS							
Cash and Other Cash Items	₱2,841,851,535	₱2,281,813,055	₱3,776,087,269	₱560,038,480	24.54%	₱ (1,494,274,214)	-39.57%
Due from Bangko Sentral ng Pilipinas	31,688,975,820	6,814,865,832	15,156,184,418	24,874,109,988	365.00%	(8,341,318,586)	-55.04%
Due from Other Banks	1,461,474,934	1,138,642,148	1,682,806,080	322,832,786	28.35%	(544,163,932)	-32.34%
Interbank Loans Receivable and Securities							
Purchased Under Resale Agreements	5,445,979,370	—	1,891,820,000	5,445,979,370	100%	(1,891,820,000)	-100%
Fair Value Through Profit or Loss (FVTPL)							
Investments	50,189	43,674	10,107,022	6,515	14.92%	(10,063,348)	-99.57%
Financial Assets at Fair Value Through Other							
Comprehensive Income (FVOCI)	10,059,232,805	4,775,388,467	12,931,601,524	5,283,844,338	110.65%	(8,156,213,057)	-63.07%
Investment Securities at Amortized Cost	13,735,999,138	34,233,974,816	35,646,765,264	(20,497,975,678)	-59.88%	(1,412,790,448)	-3.96%
Loans and Receivables	142,524,344,524	164,384,202,213	156,260,362,775	(21,859,857,689)	-13.30%	8,123,839,438	5.20%
Investment in a Joint Venture	705,476,563	755,781,369	691,425,681	(50,304,806)	-6.66%	64,355,688	9.31%
Property and Equipment	3,089,814,582	3,312,836,126	2,257,379,905	(223,021,544)	-6.73%	1,055,456,221	46.76%
Investment Properties	3,585,971,956	3,765,748,696	4,036,317,716	(179,776,740)	-4.77%	(270,569,020)	-6.70%
Deferred Tax Assets	2,091,140,847	1,398,136,782	1,327,667,084	693,004,065	49.57%	70,469,698	5.31%
Goodwill and Intangible Assets	441,143,119	480,456,498	655,446,833	(39,313,379)	-8.18%	(74,990,335)	-26.70%
Other Assets	1,742,146,857	1,564,931,514	1,405,320,467	177,215,343	11.32%	159,611,047	11.36%
	₱219,413,602,239	₱224,906,821,190	₱237,729,292,038	₱ (5,493,218,951)	-2.44%	₱(12,822,470,848)	-5.39%

(Forward)

			Amount	%	Amount	%	
	2020	2019	2018	2020 vs 2019	2019 vs 2018		
LIABILITIES AND EQUITY							
Liabilities							
Deposit Liabilities							
Demand	₱25,523,284,040	₱22,490,617,234	₱20,367,043,344	₱3,032,666,806	13.48%	₱2,123,573,890	10.43%
Savings	41,724,171,123	35,691,639,304	33,399,725,991	6,032,531,819	16.90%	2,291,913,313	6.86%
Time	91,791,490,829	105,912,878,349	138,525,888,196	(14,121,387,520)	-13.33%	(32,613,009,847)	-23.54%
Long-term Negotiable Certificates of Deposits	8,425,364,104	8,409,975,273	8,395,281,852	15,388,831	0.18%	14,693,421	0.18%
	167,464,310,096	172,505,110,160	200,687,939,383	(5,040,800,064)	-2.92%	(28,182,829,223)	-14.04%
Bills Payable	-	4,189,736,932	2,968,567,431	(4,189,736,932)	-100.00%	1,221,169,501	41.14%
Bonds Payable	10,902,456,911	6,254,701,780	-	4,647,755,131	74.31%	6,254,701,780	100.00%
Subordinated Notes	-	-	2,981,673,382	-	-	(2,981,673,382)	-100.00%
Treasurer's, Cashier's and Manager's Checks	531,318,419	1,297,680,147	1,615,520,188	(766,361,728)	-59.06%	(317,840,041)	-19.67%
Accrued Taxes, Interest and Other Expenses	1,782,919,802	1,409,451,987	2,014,522,713	373,467,815	26.50%	(605,070,726)	-30.04%
Financial Liabilities at FVTPL	-	-	2,895,073	-	-	(2,895,073)	-100.00%
Income Tax Payable	322,018,981	374,977	637,607	321,644,004	85777.00%	(262,630)	-41.19%
Other Liabilities	3,899,849,627	4,792,491,744	3,063,388,051	(892,642,117)	-18.63%	1,729,103,693	56.44%
	184,902,873,836	190,449,547,727	213,335,143,828	(5,546,673,891)	-2.91%	(22,885,596,101)	-10.73%
Equity							
Common Stock	4,268,594,160	3,831,094,160	2,402,524,910	437,500,000	11.42%	1,428,569,250	59.46%
Capital Paid in Excess of Par Value	11,418,563,257	9,287,650,873	2,818,083,506	2,130,912,384	22.94%	6,469,567,367	229.57%
Surplus Reserves	1,039,166,094	1,037,214,639	1,035,899,409	1,951,455	0.19%	1,315,230	0.13%
Surplus	18,555,539,349	21,269,544,274	19,391,850,112	(2,714,004,925)	-12.76%	1,877,694,162	9.68%
Fair Value Reserves on Financial Assets at FVOCI	13,058,180	(18,931,431)	(782,896,279)	31,989,611	168.98%	763,964,848	97.58%
Remeasurement Losses on Retirement Plan	(726,238,329)	(937,954,589)	(470,611,677)	211,716,260	22.57%	(467,342,912)	-99.31%
Equity in Remeasurement Gains on Retirement Plan of a Joint Venture	(1,285,176)	941,681	3,131,435	(2,226,857)	-236.48%	(2,189,754)	-69.93%
Equity in Hedge Reserves of a Joint Venture	(35,097,280)	-	-	(35,097,280)	-100.00%	-	-
Cumulative Translation Adjustment	(21,571,852)	(12,286,144)	(3,833,206)	(9,285,708)	-75.58%	(8,452,938)	-220.52%
	34,510,728,403	34,457,273,463	24,394,148,210	53,454,940	0.16%	10,063,125,253	41.25%
	₱219,413,602,239	₱224,906,821,190	₱237,729,292,038	₱ (5,493,218,951)	-2.44%	₱ (12,822,470,848)	-5.39%

PHILIPPINE SAVINGS BANK
STATEMENTS OF INCOME

	Years Ended December 31			Amount	%	Amount	%
	2020	2019	2018	2020 vs 2019		20 19 vs 2018	
INTEREST INCOME							
Loans and receivables	₱15,666,265,787	₱15,481,189,433	₱14,268,805,623	185,076,354	1.20%	1,212,383,810	8.50%
Financial assets at FVOCI/AFS investments and investment securities at amortized cost/HTM investments	1,298,471,798	1,896,257,446	1,985,357,651	(597,785,648)	-31.52%	(89,100,205)	-4.49%
Interbank loans receivable and securities purchased under resale agreements	85,056,319	30,140,459	89,723,370	54,915,860	182.20%	(59,582,911)	-66.41%
Due from other banks	1,178,094	4,066,446	4,338,859	(2,888,352)	-71.03%	(272,413)	-6.28%
Due from Bangko Sentral ng Pilipinas	221,893,610	831,792	16,662,587	221,061,818	26576.57%	(15,830,795)	-95.01%
FVTPL investments	45,039,478	2,152	9,088,886	45,037,326	2092812.55%	(9,086,734)	-99.98%
	17,317,905,086	17,412,487,728	16,373,976,976	(94,582,642)	-6.34%	1,830,200,176	12.58%
INTEREST EXPENSE							
Deposit liabilities	2,771,606,957	5,327,625,405	4,818,493,359	(2,556,018,448)	-47.98%	509,132,046	10.57%
Bills payable	110,397,939	319,718,630	55,857,635	(209,320,691)	-65.47%	263,860,995	472.38%
Bonds payable	583,408,268	167,596,354	-	415,811,914	248.10%	167,596,354	100.00%
Subordinated notes	-	125,118,285	167,675,686	(125,118,285)	-100.00%	(42,557,401)	-25.38%
Lease Liabilities	99,539,323	113,560,729	-	(14,021,406)	-12.35%	113,560,729	100.00%
	3,564,952,487	6,053,619,403	5,042,026,680	(2,488,666,916)	-41.11%	1,011,592,723	20.06%
NET INTEREST INCOME	13,752,952,599	11,358,868,325	11,331,950,296	2,394,084,274	21.08%	26,918,029	0.24%
Service fees and commission income	1,308,210,530	1,951,941,673	1,721,745,423	(643,731,143)	-32.98%	230,196,250	13.37%
Service fees and commission expense	50,825,805	88,437,296	96,107,664	(37,611,491)	-42.53%	(7,670,368)	-7.98%
NET SERVICE FEES AND COMMISSION INCOME	1,257,384,725	1,863,504,377	1,625,637,759	(606,119,652)	-32.53%	237,866,618	14.63%
OTHER OPERATING INCOME (CHARGES)							
Gain on disposal of investment securities at amortized cost	1,291,913,518	-	-	1,291,913,518	100.00%	-	0.00%
Gain on foreclosure and sale of investment properties - net	326,868,825	611,833,898	421,975,957	(284,965,073)	-46.58%	189,857,941	44.99%
Gain on foreclosure and sale of chattel mortgage properties - net	(458,776,805)	(84,902,195)	232,063,012	(373,874,610)	-440.36%	(316,965,207)	-136.59%
Trading and securities gains (losses) - net	354,430,046	223,992,445	(133,297,506)	130,437,601	58.23%	357,289,951	268.04%
Foreign exchange gain - net	27,217,634	65,884,165	88,032,388	(38,666,531)	-58.69%	(22,148,223)	-25.16%
Gain on sale of property and equipment	2,045,386	8,132,940	7,918,569	(6,087,554)	-74.85%	214,371	2.71%
Miscellaneous	15,466,028	554,897,890	624,299,435	(539,431,862)	-97.21%	(69,401,545)	-11.12%
	1,559,164,632	1,379,839,143	1,240,991,855	179,325,489	13.00%	138,847,288	11.19%
TOTAL OPERATING INCOME	₱16,569,501,956	₱14,602,211,845	₱14,198,579,910	₱1,967,290,111	13.47%	₱403,631,935	2.84%

(Forward)

	Years Ended December 31			Amount	%	Amount	%
	2020	2019	2018	2020 vs 2019		2019 vs 2018	
OTHER EXPENSES							
Compensation and fringe benefits	₱3,635,622,388	₱3,520,613,973	₱3,363,828,408	115,008,415	3.27%	156,785,565	4.7%
Provision for credit and impairment losses	6,397,259,386	2,214,989,857	2,137,972,532	4,182,269,529	188.82%	77,017,325	3.6%
Taxes and licenses	1,571,869,031	1,549,754,043	1,627,741,446	22,114,988	1.43%	(77,987,403)	-4.8%
Occupancy and equipment-related costs	363,406,183	322,330,030	763,766,590	41,076,153	12.74%	(441,436,560)	-57.8%
Depreciation	899,545,800	910,341,824	622,182,083	(10,796,024)	-1.19%	288,159,741	46.3%
Security, messengerial and janitorial services	438,391,419	453,062,842	493,737,524	(14,671,423)	-3.24%	(40,674,682)	-8.2%
Amortization of intangible assets	128,137,358	135,054,994	159,089,068	(6,917,636)	-5.12%	(24,034,074)	-15.1%
Miscellaneous	2,084,820,312	2,023,191,282	2,140,897,722	61,629,030	3.05%	(117,706,440)	-5.5%
	15,519,051,877	11,129,338,845	11,309,215,373	4,389,713,032	39.44%	(179,876,528)	-1.6%
INCOME BEFORE SHARE IN NET INCOME OF A JOINT VENTURE AND INCOME TAX							
	1,050,450,079	3,472,873,000	2,889,364,537	(2,422,422,921)	-69.75%	583,508,463	20.2%
SHARE IN NET INCOME OF A JOINT VENTURE	40,299,304	105,905,423	82,376,569	(65,606,119)	-61.95%	23,528,854	28.6%
INCOME BEFORE INCOME TAX	1,090,749,383	3,578,778,423	2,971,741,106	(2,488,029,040)	-69.52%	607,037,317	20.4%
PROVISION FOR (BENEFIT FROM) INCOME TAX							
Current	766,276,709	414,828,340	381,369,781	351,448,369	84.72%	33,458,559	8.8%
Deferred	(783,739,604)	135,612,443	(71,774,541)	(919,352,047)	-677.93%	207,386,984	288.9%
	(17,462,895)	550,440,783	309,595,240	(567,903,678)	-103.17%	240,845,543	77.8%
NET INCOME	₱1,108,212,278	₱3,028,337,640	₱2,662,145,866	₱(1,920,125,362)	-63.41%	₱366,191,774	13.8%
Basic/Diluted Earnings Per Share	₱2.6	₱7.21*	₱9.43*				

*Restated to show the effect of stock dividends in 2020.

Part III. Management Discussion and Analysis

A. Analysis of Statements of Condition

As of December 31, 2020 and 2019

The Bank's Total Assets as of December 31, 2020 stood at ₱219.41 billion, ₱5.49 billion lower than the December 2019 level of ₱224.91 billion.

Loans and Receivables, net of allowance and unearned interest and discounts, representing 64.96% of total assets were posted at ₱142.52 billion, lower by ₱21.86 billion from December 2019 level of ₱164.38 billion. Auto Loans and Mortgage Loans decreased by 16.40% and 3.64%, respectively.

As of December 31, 2020, Interbank Loans Receivable and Securities Purchased under Resale Agreements amounted to ₱5.45 billion.

Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) increased to ₱10.06 billion in December 2020, or ₱5.28 billion higher than the December 2019 level of ₱4.78 billion. Meanwhile, Investment securities at amortized cost amounted to ₱13.74 billion as of December 2020, 59.88% lower compared to December 2019 level of ₱34.23 billion. Fair Value through Profit or Loss Investments (FVTPL) amounted to ₱0.05 million in December 2020. Overall, these investment accounts comprised 10.84% of the total assets.

In 2020, the Bank sold investment securities classified as investment securities at amortized cost with total carrying amount of ₱19.6 billion resulting in gain on disposal of investment securities at amortized cost totalling ₱1.3 billion. The sale was made as there were changes in the Bank's funding requirements given its assessment on the impact of a prolonged pandemic. In aggregate, the sale in 2020 is not inconsistent with the Bank's HTC business model as the sale was considered infrequent even if significant in value. Accordingly, the remaining investment securities in the affected HTC portfolio continue to be measured at amortized cost. Further, the Bank assessed that the sale did not reflect a change in the Bank's objectives for the HTC business model.

Due from Other Banks as of December 2020 was at ₱1.46 billion, 28.35% or ₱322.83 million higher than the December 2019 level of ₱1.14 billion. Likewise, Cash and Other Cash Items also increased to ₱2.84 billion versus ₱2.28 billion in December 2019. Due from Bangko Sentral ng Pilipinas increased by ₱24.87 billion to ₱31.69 billion versus ₱6.81 billion as of December 2019.

Investment in a joint venture went down by ₱50.30 million to ₱705.48 million from ₱755.78 million in December 2019 due to cash dividend received by the Bank.

Investment Properties went down to ₱3.59 billion as of December 2020 from ₱3.77 billion in December 2019 due to sale of investment properties. Property and Equipment decreased by ₱223.02 million to ₱3.09 billion as of December 2020. Effective January 1, 2019, the Bank adopted PFRS 16, Leases. The adoption resulted to recognition of right of use asset under 'property and equipment' and lease liability under 'other liabilities' accounts.

Deferred Tax Asset was higher at ₱2.09 billion from ₱1.40 billion while Intangible Assets and Goodwill slightly decreased to ₱441.14 million in December 2020 from ₱480.46 million in December 2019. Other Assets increased by 11.32% or ₱177.22 million to ₱1.74 billion from ₱1.56 billion as of December 2019 mainly due to the increase in foreclosed chattel mortgage.

The Bank's deposit level, comprising 90.57% of total liabilities reached ₱167.46 billion as of December 2020, 2.92% lower than the ₱172.51 billion as of December 2019.

As of December 31, 2019, Bills Payable representing Interbank Borrowing and Securities Sold under Repurchase Agreement (SSURA) amounted to ₱4.19 billion.

The Bonds payables, net of debt issuance cost was recorded at ₱10.90 billion in December 2020, 74.31% or ₱4.65 billion higher than the year-end level of ₱6.25 billion.

On February 04, 2020, the Bank issued fixed rate bonds amounting to ₱4.65 billion with a tenor of three (3) years and due on February 4, 2023 with interest rate of 4.5% per annum payable quarterly.

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. On June 10, 2020, the Bank paid its outstanding MTFNs.

Treasurer's, Cashier's and Manager's Checks decreased to ₱0.53 billion from ₱1.30 billion last December 31, 2019. On the other hand, Accrued Taxes, Interest and Other Expenses increased by ₱373.47 million to ₱1.78 billion in December 2020 from ₱1.41 billion as of December 31, 2019. Lease Liabilities went down to ₱1.34 billion in December 2020 versus ₱1.47 billion recorded in December 2019 as the Bank adopted in January 2019 PFRS 16, Leases. Income Tax Payable in December 2020 stood at ₱322.02 million. Other Liabilities was posted at ₱2.56 billion from ₱3.33 billion as of December 2019.

Total Capital stood at ₱34.51 billion, ₱53.45 million higher from the ₱34.46 billion posted as of December 2019. The Bank reflected a ₱13.06 million Fair Value Reserves on Financial Assets at FVOCI from (₱18.93) million in December 2019.

On January 16, 2020, the Securities and Exchange Commission ("SEC") approved the stock dividend equivalent to 43,750,000 common share of PSBank with January 31, 2020 as record date and February 21, 2020 as payment date for the required subscription to the increase in capital stock of the Bank from ₱4.25 billion to ₱6.00 billion.

Return on Average Equity (ROAE) slid to 3.21% in December 2020 versus 10.29% in December 2019. Return on Average Assets (ROAA) decreased to 0.50% in 2020 from 1.31% in 2019.

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 recognition of deferred tax benefits from loan loss provisioning during the year.

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 primarily due to better Fair Value Reserves on Financial Assets at FVOCI amounted to (₱18.93) million and (₱782.90) million as of December 2019 and 2018, respectively.

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. 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.

As of December 31, 2019 Capital adequacy Ratio (CAR) was at 17.76%. This is above the minimum regulatory requirement of 10%.

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.

B. Discussion of Results of Operations

For the years ended December 31, 2020 and 2019

The Bank posted a Net Income after Tax of ₱1.11 billion as of December 2020 or ₱1.92 billion lower compared to the same period last year. The decrease in net income is due to higher provision for credit and impairment losses in 2020.

Total Interest Income recorded in 2020 amounted to ₱ 17.32 billion.

Interest income on Loans and Receivables was 1.20% higher at ₱15.67 billion from ₱15.48 billion. Interest earned from Interbank Loans Receivable and SPURA increased to ₱85.06 million or ₱54.92 million better than the ₱30.14 million posted in 2019.

Interest income from Financial Assets at FVOCI and Investment securities at amortized cost went down to ₱1.30 billion in 2020 from ₱1.90 billion. Meanwhile, Interest income from FVTPL investments stood at ₱45.04 million in 2020.

Interest earned from deposits with BSP increased to ₱221.89 million from ₱0.83 million in 2019. On the other hand, interest income from other banks decreased by 71.03% to ₱1.18 million in 2020.

Interest Expense on the Bank's deposit liabilities decreased by 47.98% to ₱2.77 billion from ₱5.33 billion. Interest Expense on Bills payable declined to ₱110.40 million or 65.47% lower from ₱319.72 million last year. On the other hand, Interest Expense on Bonds payable increased to ₱583.41 million or ₱415.81 million higher from ₱167.60 million in 2019.

On February 04, 2020, the Bank issued fixed rate bonds amounting to ₱4.65 billion with a tenor of three (3) years and due on February 4, 2023 with interest rate of 4.5% per annum payable quarterly.

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. On June 10, 2020, the Bank paid its outstanding MTFNs.

Interest expense incurred on Subordinated (Tier 2) notes amounted to ₱125.1 million in 2019 and nil in 2020.

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.

The Bank recognized interest expense on lease liabilities (included in 'Interest expense' in the statements of income) amounting to ₱99.54 million and ₱113.56 million in 2020 and 2019, respectively. Prior to adoption of PFRS 16, rentals charged against profit or loss under these lease contracts are included in 'Occupancy and equipment-related costs'.

As of December 2020, Net interest Income improved to ₱13.75 billion from ₱11.36 billion in 2019.

Net Service Fees and Commission Income decreased to ₱1.26 billion, 32.53% lower from the ₱1.86 billion recorded last year.

Meanwhile, Other Operating Income increased by 13.00% or ₱179.33 million to ₱1.56 billion due to higher trading gains recorded during 2020. The Bank reflected a ₱1.29 billion Gain on disposal of investment securities at amortized cost and ₱354.43 million trading and securities gains in 2020.

In 2020, the Bank sold investment securities classified as investment securities at amortized cost with total carrying amount of ₱19.6 billion resulting in gain on disposal of investment securities at amortized cost

totalling ₱1.3 billion. The sale was made as there were changes in the Bank's funding requirements given its assessment on the impact of a prolonged pandemic. In aggregate, the sale in 2020 is not inconsistent with the Bank's HTC business model as the sale was considered infrequent even if significant in value. Accordingly, the remaining investment securities in the affected HTC portfolio continue to be measured at amortized cost. Furthermore, the Bank assessed that the sale did not reflect a change in the Bank's objectives for the HTC business model.

The Bank registered a net loss on foreclosure and sale of chattel mortgage amounting to ₱458.78 million from ₱84.90 million in 2019. As of December 2020, the Bank posted a ₱326.87 million gains on foreclosure and sale of investment properties versus ₱611.83 million a year-ago. Gain on sale of property and equipment decreased by ₱6.09 million to ₱2.05 million from year-ago level of ₱8.13 million. Miscellaneous Income was lower by ₱539.43 million to ₱15.47 million.

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act ("Bayanihan 1 Act") was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act ("Bayanihan 2 Act"), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges. Total modification loss due to the modified cash flow resulting from the extension of the client's loan term recognized in the statement of income under 'Miscellaneous income' amounted to ₱426.52 million.

Foreign Exchange gain was posted at ₱27.22 million from ₱65.88 million recorded a year ago.

Other Operating Expenses, excluding provision for impairment and credit losses, increased by 2.33% to ₱9.12 billion from ₱8.91 billion in 2019. Taxes and Licenses went up by ₱22.11 million or 1.43% to ₱1.57 billion from ₱1.55 billion. Depreciation and amortization of Bank's properties and leasehold improvements decreased from ₱910.34 million to ₱899.55 million. Meanwhile, amortization of software costs was recorded at ₱128.14 million. Compensation and Fringe Benefits amounted to ₱3.64 billion while security, messengerial and janitorial services was at ₱438.39 million. Miscellaneous Expenses was registered at ₱2.08 billion versus ₱2.02 billion during the same period last year.

As of December 2020, the Bank set aside ₱6.40 billion in provision for impairment and credit losses.

The Bank also reported share in net income from its investment in Sumisho Motor Finance Corporation (SMFC) amounting to ₱40.30 million from ₱105.91 million as of December 2019.

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 a result of an increase from 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. 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 financial assets at FVOCI/AFS investments and investment securities at amortized cost/HTM investments went up to ₱1.99 billion from ₱1.77 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 income from FVTPL declined by 82.03% or ₱41.48 million to ₱9.09 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 ₱3.0 billion Unsecured Subordinated (Tier 2) Notes issued in 2012 last February 2017.

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

As of December 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% or ₱763.77 million to ₱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.

C. Analysis of Key Performance Indicators

		2020	2019	2018
Return on Average Assets	ROAA	0.50%	1.31%	1.15%
Return on Average Equity	ROAE	3.21%	10.29%	11.38%
Net Interest Margin on				
Average Earning Assets	NIM	7.26%	5.82%	5.79%
Debt-Equity Ratio	DER	5.36:1	5.53:1	8.75:1
Asset-to-Equity Ratio	AER	6.36:1	6.53:1	9.75:1
Interest Rate Coverage Ratio	IRCR	1.31:1	1.59:1	1.59:1
Liquidity/Current Ratio	LR	43.60%	19.70%	23.47%
Capital-to-Risk Assets Ratio	CAR	19.42%	17.76%	13.88%
Earnings per share	EPS	₱2.60	₱7.21*	₱9.43*

*Restated to show the effect of stock dividends in 2020

2020 vs. 2019 Comparative highlights on key performance indicators

1. Return on Average Assets (ROAA) decreased to 0.50% in 2020 from 1.31% in 2019. ROAA is calculated by dividing the net income by the year-on-year average of the outstanding total assets.
2. Return on Average Equity (ROAE) decreased from 10.29% in 2019 to 3.21% in 2020. 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.
3. Net Interest Margin on Average Earning Assets (NIM) went up to 7.26% in 2020 from 5.82% in 2019. NIM is calculated by dividing the net interest income by the average earning assets.
4. Debt-to-Equity Ratio (DER) decreased to at 5.36:1 as of December 31, 2020 versus 5.53:1 as of December 31, 2019. DER measures the Bank's financial leverage. This is computed by dividing total liabilities by total stockholder's equity.
5. Asset-to-Equity Ratio (AER) decreased to 6.36:1 in 2020 versus 6.53:1 in 2019. AER is computed by dividing the total assets by total shareholder's equity.
6. Interest Rate Coverage Ratio (IRCR) was at 1.31:1 as of December 31, 2020 and 1.59:1 as of December 31, 2019. 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.
7. Liquidity Ratio (LR) increased in 2020 at 43.60% compared to 19.70% in 2019. LR measures the Bank's ability to meet its short-term liabilities. It is derived from dividing the current assets by current liabilities.
8. Capital-to-Risk Assets Ratio (CAR) increased from 17.76% to 19.42% in 2020. 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).
9. Earnings per Share (EPS) decreased to ₱2.60 in 2020 from ₱7.21 in 2019. 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, 2019 and December 31, 2018 was restated to show the effect of stock dividends issued in 2020.

2019 vs 2018 Comparative highlights on key performance indicators

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.

7. 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.

8. 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).

9. Earnings per Share (EPS) decreased to ₱7.21 in 2019 from ₱9.43 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 dividends issued in January 2020.

2018 vs. 2017 Comparative highlights on key performance indicators

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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).

9. Earnings per Share (EPS) stood at ₱9.43* 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 years ended December 31, 2018 was restated to show the effect of stock dividends issued in January 2020.

D. 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 2020.

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:

	2020	2019	2018
Trust department accounts	₱8,611,155,604	₱6,981,353,030	₱6,400,841,134
Swap forward exchange - sold	-	50,635,000	2,602,710,000
Stand-by credit lines	41,781,859	84,000,000	70,500,000
Late deposits/payments received	9,521,669	9,521,669	9,521,669
Items held for safekeeping	563,320	455,693	296,024
Others	550,492	488,280	124,429

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 2020 included expenses for the upgrade of bank premises and 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, 2020. 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.

Information on Independent Accountant and Other Related Matters

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, 2020 and 2019 for professional services rendered by SGV & Co for the audit of the Bank's annual financial statements.

	2020	2019
Audit and Audit-Related Fees:	₱5,097,165*	₱4,815,000*
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements		

*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, 2020, 2019 and 2018 amounted to ₱35,000, ₱1,481,200 and ₱1,030,000, respectively.

In 2020, 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 ₱221,760, ₱266,112 and ₱891,352 for 2020, 2019 and 2018, 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:

Committee Members	Position	Attendance	%
EDUARYDO A. SAHAGUN <i>Independent Director</i>	Chairperson	13/13	100%
SAMSON C. LIM <i>Independent Director</i>	Member	13/13	100%
JOSE T. PARDO <i>Independent Director</i>	Member	12/13	92%
ATTY. EMMA B. CO <i>Chief Audit Executive</i>	Secretary	13/13	100%

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	5	5	5	2					
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COMPANY NAME

P	H	I	L	I	P	P	I	N	E		S	A	V	I	N	G	S		B	A	N	K					

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

P	S	B	a	n	k		C	e	n	t	e	r	,		7	7	7		P	a	s	e	o		d	e		R	o
x	a	s		c	o	r	n	e	r		S	e	d	e	ñ	o		S	t	r	e	e	t	,		M	a	k	a
t	i		C	i	t	y																							

Form Type

A	A	F	S
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Department requiring the report

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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address <input style="width: 90%; height: 20px;" type="text"/>	Company's Telephone Number <input style="width: 90%; height: 20px; text-align: center;" type="text" value="8885-8208"/>	Mobile Number <input style="width: 90%; height: 20px;" type="text"/>
No. of Stockholders <input style="width: 90%; height: 20px; text-align: center;" type="text" value="1,453"/>	Annual Meeting (Month / Day) <input style="width: 90%; height: 20px; text-align: center;" type="text" value="04/21"/>	Fiscal Year (Month / Day) <input style="width: 90%; height: 20px; text-align: center;" type="text" value="12/31"/>

CONTACT PERSON INFORMATION

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

Name of Contact Person <input style="width: 90%; height: 20px;" type="text" value="Leah M. Zamora"/>	Email Address <input style="width: 90%; height: 20px;" type="text" value="LMZamora@psbank.com.ph"/>	Telephone Number/s <input style="width: 90%; height: 20px;" type="text" value="(632) 8845-8816"/>	Mobile Number <input style="width: 90%; height: 20px;" type="text"/>
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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.



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, 2020 and 2019 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, 2020, 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, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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.

Adequacy of allowance for credit losses on loans and receivables

The Bank's application of the expected credit loss model in calculating the allowance for credit losses on loans and receivables is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Bank's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality, taking into account extension of payment terms and payment holidays provided as a result of the coronavirus pandemic; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset and expected recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information (called overlays), including the impact of the coronavirus pandemic, in calculating ECL.



Allowance for credit losses on loans and receivables as of December 31, 2020 amounted to ₱7.5 billion. Provision for credit losses of the Bank in 2020 amounted to ₱6.4 billion.

The disclosures related to the allowance for credit losses on loans and receivables are included in Note 15 to the financial statements.

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) assessed the Bank's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place; (c) tested the Bank's application of internal credit risk rating system, including the impact of the coronavirus pandemic on the borrowers, by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the Bank's records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations, and the effects of any financial support and credit enhancements provided by any party; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) checked the reasonableness of forward-looking information used for overlay, including considerations to overlay for the impact of the coronavirus pandemic, through statistical test and corroboration using publicly available information and our understanding of the Bank's lending portfolios and broader industry knowledge; and (h) tested the effective interest rate used in discounting the expected loss.

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

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

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

Recognition of deferred tax assets

As of December 31, 2020, the net deferred tax assets amounted to ₱2.1 billion. The recognition of deferred tax assets is significant to our audit because the assessment process is complex and judgmental, and is based on assumptions such as availability of future taxable income and the timing of the reversal of the temporary differences that are affected by expected future market or economic conditions and the expected performance of the Bank. The estimation uncertainty increased, as a result of the effect of coronavirus pandemic, on the macroeconomic factors used in developing the assumptions.

The disclosures in relation to deferred income taxes are included in Note 27 to the financial statements.



Audit response

We involved our internal specialists in interpreting the tax regulations, testing the temporary differences identified by the Bank and the applicable tax rate. We also reperfomed the calculation of the deferred tax assets. We reviewed the management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We evaluated management's forecast by comparing the loan portfolio and deposit growth rates to the historical performance of the Bank and the industry, taking into consideration the impact associated with coronavirus pandemic. We also reviewed the timing of the reversal of future taxable and deductible temporary differences.

Accounting for disposals of investment securities under a hold-to-collect business model

In 2020, the Bank disposed investment securities managed under the hold-to-collect (HTC) business model with aggregate carrying amount of ₱19.6 billion. The disposals resulted in a gain of ₱1.3 billion. Investment securities held under a hold-to-collect business model, which are classified as 'Investment securities at amortized cost', are managed to realize cash flows by collecting contractual payments over the life of the instrument.

The accounting for the disposals is significant to our audit because the amounts involved are material (58.6% of the total investment securities at amortized cost and 7.6% of the total operating income of the Bank). Moreover, it involves the exercise of significant judgment by management in assessing that the disposals are consistent with the HTC business model and that it would not impact the measurement of the remaining securities in the affected portfolios.

The disclosures related to the disposals of investment securities are included in Note 8 to the financial statements.

Audit response

We obtained an understanding of the Bank's objectives for disposals of investment securities at amortized cost through inquiries with management and review of approved internal documentations, including governance over the disposals. We evaluated management's assessment of the impact of the disposals on the affected portfolio/s in reference to the Bank's business models and relevant risk management policies, and the provisions of the relevant accounting standards and regulatory issuances. We also reviewed the calculation of the gains on the disposals and the measurement of the remaining securities in the affected portfolios.

We reviewed the disclosures related to the disposals based on the requirements of PFRS 7, *Financial Instruments: Disclosures* and Philippine Accounting Standard 1, *Presentation of Financial Statements*.

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.

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, 2020, 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, 2020 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.

Reports on the Supplementary Information Required Under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 and 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 BSP Circular No. 1074 in Note 36 and Revenue Regulations 15-2010 in Note 37 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Parent Company. 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 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. 8534216, January 4, 2021, Makati City

February 18, 2021



PHILIPPINE SAVINGS BANK
STATEMENTS OF CONDITION

	December 31	
	2020	2019
ASSETS		
Cash and Other Cash Items	₱2,841,851,535	₱2,281,813,055
Due from Bangko Sentral ng Pilipinas (Notes 7 and 16)	31,688,975,820	6,814,865,832
Due from Other Banks (Note 29)	1,461,474,934	1,138,642,148
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (Note 7)	5,445,979,370	–
Fair Value Through Profit or Loss (FVTPL) Investments (Note 8)	50,189	43,674
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) (Note 8)	10,059,232,805	4,775,388,467
Investment Securities at Amortized Cost (Note 8)	13,735,999,138	34,233,974,816
Loans and Receivables (Note 9)	142,524,344,524	164,384,202,213
Investment in a Joint Venture (Notes 10 and 29)	705,476,563	755,781,369
Property and Equipment (Note 11)	3,089,814,582	3,312,836,126
Investment Properties (Note 12)	3,585,971,956	3,765,748,696
Deferred Tax Assets (Note 27)	2,091,140,847	1,398,136,782
Intangible Assets and Goodwill (Note 13)	441,143,119	480,456,498
Other Assets (Note 14)	1,742,146,857	1,564,931,514
	₱219,413,602,239	₱224,906,821,190
LIABILITIES AND EQUITY		
Liabilities		
Deposit Liabilities (Note 16)		
Demand	₱25,523,284,040	₱22,490,617,234
Savings	41,724,171,123	35,691,639,304
Time	91,791,490,829	105,912,878,349
Long-term Negotiable Certificates of Deposits	8,425,364,104	8,409,975,273
	167,464,310,096	172,505,110,160
Bills Payable (Note 17)	–	4,189,736,932
Bonds Payable (Note 17)	10,902,456,911	6,254,701,780
Treasurer's, Cashier's and Manager's Checks	531,318,419	1,297,680,147
Accrued Taxes, Interest and Other Expenses (Note 18)	1,782,919,802	1,409,451,987
Income Tax Payable	322,018,981	374,977
Other Liabilities (Note 19)	3,899,849,627	4,792,491,744
	₱184,902,873,836	₱190,449,547,727
Equity		
Common Stock (Note 21)	₱4,268,594,160	₱3,831,094,160
Capital Paid in Excess of Par Value (Note 21)	11,418,563,257	9,287,650,873
Surplus Reserves (Note 30)	1,039,166,094	1,037,214,639
Surplus (Note 21)	18,555,539,349	21,269,544,274
Fair Value Reserves on Financial Assets at FVOCI (Note 8)	13,058,180	(18,931,431)
Remeasurement Losses on Retirement Plan (Note 24)	(726,238,329)	(937,954,589)
Equity in Remeasurement Gains on Retirement Plan of a Joint Venture (Note 10)	(1,285,176)	941,681
Equity in Hedge Reserves of a Joint Venture (Note 10)	(35,097,280)	–
Cumulative Translation Adjustment	(21,571,852)	(12,286,144)
	34,510,728,403	34,457,273,463
	₱219,413,602,239	₱224,906,821,190

See accompanying Notes to Financial Statements.



PHILIPPINE SAVINGS BANK
STATEMENTS OF INCOME

	Years Ended December 31		
	2020	2019	2018
INTEREST INCOME			
Loans and receivables (Note 9)	₱15,666,265,787	₱15,481,189,433	₱14,268,805,623
Financial assets at FVOCI and investment securities at amortized cost (Note 8)	1,298,471,798	1,896,257,446	1,985,357,651
Due from Bangko Sentral ng Pilipinas (Note 7)	221,893,610	831,792	16,662,587
Interbank loans receivable and securities purchased under resale agreements (Note 7)	85,056,319	30,140,459	89,723,370
FVTPL investments (Note 8)	45,039,478	2,152	9,088,886
Due from other banks	1,178,094	4,066,446	4,338,859
	17,317,905,086	17,412,487,728	16,373,976,976
INTEREST EXPENSE			
Deposit liabilities (Note 16)	2,771,606,957	5,327,625,405	4,818,493,359
Bonds payable (Note 17)	583,408,268	167,596,354	–
Bills payable (Note 17)	110,397,939	319,718,630	55,857,635
Lease liabilities (Note 25)	99,539,323	113,560,729	–
Subordinated notes (Note 17)	–	125,118,285	167,675,686
	3,564,952,487	6,053,619,403	5,042,026,680
NET INTEREST INCOME			
	13,752,952,599	11,358,868,325	11,331,950,296
Service fees and commission income (Note 22)	1,308,210,530	1,951,941,673	1,721,745,423
Service fees and commission expense (Note 22)	50,825,805	88,437,296	96,107,664
NET SERVICE FEES AND COMMISSION INCOME			
	1,257,384,725	1,863,504,377	1,625,637,759
OTHER OPERATING INCOME (CHARGES)			
Gain on disposal of investment securities at amortized cost (Note 8)	1,291,913,518	–	–
Gain (loss) on foreclosure and sale of chattel mortgage properties – net (Note 14)	(458,776,805)	(84,902,195)	232,063,012
Trading and securities gains (losses) - net (Note 8)	354,430,046	223,992,445	(133,297,506)
Gain on foreclosure and sale of investment properties - net (Note 12)	326,868,825	611,833,898	421,975,957
Foreign exchange gain - net	27,217,634	65,884,165	88,032,388
Gain on sale of property and equipment (Note 11)	2,045,386	8,132,940	7,918,569
Miscellaneous (Notes 12, 23 and 25)	15,466,028	554,897,890	624,299,435
	1,559,164,632	1,379,839,143	1,240,991,855
TOTAL OPERATING INCOME			
	16,569,501,956	14,602,211,845	14,198,579,910
OTHER EXPENSES			
Provision for credit and impairment losses (Note 15)	6,397,259,386	2,214,989,857	2,137,972,532
Compensation and fringe benefits (Notes 24 and 29)	3,635,622,388	3,520,613,973	3,363,828,408
Taxes and licenses	1,571,869,031	1,549,754,043	1,627,741,446
Depreciation (Note 11)	899,545,800	910,341,824	622,182,083
Security, messengerial and janitorial services	438,391,419	453,062,842	493,737,524
Occupancy and equipment-related costs (Note 25)	363,406,183	322,330,030	763,766,590
Amortization of intangible assets (Note 13)	128,137,358	135,054,994	159,089,068
Miscellaneous (Notes 12 and 26)	2,084,820,312	2,023,191,282	2,140,897,722
	₱15,519,051,877	₱11,129,338,845	₱11,309,215,373

(Forward)



	Years Ended December 31		
	2020	2019	2018
INCOME BEFORE SHARE IN NET INCOME OF A JOINT VENTURE AND INCOME TAX	₱1,050,450,079	₱3,472,873,000	₱2,889,364,537
SHARE IN NET INCOME OF A JOINT VENTURE (Notes 10 and 29)	40,299,304	105,905,423	82,376,569
INCOME BEFORE INCOME TAX	1,090,749,383	3,578,778,423	2,971,741,106
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	766,276,709	414,828,340	381,369,781
Deferred	(783,739,604)	135,612,443	(71,774,541)
	(17,462,895)	550,440,783	309,595,240
NET INCOME	₱1,108,212,278	₱3,028,337,640	₱2,662,145,866
Basic/Diluted Earnings Per Share (Note 28)	₱2.60	₱7.21*	₱9.43*

*Restated to show the effect of stock dividends in 2020.

See accompanying Notes to Financial Statements.



PHILIPPINE SAVINGS BANK
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
NET INCOME	₱1,108,212,278	₱3,028,337,640	₱2,662,145,866
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items that recycle to profit or loss in subsequent periods:</i>			
Equity in hedge reserves of a joint venture	(35,097,280)	–	–
Fair value reserves on debt securities at FVOCI (Note 8)	33,528,337	762,418,992	(713,972,048)
Cumulative translation adjustment	(9,285,708)	(8,452,938)	242,833
	(10,854,651)	753,966,054	(713,729,215)
<i>Items that do not recycle to profit or loss in subsequent periods:</i>			
Remeasurement gains (losses) on retirement plan (Note 24)	302,451,800	(667,632,731)	106,829,806
Equity in remeasurement gains (losses) on retirement plan of a joint venture (Note 10)	(2,226,857)	(2,189,754)	1,886,291
Fair value reserves on equity securities at FVOCI (Note 8)	(1,538,726)	1,545,856	222,501
Income tax effect (Note 27)	(90,735,540)	200,289,819	(32,048,942)
	207,950,677	(467,986,810)	76,889,656
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	197,096,026	285,979,244	(636,839,559)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	₱1,305,308,304	₱3,314,316,884	₱2,025,306,307

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)	Equity in Hedge Reserves of a Joint Venture (Note 10)	Cumulative Translation Adjustment	Total
Balance at January 1, 2020	₱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
Total comprehensive income	-	-	-	1,108,212,278	31,989,611	211,716,260	(2,226,857)	(35,097,280)	(9,285,708)	1,305,308,304
(loss) for the year	-	-	-	(1,247,765,748)	-	-	-	-	-	(1,247,765,748)
Cash dividends (Note 21)	-	-	-	(2,572,500,000)	-	-	-	-	-	(4,087,616)
Stock dividends (Note 21)	437,500,000	2,130,912,384	-	-	-	-	-	-	-	-
Appropriation of surplus to trust business (Note 30)	-	-	1,951,455	(1,951,455)	-	-	-	-	-	-
Balance at December 31, 2020	₱4,268,594,160	₱11,418,563,257	₱1,039,166,094	₱18,555,539,349	₱13,058,180	(₱726,238,329)	(₱1,285,176)	(₱35,097,280)	(₱21,571,852)	₱34,510,728,403
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	-	-	-	3,028,337,640	763,964,848	(467,342,912)	(2,189,754)	-	(8,452,938)	3,314,316,884
(loss) for the year	-	-	-	(1,149,328,248)	-	-	-	-	-	(1,149,328,248)
Cash dividends (Note 21)	-	-	-	-	-	-	-	-	-	-
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	₱17,450,958,227	(₱69,146,732)	(₱545,392,541)	₱1,245,144	-	(₱4,076,039)	₱23,089,599,376
Total comprehensive income	-	-	-	2,662,145,866	(713,749,547)	74,780,864	1,886,291	-	242,833	2,025,306,307
(loss) for the year	-	-	-	(720,757,473)	-	-	-	-	-	(720,757,473)
Cash dividends (Note 21)	-	-	-	-	-	-	-	-	-	-
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

See accompanying Notes to Financial Statements.



PHILIPPINE SAVINGS BANK
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,090,749,383	₱3,578,778,423	₱2,971,741,106
Adjustments to reconcile income before income tax to net cash provided by operations:			
Provision for credit and impairment losses (Note 15)	6,397,259,386	2,214,989,857	2,137,972,532
Depreciation (Note 11)	899,545,800	910,341,824	622,182,083
Loss on modification of loans (Note 9)	426,517,396	-	-
Amortization of premium (discount) on financial assets at fair value through other comprehensive income and investment securities at amortized cost	615,127,658	1,038,248,791	(565,582,794)
Loss (Gain) on foreclosure and sale of:			
Investment properties (Note 12)	(326,868,825)	(611,833,898)	(421,975,957)
Chattel mortgage properties (Note 14)	458,776,805	84,902,195	(232,063,012)
Amortization of:			
Intangible assets (Note 13)	128,137,358	135,054,994	159,089,068
Debt issuance costs (Note 17)	50,742,829	51,072,480	12,466,263
Accretion of lease liabilities (Note 25)	99,539,323	113,560,729	-
Realized loss (gain) on sale of financial assets at fair value through other comprehensive income (FVOCI) and amortized cost (Note 8)	(1,539,974,948)	(224,424,552)	92,278,733
Share in net income of a joint venture (Note 10)	(40,299,304)	(105,905,423)	(82,376,569)
Fair value loss (gain) on fair value through profit or loss investments (Note 8)	(6,515)	(9,784)	16,941,771
Gain on sale of property and equipment (Note 11)	(2,045,386)	(8,132,940)	(7,918,569)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Fair value through profit or loss investments	-	7,178,059	1,512,257,295
Loans and receivables	11,007,355,325	(13,941,308,215)	(15,682,534,934)
Other assets	151,134,047	9,737,244	(177,995,072)
Increase (decrease) in:			
Deposit liabilities	(5,045,415,314)	(28,187,004,930)	11,765,973,830
Treasurer's, cashier's and manager's checks	(766,361,728)	(317,840,041)	(598,349,515)
Accrued taxes, interest and other expenses	373,461,470	(415,997,141)	356,099,813
Other liabilities	(465,493,094)	(338,670,707)	(500,120,437)
Cash generated from (used in) operations	13,511,881,666	(36,007,263,035)	1,378,085,635
Income taxes paid	(444,632,705)	(415,090,970)	(381,107,451)
Dividends received from joint venture investment (Note 10)	53,279,973	39,359,981	-
Net cash provided by (used in) operating activities	13,120,528,934	(36,382,994,024)	996,978,184
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of:			
Financial assets at FVOCI	(35,207,966,479)	(1,924,784,626)	(6,318,566,676)
Property and equipment (Note 11)	(159,221,567)	(124,268,752)	(182,350,588)
Other intangible assets (Note 13)	(97,105,773)	(44,356,459)	(99,611,845)
Investment securities at amortized cost	-	-	(1,863,449,350)
Proceeds from sale/maturities of:			
Financial assets at FVOCI (Note 8)	30,339,350,378	10,879,133,032	4,919,018,184
Investment securities at amortized cost	21,033,629,069	557,776,500	-
Chattel mortgage properties (Note 14)	2,857,721,303	2,688,067,819	2,346,032,425
Investment properties (Note 12)	698,999,099	1,276,797,669	701,479,408
Property and equipment (Note 11)	29,795,939	47,736,237	45,609,973
Net cash provided by (used in) investing activities	19,495,201,969	13,356,101,420	(451,838,469)
CASH FLOWS FROM FINANCING ACTIVITIES			
Settlement of bills payable (Note 32)	(9,171,495,000)	(381,298,646,855)	(86,365,497,487)
Availments of bills payable (Note 32)	4,971,495,000	382,498,646,855	87,840,542,536
Issuance of bonds payable (Note 17 and 32)	4,607,275,370	6,243,125,419	-
Dividends paid (Note 21)	(1,247,765,748)	(1,149,328,248)	(720,757,473)
Payment of lease liabilities (Notes 25 and 32)	(455,173,090)	(439,476,020)	-
Issuance of stock dividends (Note 21)	(4,087,616)	-	-
Issuance of stock rights (Note 21)	-	7,898,136,617	-
Settlement of subordinated notes (Note 17 and 32)	-	(3,000,000,000)	-
Net cash provided by (used in) financing activities	(1,299,751,084)	10,752,457,768	754,287,576
Effect of exchange rate differences	(327,675)	(180,999)	6,116
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	₱31,315,652,144	(₱12,274,615,835)	₱1,299,433,407

(Forward)



	Years Ended December 31		
	2020	2019	2018
CASH AND CASH EQUIVALENTS AT BEGINNING 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 – gross (Note 16)	6,816,092,181	15,159,012,316	15,265,387,772
Due from other banks – gross	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
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	2,841,851,535	2,281,813,055	3,776,087,269
Due from Bangko Sentral ng Pilipinas – gross (Note 16)	31,689,964,554	6,816,092,181	15,159,012,316
Due from other banks – gross	1,575,447,188	1,139,685,267	1,685,106,753
Interbank loans receivable and securities purchased under resale agreements (Note 7)	5,445,979,370	–	1,892,000,000
	₱41,553,242,647	₱10,237,590,503	₱22,512,206,338
OPERATIONAL CASH FLOWS FROM INTEREST			
Interest paid	₱3,684,720,812	₱6,468,552,306	₱4,669,014,050
Interest received	15,585,904,814	18,507,292,047	15,413,717,174

See accompanying Notes to Financial Statements.



PHILIPPINE SAVINGS BANK

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, 2020 and 2019, the Bank had 250 branches. In 2020, the Bank had 266 Automated Teller Machines (ATMs) in the branches (on-site) and 269 in other locations (off-site) bringing its total number of ATMs to 535 as of December 31, 2020 and 557 as of December 31, 2019

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, 2020 and 2019, Metropolitan Bank & Trust Company (MBTC), the Bank's ultimate parent, owned eighty-eight percent (88%) of the Bank.

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 for the adoption of new standards effective as at January 1, 2020. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Bank.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Bank enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

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

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

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



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

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

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 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 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.

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).

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 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. 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;
- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement;
- the Bank has transferred its rights to receive cash flows from the asset 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.

Modification of financial assets

The Bank derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Bank considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered "solely payment for principal and interest"

The Bank also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Bank considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Bank recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows



discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Financial liabilities

A financial liability (or a part of a financial liability) is derecognized when the obligation under the liability is discharged, 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 or a part of it are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Exchange or modification of financial liabilities

The Bank considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When 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. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Bank recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

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

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.

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 repriced. 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.

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

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 Right-of-use 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.

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.

Impairment of Non-financial Assets

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.

Common Stock

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.

Revenue Recognition

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.

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVOCI 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.

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.

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.

Gain on disposal of investments securities at amortized cost

Gain on disposal of investment securities at amortized cost represents gain realized from sale of peso-denominated debt securities measured at amortized cost.

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, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Bank shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Bank is not required to restate prior periods

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

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

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.



- Amendments to PAS 16 , *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Bank.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Bank will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRS Standards 2018–2020 Cycle*
- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Bank.

- Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Bank will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Bank.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.



An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Bank.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Bank is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- 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, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes 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.

(d) *Evaluation of business model in managing financial assets*

The Bank manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

In determining the classification of a financial instrument under PFRS 9, the Bank developed business models which reflect how it manages its portfolio of financial instruments. The Bank's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument). The Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank.

In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect (HTC) business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

In 2020, the Bank sold investment securities classified as investment securities at amortized cost with total carrying amount of ₱19.6 billion resulting in gain on disposal of investment securities at amortized cost totaling ₱1.3 billion. The sale was made as there were changes in the Bank's funding requirements given its assessment on the impact of a prolonged pandemic. In aggregate, the sale in 2020 is not inconsistent with the Bank's HTC business model as the sale was considered infrequent even if significant in value. Accordingly, the remaining investment securities in the affected HTC portfolio continue to be measured at amortized cost. Further, the Bank assessed that the sale did not reflect a change in the Bank's objectives for the HTC business model.



Estimates and Assumptions

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. In 2020, the Bank's effected anticipatory credit downgrades for portfolios belonging to industries heavily affected by the COVID-19 pandemic situation.
- 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. In 2020, review of the ECL parameters led to the modification of the Bank's LGD parameters to account for the reduced recovery experienced during the COVID-19 pandemic situation.
- 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. In 2020, the Bank initiated a revision in the probability weights to reflect the negative economic outlook brought about by the pandemic.

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.

(e) *Recognition of deferred tax assets*

Deferred tax assets are recognized for all unused tax and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The Bank have considered the impact of the COVID-19 pandemic on future taxable income and on the recognition of deferred tax assets. The recognized net deferred assets and unrecognized deferred tax assets for the Bank are disclosed in Note 27.

(f) *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% in 2020 and 2019.

Equity investments - Fair values are based on quoted prices published in markets.

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 5.00% to 41.76% and from 5.58% to 30.26% in 2020 and 2019, 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 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	
	2020	2019
Bills payable	-	3.94% to 7.07%
Bonds payable	4.50% to 5.60%	5.60%
Time deposits	0.13% to 6.00%	0.25% to 6.00%



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 2.68% to 5.14% in 2020 and from 3.89% to 5.56% in 2019.

The inputs used in the fair value measurement based on Level 2 are as follows:

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, 2020				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets measured at fair value:					
Financial Assets					
FVTPL investments					
HFT - government securities	₱50	₱50	₱-	₱-	₱50
Financial assets at FVOCI					
Government debt securities	7,093,132	7,093,123	9	-	7,093,132
Private debt securities	2,955,869	2,737,316	218,553	-	2,955,869
Equity securities	10,232	9,060	1,172	-	10,232
	₱10,059,283	₱9,839,549	₱219,734	₱-	₱10,059,283
Assets for which fair values are disclosed:					
Financial Assets					
Investment securities at amortized cost					
Government	₱11,107,727	₱12,009,243	₱322,323	₱-	₱12,331,566
Private	2,628,272	1,674,355	1,027,597	-	2,701,952
Loans and receivables					
Receivables from customers					
Consumption loans	74,803,191	-	-	86,436,050	86,436,050
Real estate loans	49,402,438	-	-	43,990,487	43,990,487
Commercial loans	10,361,220	-	-	10,905,233	10,905,233
Personal loans	2,436,079	-	-	2,686,415	2,686,415
Sales contract receivable	25,354	-	-	24,208	24,208
Security deposits	201,235	-	-	269,567	269,567
Non-Financial Assets					
Investment properties	3,585,972	-	-	5,641,461	5,641,461
	₱154,551,488	₱13,683,598	₱1,349,920	₱149,953,421	₱164,986,939
Liabilities for which fair values are disclosed:					
Deposit liabilities - time	₱91,791,491	₱-	₱-	₱93,447,388	₱93,447,388
Deposit liabilities - LTNCD	8,425,364	-	-	8,965,224	8,965,224
Bonds payable	10,902,457	-	-	11,014,431	11,014,431
Lease liability	1,342,395	-	-	1,553,866	1,553,866
	₱112,461,707	₱-	₱-	₱114,980,909	₱114,980,909



	December 31, 2019				Total
	Carrying Value	Level 1	Level 2	Level 3	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	-	-	103,955,304	103,955,304
Real estate loans	52,115,714	-	-	44,605,358	44,605,358
Commercial loans	13,460,577	-	-	13,676,033	13,676,033
Personal loans	3,129,085	-	-	3,192,832	3,192,832
Sales contract receivable	42,225	-	-	40,982	40,982
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	₱171,522,356	₱206,444,339
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

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, 2020 and 2019, 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, 2020 and 2019, 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 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.

In March 2020, the World Health Organization (WHO) declared the coronavirus (COVID-19) a pandemic outbreak. To prevent the spread of the virus, governments were forced to impose lockdowns, travel restrictions and border closures which had a catastrophic impact in the global economy. Under PFRS 9, impairment allowances have a forward-looking component and thus must take into account forecasted economic conditions. In response to the dramatic change in the economic outlook due to the COVID-19 pandemic, the Bank undertook a reassessment exercise of the ECL parameters. Recalibrated probability weights for the forward looking multiple economic scenarios and actual recovery levels during the pandemic were imputed into the ECL models. These enhancements aim to ensure that provisions for credit losses are sufficient and robust.



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):

2020				
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Due from other banks	₱1,461,474	₱3,639,230	₱201,120	₱1,260,354
Receivables from customers				
Consumption loans	74,803,191	99,062,218	2,219,214	72,583,977
Real estate loans	49,402,238	69,888,779	13,080,835	36,321,603
Commercial loans	10,361,220	6,873,087	7,648,100	2,713,120
Other receivables				
Accrued interest receivable	3,808,108	2,164,656	1,643,452	2,164,656
Sales contract receivable	25,354	83,426	1,830	23,524
Total credit exposure	₱139,861,585	₱181,711,396	₱24,794,551	₱115,067,234
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

An analysis of the maximum credit risk exposure relating to financial assets under Stage 3 as of December 31, 2020 and 2019 is shown below:

2020				
	Carrying Amount	Fair Value of Collateral	Maximum Exposure to Credit Risk	Financial Effect of Collateral or Credit Enhancement
Receivables from customers				
Consumption loans	₱4,232,285	₱8,678,162	₱2,883	₱4,229,402
Real estate loans	2,629,000	3,810,174	677,760	1,951,240
Commercial loans	482,740	428,773	246,013	236,727
Other receivables				
Accrued interest receivable	524,771	654,033	-	524,771
Sales contract receivable	21,412	74,133	331	21,081
Total credit exposure	₱7,890,208	₱13,645,275	₱926,987	₱6,963,221
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



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, 2020 and 2019.

Concentration of risk is managed by borrower, by group of borrowers, by geographical region and by industry sector. As of December 31, 2020 and 2019, the maximum credit exposure to any borrower, before taking into account any collateral or other credit enhancement amounted to ₱1.0 billion and ₱1.9 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):

	2020				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Luzon	₱128,307,060	₱38,711,391	₱23,817,729	₱254,755	191,090,935
Visayas	10,430,384				10,430,384
Mindanao	11,306,645				11,306,645
	150,044,089	38,711,391	23,817,729	254,755	212,827,964
Less allowance for credit and impairment losses	7,519,744	114,961	22,447		7,657,152
Total	₱142,524,345	₱38,596,430	₱23,795,282	₱254,755	₱205,170,812

* Composed of due from BSP and 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 ₱41.8 Million

	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, due from other banks

** 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 ₱84.04 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, 2020 and 2019 (in thousands):

	2020				
	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	₱86,934,485	₱-	₱-	₱-	₱86,934,485
Real estate activities	46,103,857	-	-	-	46,103,857
Financial and insurance activities	2,857,267	38,711,391	23,817,729	212,973	65,599,360
Wholesale and retail trade; repair of motor vehicles and motorcycles	2,407,121	-	-	-	2,407,121
Electricity, gas, steam and air-conditioning supply	1,793,815	-	-	-	1,793,815
Transportation and storage	980,657	-	-	-	980,657
Manufacturing	681,869	-	-	-	681,869
Construction	674,066	-	-	22,000	696,066
Administrative and support service activities	579,402	-	-	-	579,402
Information and communication	540,381	-	-	-	540,381
Accommodation and food service activities	320,009	-	-	-	320,009
Human health and social work activities	195,083	-	-	-	195,083
Water supply, sewage, waste management and remediation activities	43,315	-	-	-	43,315
Education	146,876	-	-	-	146,876
Professional, scientific and technical services	159,974	-	-	-	159,974
Arts, entertainment and recreation	92,510	-	-	-	92,510
Agricultural, forestry and fishing	105,281	-	-	-	105,281
Mining and quarrying	18,100	-	-	-	18,100
Other service activities	5,410,021	-	-	19,782	5,429,803
	150,044,089	38,711,391	23,817,729	254,755	212,827,964
Less allowance for credit and impairment losses	7,519,744	114,961	22,447	-	7,657,152
Total	₱142,524,345	₱38,596,430	₱23,795,282	₱254,755	₱205,170,812

* Composed of due from BSP and 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 ₱41.8 million.

	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, 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.



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.

Standard Grade (ICRS Rating 5 - 6)

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.

Substandard Grade (ICRS Rating 7 - 8)

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, 2020 and 2019 follows (in thousands):

	2020						Total
	Stage 1		Stage 2		Stage 3	POCI	
	Individual	Collective	Individual	Collective			
Consumption Loans:							
High Grade	₱-	₱51,220,909	₱-	₱17,069,262	₱-	₱-	₱68,290,171
Standard Grade	-	436,864	-	1,335,983	-	-	1,772,847
Sub-standard Grade	-	-	-	622,339	-	-	622,339
Past due but not Impaired	-	-	-	2,240,490	-	-	2,240,490
Non-performing Individually Impaired	-	-	-	-	5,574,364	-	5,574,364
	-	51,657,773	-	21,268,074	5,574,364	-	78,500,211
Real Estate Loans:							
High Grade	-	31,025,062	-	13,141,037	-	-	44,166,099
Standard Grade	-	275	-	1,792,499	-	-	1,792,774
Sub-standard Grade	-	-	-	295,714	-	-	295,714
Past due but not Impaired	-	-	-	1,144,782	-	-	1,144,782
Non-performing Individually Impaired	-	-	-	-	3,016,169	-	3,016,169
	-	31,025,337	-	16,374,032	3,016,169	-	50,415,538
Commercial Loans:							
High Grade	-	8,341,313	-	1,097,091	-	-	9,438,404
Standard Grade	-	94,539	-	574,671	-	-	669,210
Sub-standard Grade	-	-	-	100,215	-	-	100,215
Past due but not Impaired	-	-	-	89,114	-	-	89,114
Non-performing Individually Impaired	-	-	-	-	758,188	-	758,188
	-	8,435,852	-	1,861,091	758,188	-	11,055,131
Personal Loans:							
High Grade	-	707,529	-	1,154,114	-	-	1,861,643
Standard Grade	-	13,688	-	261,403	-	-	275,091
Sub-standard Grade	-	2,978	-	389,973	-	-	392,951
Past due but not Impaired	-	-	-	19,697	-	-	19,697
Non-performing Individually Impaired	-	-	-	-	626,190	-	626,190
	-	724,195	-	1,825,187	626,190	-	3,175,572

(Forward)



	2020						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Total Receivables from Customer:							
High Grade	-	91,294,813	-	32,461,504	-	-	123,756,317
Standard Grade	-	545,366	-	3,964,556	-	-	4,509,922
Sub-standard Grade	-	2,978	-	1,408,241	-	-	1,411,219
Past due but not Impaired	-	-	-	3,494,083	-	-	3,494,083
Non-performing Individually Impaired	-	-	-	-	9,974,911	-	9,974,911
	P=	P91,843,157	P=	P41,328,384	P9,974,911	P=	P143,146,452
	2019						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Consumption Loans:							
High Grade	P=	P79,374,254	P=	P5,066,818	P=	P=	P84,441,072
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
	P=	P133,456,123	P=	P24,740,640	P5,917,095	P=	P164,113,858

The credit quality of other receivables, gross of allowance for credit losses, as of December 31, 2020 and 2019 follows (in thousands):

	2020						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Accrued Interest Receivable:							
High Grade	P=	P2,374,534	P=	P938,880	P=	P=	P3,313,414
Standard Grade	-	15,711	-	110,109	-	-	125,820
Sub-standard Grade	-	29	-	61,613	-	-	61,642
Past due but not Impaired	-	-	-	131,141	-	-	131,141
Non-performing Individually Impaired	-	-	-	-	967,920	-	967,920
	-	2,390,274	-	1,241,743	967,920	-	4,599,937
Accounts Receivable:							
High Grade	-	1,359,593	-	266,448	-	-	1,626,041
Standard Grade	-	5,059	-	30,194	-	-	35,253
Sub-standard Grade	-	-	-	12,848	-	-	12,848
Past due but not Impaired	-	-	-	39,923	-	-	39,923

(Forward)



	2020						POCI	Total
	Stage 1		Stage 2		Stage 3			
	Individual	Collective	Individual	Collective				
Non-performing Individually Impaired	-	-	-	-	553,230	-	553,230	
	-	1,364,652	-	349,413	553,230	-	2,267,295	
Sales Contract Receivable:								
High Grade	-	3,945	-	-	-	-	3,945	
Standard Grade	-	-	-	-	-	-	-	
Sub-standard Grade	-	-	-	-	-	-	-	
Past due but not Impaired	-	-	-	-	-	-	-	
Non-performing Individually Impaired	-	-	-	-	21,864	-	21,864	
	-	3,945	-	-	21,864	-	25,809	
Bills Purchased:								
High Grade	-	4,596	-	-	-	-	4,596	
Standard Grade	-	-	-	-	-	-	-	
Sub-standard Grade	-	-	-	-	-	-	-	
Past due but not Impaired	-	-	-	-	-	-	-	
Non-performing Individually Impaired	-	-	-	-	-	-	-	
	-	4,596	-	-	-	-	4,596	
Total Other Receivables:								
High Grade	-	3,742,668	-	1,205,328	-	-	4,947,996	
Standard Grade	-	20,770	-	140,303	-	-	161,073	
Sub-standard Grade	-	29	-	74,461	-	-	74,490	
Past due but not Impaired	-	-	-	171,064	-	-	171,064	
Non-performing Individually Impaired	-	-	-	-	1,543,014	-	1,543,014	
	₱-	₱3,763,467	₱-	₱1,591,156	₱1,543,014	₱-	₱6,897,637	

	2019						POCI	Total
	Stage 1		Stage 2		Stage 3			
	Individual	Collective	Individual	Collective				
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	-	1,340,815	-	11,097	-	-	1,351,912	
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	-	-	-	-	499,383	-	499,383	
	-	1,375,342	-	26,585	499,383	-	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	
Total Other Receivables:								
High Grade	₱-	₱2,811,138	₱-	₱145,103	₱-	₱-	₱2,956,241	
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	-	-	980,064	-	980,148	
	₱-	₱2,908,797	₱-	₱313,389	₱980,064	₱-	₱4,202,250	



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, 2020 and 2019 follows (in thousands):

	2020						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Other Financial Assets							
High Grade	P-	P-	P-	P-	P-	P-	P-
Standard Grade	-	254,755	-	-	-	-	254,755
Sub-standard Grade	-	-	-	-	-	-	-
Past due but not Impaired	-	-	-	-	-	-	-
Non-performing Individually Impaired	-	-	-	-	-	-	-
Total	P-	254,755	-	-	-	-	254,755

	2019						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Other Financial Assets							
High Grade	P-	P-	P-	P-	P-	P-	P-
Standard Grade	-	298,231	-	-	-	-	298,231
Sub-standard Grade	-	-	-	-	-	-	-
Past due but not Impaired	-	-	-	-	-	-	-
Non-performing Individually Impaired	-	-	-	-	-	-	-
Total	P-	P298,231	P-	P-	P-	P-	P298,231

Movements of receivables from customers as of December 31, 2020 and 2019 follow (in thousands):

	2020						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Consumption Loans							
Balance as of January 1, 2020	P-	P79,398,166	P-	P11,609,867	P3,217,461	P-	P94,225,494
New assets originated	-	17,078,503	-	42,185	-	-	17,120,688
Assets derecognized or repaid	-	(26,019,116)	-	(4,935,631)	(1,144,915)	-	(32,099,662)
Amounts written off	-	-	-	-	(746,309)	-	(746,309)
Transfers to Stage 1	-	564,353	-	(508,945)	(55,408)	-	-
Transfers to Stage 2	-	(16,677,607)	-	16,986,609	(309,002)	-	-
Transfers to Stage 3	-	(2,686,526)	-	(1,926,011)	4,612,537	-	-
Balance at December 31, 2020	-	51,657,773	-	21,268,074	5,574,364	-	78,500,211
Real Estate Loans							
Balance as of January 1, 2020	-	41,049,925	-	9,557,057	1,872,205	-	52,479,187
New assets originated	-	4,117,313	-	39,147	-	-	4,156,460
Assets derecognized or repaid	-	(4,493,599)	-	(1,395,102)	(247,083)	-	(6,135,784)
Amounts written off	-	-	-	-	(84,325)	-	(84,325)
Transfers to Stage 1	-	1,204,764	-	(1,126,708)	(78,056)	-	-
Transfers to Stage 2	-	(9,872,502)	-	10,374,189	(501,687)	-	-
Transfers to Stage 3	-	(980,564)	-	(1,074,551)	2,055,115	-	-
Balance at December 31, 2020	-	31,025,337	-	16,374,032	3,016,169	-	50,415,538
Commercial Loans							
Balance as of January 1, 2020	-	12,184,437	-	1,132,470	369,079	-	13,685,986
New assets originated	-	4,225,129	-	29,174	21,756	-	4,276,059
Assets derecognized or repaid	-	(6,764,528)	-	(129,759)	-	-	(6,894,287)
Amounts written off	-	-	-	-	(12,627)	-	(12,627)
Transfers to Stage 1	-	62,308	-	(53,278)	(9,030)	-	-
Transfers to Stage 2	-	(1,013,744)	-	1,032,085	(18,341)	-	-
Transfers to Stage 3	-	(257,750)	-	(149,601)	407,351	-	-
Balance at December 31, 2020	-	8,435,852	-	1,861,091	758,188	-	11,055,131
Personal Loans							
Balance as of January 1, 2020	-	823,595	-	2,441,246	458,350	-	3,723,191
New assets originated	-	196,552	-	494,254	98,852	-	789,658
Assets derecognized or repaid	-	(258,947)	-	(846,781)	-	-	(1,105,728)
Amounts written off	-	-	-	(104)	(231,445)	-	(231,549)
Transfers to Stage 1	-	96,952	-	(96,393)	(559)	-	-
Transfers to Stage 2	-	(117,307)	-	121,739	(4,432)	-	-
Transfers to Stage 3	-	(16,650)	-	(288,774)	305,424	-	-
Balance at December 31, 2020	-	724,195	-	1,825,187	626,190	-	3,175,572
Total Receivable from Customer							
Balance at January 1, 2020	-	133,456,123	-	24,740,640	5,917,095	-	164,113,858
New assets originated	-	25,617,497	-	604,760	120,608	-	26,342,865
Assets derecognized or repaid	-	(37,536,190)	-	(7,307,273)	(1,391,998)	-	(46,235,461)
Amounts written off	-	-	-	(104)	(1,074,706)	-	(1,074,810)
Transfers to Stage 1	-	1,928,377	-	(1,785,324)	(143,053)	-	0
Transfers to Stage 2	-	(27,681,160)	-	28,514,622	(833,462)	-	(0)
Transfers to Stage 3	-	(3,941,490)	-	(3,438,937)	7,380,427	-	-
Balance at December 31, 2020	P-	P91,843,157	P-	P41,328,384	P9,974,911	P-	P143,146,452



	2019						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
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
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

Movements of other receivables as of December 31, 2020 and 2019 follow (in thousands):

	2020						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Accrued Interest Receivable							
Balance as of January 1, 2020	₱-	₱1,501,735	-	₱286,804	₱460,955	₱-	₱2,249,494
New assets originated	-	703,055	-	2,357,153	472,593	-	3,532,801
Assets derecognized or repaid	-	(262,412)	-	(891,385)	(28,561)	-	(1,182,358)
Amounts written off	-	-	-	-	-	-	-
Transfers to Stage 1	-	1,137,420	-	(820,476)	(316,944)	-	-
Transfers to Stage 2	-	(44,242)	-	357,006	(312,764)	-	-
Transfers to Stage 3	-	(645,282)	-	(47,359)	692,641	-	-
Balance at December 31, 2020	-	2,390,274	-	1,241,743	967,920	-	4,599,937
Sales Contract Receivable							
Balance at January 1, 2020	-	22,921	-	-	19,726	-	42,647
New assets originated	-	-	-	-	-	-	-
Assets derecognized or repaid	-	(1,056)	-	-	(15,782)	-	(16,838)
Amounts written off	-	-	-	-	-	-	-
Transfers to Stage 1	-	3,945	-	-	(3,945)	-	-
Transfers to Stage 2	-	-	-	-	-	-	-
Transfers to Stage 3	-	(21,865)	-	-	21,865	-	-
Balance at December 31, 2020	-	3,945	-	-	21,864	-	25,809
Total Other Receivables							
Balance at January 1, 2020	-	1,524,656	-	286,804	480,681	-	2,292,141
New assets originated	-	703,055	-	2,357,153	472,593	-	3,532,801
Assets derecognized or repaid	-	(263,468)	-	(891,385)	(44,343)	-	(1,199,196)

(Forward)



	2020							Total
	Stage 1		Stage 2		Stage 3	POCI		
	Individual	Collective	Individual	Collective				
Amounts written off	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-
Transfers to Stage 1	-	1,141,365	-	(820,476)	(320,889)	-	-	-
Transfers to Stage 2	-	(44,242)	-	357,006	(312,764)	-	-	-
Transfers to Stage 3	-	(667,147)	-	(47,359)	714,506	-	-	-
Balance at December 31, 2020	₱-	₱2,394,219	₱-	₱1,241,743	₱989,784	₱-	₱4,625,746	

	2019							Total
	Stage 1		Stage 2		Stage 3	POCI		
	Individual	Collective	Individual	Collective				
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	

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, 2020 and 2019 the following tables show the credit quality of loans and advances to banks (in thousands).

	2020						Total
	Stage 1		Stage 2		Stage 3	POCI	
	Individual	Collective	Individual	Collective			
Due from BSP							
High Grade	₱31,689,965	-	-	-	-	-	₱31,689,965
Due from other banks							
High Grade	1,575,447	-	-	-	-	-	1,575,447
Total Loans and Advances to Banks							
High Grade	₱33,265,412	-	-	-	-	-	₱33,265,412

	2019						Total
	Stage 1		Stage 2		Stage 3	POCI	
	Individual	Collective	Individual	Collective			
Due from BSP							
High Grade	₱6,816,092	₱-	₱-	₱-	₱-	₱-	₱6,816,092
Due from other banks							
High Grade	1,139,685	-	-	-	-	-	1,139,685
Total Loans and Advances to Banks							
High Grade	₱7,955,777	₱-	₱-	₱-	₱-	₱-	₱7,955,777

As of December 31, 2020 and 2019, the following table shows the credit quality of the Bank's investment securities (in thousands):

	2020						Total
	Stage 1		Stage 2		Stage 3	POCI	
	Individual	Collective	Individual	Collective			
FVTPL – Government Debt Securities							
High Grade	₱50	₱-	₱-	₱-	₱-	₱-	₱50
FVTPL – Derivative Asset							
High Grade	-	-	-	-	-	-	-
	50	-	-	-	-	-	50
FVOCI – Government Debt Securities							
High Grade	7,093,132	-	-	-	-	-	7,093,132
	7,093,132	-	-	-	-	-	7,093,132
yFVOCI – Private Debt Securities							
Standard Grade	2,955,869	-	-	-	-	-	2,955,869
	2,955,869	-	-	-	-	-	2,955,869
Investment Securities at Amortized Cost							
Government Debt Securities							
High Grade	11,115,902	-	-	-	-	-	11,115,902
	11,115,902	-	-	-	-	-	11,115,902
Investment Securities at Amortized Cost							
Private Debt Securities							
Standard Grade	2,642,544	-	-	-	-	-	2,642,544
	2,642,544	-	-	-	-	-	2,642,544
Total Investment Securities							
High Grade	18,209,084	-	-	-	-	-	18,209,084
Standard Grade	5,598,413	-	-	-	-	-	5,598,413
	₱23,807,497	-	-	-	-	-	₱23,807,497



	2019							Total
	Stage 1		Stage 2		Stage 3	POCI		
	Individual	Collective	Individual	Collective				
FVTPL – Government Debt Securities								
High Grade	P44	P-	P-	P-	P-	P-		P44
FVTPL – Derivative Asset								
High Grade	-	-	-	-	-	-		-
	44	-	-	-	-	-		44
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
	P39,023,161	P-	P-	P-	P-	P-		P39,023,161

All of the Bank's loan commitments and financial guarantees amounting to P41.8 million and P84.0 million as of December 31, 2020 and 2019, 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, 2020 and 2019, an analysis by past due status of receivables from customers wherein the SICR is based only on the past due information is as follows:

	2020					
	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	₱924,127	₱2,091,203	₱631,221	₱1,157,703	₱3,074,401	₱7,878,655
Real estate loans	848,587	1,159,972	268,275	532,054	1,531,130	4,340,018
Commercial loans	865,217	125,668	90,676	61,573	332,496	1,475,630
Personal loans	255,260	24,277	16,164	97,700	344,168	737,569
Total	₱2,893,191	₱3,401,120	₱1,006,336	₱1,849,030	₱5,282,195	₱14,431,872

	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

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, 2020		December 31, 2019	
	Peso	USD	Peso	USD
Year-end	4	-	1	-
Average	4,978	-	2	-
High	27,431	-	2	-
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.

	2020		2019	
	Change in basis points	Sensitivity of equity	Change in basis points	Sensitivity of equity
Currency				
PHP	+10	(₱6,872,062)	+10	(₱11,182,809)
USD	+10	(908,854)	+10	(988,516)
Currency				
PHP	-10	6,890,109	-10	11,232,671
USD	-10	913,361	-10	994,210

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.

	2020		2019	
	Change in basis points	Sensitivity of NII	Change in basis points	Sensitivity of NII
Currency				
PHP	+10	(₱7,785,315)	+10	(₱52,113,451)
USD	+10	(9,288,433)	+10	(9,332,602)
Currency				
PHP	-10	7,785,315	-10	52,113,451
USD	-10	9,288,433	-10	9,332,602



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):

	2020 ¹	2019 ¹
As of year-end	₱848	₱978
Average	900	751
High	1,627	1,326
Low	2	8

¹Using METRISK Historical Simulation VaR

The table below summarizes the Bank's exposure to foreign exchange risk as of December 31, 2020 and 2019. Included in the table are the Bank's assets and liabilities at carrying amounts (in thousands):

	2020	2019
Assets		
Cash	\$822	\$1,080
Due from other banks	18,939	1,463
Financial assets at FVOCI	4,551	8,818
Investment at amortized cost	251,384	259,332
Other assets	10,394	10,872
Total assets	286,090	281,565
Liabilities		
Deposit liabilities		
Savings	55,857	52,619
Time	222,463	224,198
Other liabilities	1,088	2,675
Total liabilities	279,408	279,492
Net exposure	\$6,682	\$2,073

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):

	2020							Total
	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	
Financial Assets								
Financial assets at FVOCI								
Government securities	P-	P4,000	P10	P1,826	P1,284	P7,120	P1	P7,121
Private securities	-	1	699	216	92	1,008	2,362	3,370
Quoted equity securities	-	-	-	-	-	-	10	10
Investment securities at amortized cost								
Government bonds	-	10	25	24	303	362	14,000	14,362
Private securities	-	1	7	839	48	895	2,094	2,989
Loans and receivables								
Loans and advances to banks	-	-	-	-	-	-	-	-
Due from BSP	5,493	26,207	-	-	-	31,700	-	31,700
Due from other banks	1,575	-	-	-	-	1,575	-	1,575
Interbank loans receivable and SPURA	-	5,447	-	-	-	5,447	-	5,447
Receivables from customers								
Consumption loans	2	2,326	4,735	7,244	16,164	30,471	65,565	96,036
Real estate loans	88	601	1,624	2,420	4,749	9,482	67,052	76,534
Commercial loans	1,278	1,215	981	1,074	1,662	6,210	6,871	13,081
Personal loans	157	121	397	647	1,303	2,625	756	3,381
Other receivables								
Accrued interest receivable	3,132	489	196	143	450	4,410	190	4,600
Accounts receivable	1,538	167	43	8	20	1,776	492	2,268
Sales contract receivable	21	2	0	0	0	23	2	25
Bills purchased	5	-	-	-	-	5	-	5
Other assets								
Security deposits	-	1	2	2	15	20	182	202
RCOCI	12	-	-	-	-	12	-	12
Overages	-	-	-	-	-	-	-	-
	P13,301	P40,588	P8,719	P14,443	P26,090	P103,141	P159,577	P262,718
Financial Liabilities								
Deposit liabilities								
Demand	P25,523	P-	P-	P-	P-	P25,523	P-	P25,523
Savings	41,724	-	-	-	-	41,724	-	41,724
Time	-	57,709	13,994	3,522	2,667	77,892	15,555	93,447
LTNCD	-	29	63	93	185	370	8,940	9,310
	67,247	57,738	14,057	3,615	2,852	145,509	24,495	170,004
Bills payable								
Treasurer's, cashier's and manager's checks	531	-	-	-	-	531	-	531
Bonds payable	-	38	87	146	6,300	6,571	4,910	11,481
Accrued interest payable	-	-	163	-	101	264	-	264
Accrued other expenses payable	-	1,161	193	-	165	1,519	-	1,519
Other liabilities								
Accounts payable	2,073	-	-	-	-	2,073	-	2,073
Lease liability	-	37	72	106	197	412	1,190	1,602
Other credits	179	-	-	-	-	179	-	179
Bills purchased - contra	5	-	-	-	-	5	-	5
Due to Treasurer of the Philippines	20	-	-	-	-	20	-	20
Deposit for keys	1	-	-	-	-	1	-	1
Payment order payable and overages	2	-	-	-	-	2	-	2
	P70,058	P58,974	P14,572	P3,867	P9,615	P157,086	P30,595	P187,681



	2019							Total
	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	
Financial Assets								
Financial assets at FVOCI								
Government securities	P-	P61	P3	P865	P83	P1,012	P1,123	P2,135
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	-	2,641	5,373	8,246	18,184	34,444	81,745	116,189
Real estate loans	72	601	1,524	2,417	5,259	9,873	69,746	79,619
Commercial loans	182	732	1,562	1,604	3,103	7,183	9,389	16,572
Personal loans	107	112	366	757	1,778	3,120	901	4,021
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
	P9,585	P5,364	P9,263	P14,227	P31,996	P70,435	P208,708	P279,143
Financial Liabilities								
Deposit liabilities								
Demand	P22,491	P-	P-	P-	P-	P22,491	P-	P22,491
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
	P59,677	P74,401	P11,512	P10,151	P3,298	P159,039	P35,191	P194,230

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:

- Consumer Banking - principally provides consumer-type loans generated by the Home Office;
- Branch Banking - serves as the Bank's main customer touch point which offers consumer and corporate banking products; and
- 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, 2020, 2019 and 2018 follows (in thousands):



	2020				
	Consumer Banking	Corporate Banking	Branch Banking	Treasury	Total
Operating income					
Interest income	₱5,590,536	₱338,152	₱9,506,438	₱1,882,779	₱17,317,905
Service fees and commission	491,090	26,410	790,710	–	1,308,210
Other operating income	(626,805)	2,529	509,880	1,673,561	1,559,165
Total operating income	5,454,821	367,091	10,807,028	3,556,340	20,185,280
Non-cash expenses					
Provision for credit and impairment losses	5,380,020	946	903,364	112,929	6,397,259
Depreciation	291,537	2,981	603,670	1,358	899,546
Amortization of intangible assets	46,810	1,620	78,217	1,490	128,137
Total non-cash expenses	5,718,367	5,547	1,585,251	115,777	7,424,942
Interest expense	–	–	2,305,181	1,259,771	3,564,952
Service fees and commission expense	19,080	1,026	30,720	–	50,826
Subtotal	19,080	1,026	2,335,901	1,259,771	3,615,778
Compensation and fringe benefits	919,959	66,207	2,608,604	40,853	3,635,623
Taxes and licenses	463,297	26,388	654,844	427,340	1,571,869
Occupancy and equipment-related costs	91,401	1,408	269,682	915	363,406
Security, messengerial and janitorial services	140,600	2,111	294,558	1,122	438,391
Miscellaneous	647,377	20,911	1,311,052	105,481	2,084,821
Subtotal	2,262,634	117,025	5,138,740	575,711	8,094,110
Income (loss) before share in net income of a joint venture and income tax	(₱2,545,260)	₱243,493	₱1,747,136	₱1,605,081	₱1,050,450
Share in net income of a joint venture					40,299
Income before income tax					1,090,749
Benefit from income tax					17,463
Net income					₱1,108,212
Segment assets	₱105,751,619	₱5,937,683	₱49,680,287	₱55,247,395	₱216,616,984
Investment in a joint venture					705,477
Deferred tax assets					2,091,141
Total assets					₱219,413,602
Segment liabilities	₱1,166,309	₱61,816	₱145,381,035	₱38,293,714	₱184,902,874

	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 impairment losses	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



7. Due from Bangko Sentral ng Pilipinas, Interbank Loans Receivable and Securities Purchased Under Resale Agreements

Due from Bangko Sentral ng Pilipinas

This account consists of the following:

	2020	2019
Demand deposit	₱5,492,964,554	₱6,816,092,181
Term deposit facility	15,000,000,000	-
Overnight deposit facility	11,197,000,000	-
	31,689,964,554	6,816,092,181
Less allowance for impairment losses (Note 15)	(988,734)	(1,226,349)
	₱31,688,975,820	₱6,814,865,832

Interbank Loans Receivable and Securities Purchased Under Resale Agreements

This account consists of securities purchased under resale agreements (SPURA) amounting to ₱5.4 billion and nil as of December 31, 2020 and 2019, respectively.

SPURA are lending to counterparties collateralized by government securities ranging from one to six days. As of December 31, 2020, the fair value of government securities held as collateral amounted to ₱5.4 billion. The Bank is not permitted to sell or repledge the related collateral in the absence of default by the counterparty.

Interbank call loans (IBCL) represents short-term lending with counterparty banks and other financial institutions. These are highly liquid instruments which mature within one to five days.

Interest income on Due from BSP, SPURA and IBCL are as follows:

	2020	2019	2018
Due from BSP	₱221,893,610	₱831,792	₱16,662,587
IBCL and SPURA			
IBCL (Note 29)	7,425,187	24,821,923	57,403,569
SPURA	77,631,132	5,318,536	32,319,801
	85,056,319	30,140,459	89,723,370
	₱306,949,929	₱30,972,251	₱106,385,957

SPURA of the Bank bears annual interest rate ranging from 2.00% to 4.00% in 2020, and from 4.00% to 4.75% in 2019, while peso-denominated IBCL of the Bank bear annual interest rate ranging from 2.41% to 3.91% in 2020, and from 4.00% to 5.16% in 2019. Foreign currency-denominated IBCL bear annual interest rates ranging from 0.02% to 2.48% in 2019.

8. Investment Securities

Fair Value Through Profit or Loss (FVTPL) Investments

Fair value through profit or loss investments consist of the following:

	2020	2019
Derivatives with positive fair value	₱-	₱-
Investment securities at FVTPL	50,189	43,674
Financial assets at FVTPL	₱50,189	₱43,674
Derivatives with negative fair value	₱-	₱-
Financial liabilities at FVTPL	₱-	₱-



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.

Movements in fair value changes of derivative with positive fair value are as follows:

	2020	2019
Balance at beginning of year	P-	P10,073,132
Fair value changes during the year	-	-
Settled transactions	-	(10,073,132)
Balance at end of year	P-	P-

Movements in fair value changes of derivative with negative fair value are as follows:

	2020	2019
Balance at beginning of year	P-	(P2,895,073)
Fair value changes during the year	-	-
Settled transactions	-	2,895,073
Balance at end of year	P-	P-

The unrealized portion of the trading securities gains (losses) on FVTPL investments amounted to (P0.1 million), P0.01 million and (P16.9 million) for 2020, 2019 and 2018, respectively.

Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

Financial assets at FVOCI consist of the following:

	2020	2019
Debt securities		
Government	P7,093,131,657	P1,855,048,199
Private	2,955,868,653	2,908,569,047
Equity securities		
Quoted	10,232,495	11,771,221
	P10,059,232,805	P4,775,388,467

As of December 31, 2020 and 2019, the ECL on financial assets at FVOCI (included in 'Fair value reserves on financial assets at FVOCI') amounted to P4.9 million and P3.4 million (Note 15), respectively.

Movements in the fair value reserves on financial assets at FVOCI follow:

	2020	2019
Balance at beginning of year	(P18,931,431)	(782,896,279)
Gain from sale of financial assets at FVOCI realized in profit or loss	(248,061,431)	(224,424,552)
Changes in allowance for ECL (Note 15)	1,473,605	(6,538,008)
Fair value gain recognized in OCI	278,577,437	994,927,408
Balance at end of year	P13,058,180	(P18,931,431)

As of December 31, 2020 and 2019, the Bank deposited financial assets at FVOCI with total carrying value of P114.1 million and P143.2 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:

	2020	2019
Debt securities		
Government	₱11,115,902,457	₱30,806,854,231
Private	2,642,544,034	3,452,645,653
	13,758,446,491	34,259,499,884
Less allowance for credit losses (Note 15)	22,447,353	25,525,068
	₱13,735,999,138	₱34,233,974,816

As of December 31, 2020 and 2019, 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 ₱59.6 million and ₱66.3 million, respectively.

In 2020, the Bank sold investment securities classified as investment securities at amortized cost with total carrying amount of ₱19.6 billion resulting in gain on disposal of investment securities at amortized cost totaling ₱1.3 billion. The sale was made as there were changes in the Bank's funding requirements given its assessment on the impact of a prolonged pandemic. In aggregate, the sale in 2020 is not inconsistent with the Bank's HTC business model as the sale was considered infrequent even if significant in value. Accordingly, the remaining investment securities in the affected HTC portfolio continue to be measured at amortized cost. Further, the Bank assessed that the sale did not reflect a change in the Bank's objectives for the HTC business model.

Interest income on investment securities consists of:

	2020	2019	2018
Interest income recognized using EIR			
Investment securities at amortized cost	₱954,314,757	₱1,424,666,633	₱1,429,497,897
Financial assets at FVOCI	344,157,041	471,590,813	555,859,754
	1,298,471,798	1,896,257,446	1,985,357,651
Interest income recognized using nominal interest rates			
FVTPL investments	45,039,478	2,152	9,088,886
	₱1,343,511,276	₱1,896,259,598	₱1,994,446,537

Peso-denominated financial assets at FVOCI investments bear nominal annual interest rates ranging from 4.00% to 8.13% in 2020 and 2019, and from 2.13% to 8.13% in 2018 while foreign currency-denominated FVOCI investments bear nominal annual interest rates of 5.88% in 2020 and 2019, and ranging from 3.00% to 10.63% in 2018. EIR on financial assets at FVOCI investments as of December 31, 2020, 2019, and 2018, range from 4.00% to 8.00%, from 4.08% to 8.46%, and from 2.47% to 8.14%, respectively.

On the other hand, peso-denominated investment securities at amortized cost bear EIR ranging from 4.82% to 6.88% in 2020, from 3.43% to 14.74% in 2019, and from 3.70% to 4.87% in 2018, while foreign currency-denominated amortized cost investments bear EIR ranging from 3.00% to 9.50%, from 3.05% to 9.97%, and from 3.00% to 4.75%, in 2020, 2019 and 2018, respectively.

Trading and securities gains (losses) - net on investment securities consist of:

	2020	2019	2018
FVTPL investments (Note 29)	₱106,368,615	(₱432,107)	(₱41,018,773)
Financial assets at FVOCI	248,061,431	224,424,552	(92,278,733)
	₱353,430,046	₱223,992,445	(₱133,297,506)



9. Loans and Receivables

This account consists of:

	2020	2019
Receivables from customers		
Consumption loans	₱78,774,777,476	₱94,226,205,291
Real estate loans	50,568,710,722	52,479,186,928
Commercial loans	11,055,130,498	13,685,986,537
Personal loans (Note 29)	3,175,571,735	3,723,190,784
	143,574,190,431	164,114,569,540
Less unearned discounts and capitalized interest	(427,738,496)	711,180
	143,146,451,935	164,113,858,360
Other receivables		
Accrued interest receivable	4,599,937,201	2,249,493,941
Accounts receivable (Note 29)	2,267,294,584	1,901,309,701
Sales contract receivables	25,809,417	42,646,790
Bills purchased (Note 19)	4,595,741	8,798,803
	150,044,088,878	168,316,107,595
Less allowance for credit losses (Note 15)	7,519,744,354	3,931,905,382
	₱142,524,344,524	₱164,384,202,213

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, 2020, 2019 and 2018, 42.92%, 33.74%, and 39.93%, respectively, of the total receivables from customers are subject to periodic interest repricing with average EIR of 7.68%, 7.66%, and 7.41% in 2020, 2019 and 2018. Remaining receivables earn average annual fixed interest rates of 16.69%, 15.78%, and, 14.90% in 2020, 2019 and 2018, respectively.

Interest income on loans and receivables consists of:

	2020	2019	2018
Receivables from customers			
Consumption loans	₱9,276,969,797	₱9,144,507,633	₱8,608,117,368
Real estate loans	4,122,505,005	3,974,463,324	3,482,931,036
Personal loans (Note 29)	1,356,660,047	1,422,610,233	1,388,759,417
Commercial loans	905,767,767	932,004,186	781,469,660
Other receivables			
Sales contract receivables	4,363,171	7,604,057	7,528,142
	₱15,666,265,787	₱15,481,189,433	₱14,268,805,623

Interest income from restructured loans amounted to ₱7.1 million, ₱8.3 million and ₱8.9 million in 2020, 2019 and 2018, respectively.

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act (“Bayanihan 1 Act”) was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act (“Bayanihan 2 Act”), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.



Total modification loss recognized in the statement of income under 'Miscellaneous income' amounted to ₱426.52 million (Note 23).

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, 2020 and 2019.

SMFC was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 26, 2009 and started commercial operations in March 2010. Its principal office is located at 12th Floor, PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City.

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.

The investment is measured using the equity method. As of December 31, 2020 and 2019, the Bank's investment in a joint venture amounted to ₱705.5 million and ₱755.8 million, respectively.

Movement in this account follows (in thousands):

	2020	2019
Balance at beginning of year	₱755,781	₱691,426
Share in net income (Note 29)	40,299	105,905
Share in unrealized gain on remeasurement of retirement liability (Note 29)	(2,227)	(2,190)
Share in hedge reserves	(35,097)	-
Dividends received	(53,280)	(39,360)
Ending balance	₱705,477	₱755,781

The following table illustrates the summarized financial information of SMFC (in thousands):

	2020	2019
Current assets	₱7,277,686	₱6,870,631
Non-current assets	370,236	254,305
Current liabilities	(5,146,438)	(4,502,607)
Non-current liabilities	(149,896)	(103,061)
Net assets	₱2,351,588	₱2,519,268

	2020	2019	2018
Revenues	₱1,955,338	₱1,684,260	₱1,104,277
Costs and expenses	1,732,393	1,174,697	701,455
	222,945	509,563	402,822
Provision for income tax	88,614	156,545	128,231
Net income	134,331	353,018	274,591
Other comprehensive income	(124,414)	(7,299)	6,288
Total comprehensive income	₱9,917	₱345,719	₱280,879

Cost of the investment as of December 31, 2020 and 2019 amounted to ₱600.0 million.

On June 26, 2020, SMFC declared dividends of ₱8.88 per share amounting to a total of ₱177.6 million. The same was paid to shareholders on July 17, 2020.



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.

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, 2020 and 2019. 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) in 2020 and 2019, and ₱1.9 million in 2018.

Movement in equity in hedge reserves of a joint venture amounted to ₱35.1 million in 2020.

11. Property and Equipment

The composition of and movements in this account follow:

	2020					Total
	Land	Building	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-use Assets: Building	
Cost						
Balance at beginning 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
Acquisitions/Additions	–	9,866,646	119,531,739	29,823,182	243,849,256	403,070,823
Disposals/Retirement	–	–	(54,913,785)	–	(129,196,922)	(184,110,707)
Balance at end of the period	976,443,676	1,140,698,130	2,900,936,102	1,059,719,128	1,711,018,243	7,788,815,279
Accumulated Depreciation						
Balance at beginning of the period	–	490,393,692	2,519,274,130	899,092,622	348,258,593	4,257,019,037
Depreciation	–	36,056,578	112,102,437	66,694,859	370,563,533	585,417,407
Disposals	–	–	(26,558,205)	–	(116,877,541)	(143,435,746)
Balance at end of the period	–	526,450,270	2,604,818,362	965,787,480	601,944,585	4,699,000,697
Net Book Value	₱976,443,676	₱614,247,860	₱296,117,740	₱93,931,648	₱1,109,073,658	₱3,089,814,582
	2019					Total
	Land	Building	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-use Assets: Building	Total
Cost						
Balance at beginning of the period	₱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	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	2,519,274,130	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

Gain on sale of property and equipment amounted to ₱2.0 million, ₱8.1 million and ₱7.9 million in 2020, 2019 and 2018 respectively.



The details of depreciation under the statements of income follow:

	2020	2019	2018
Property and equipment	₱585,417,407	₱650,450,033	₱367,291,633
Chattel mortgage properties (Note 14)	229,409,304	166,109,603	155,549,227
Investment properties (Note 12)	84,719,089	93,782,188	99,341,223
	₱899,545,800	₱910,341,824	₱622,182,083

As of December 31, 2020 and 2019, property and equipment of the Bank with gross carrying amounts of ₱2.2 billion and ₱2.1 billion, respectively, are fully depreciated but are still being used.

12. Investment Properties

The composition of and movements in this account follow:

	2020		
	Land	Building Improvements	Total
Cost			
Balance at beginning of year	₱1,478,459,480	₱2,900,297,172	₱4,378,756,652
Additions (Note 32)	152,994,179	304,719,097	457,713,276
Disposals	(224,107,267)	(418,169,163)	(642,276,430)
Balance at end of year	1,407,346,392	2,786,847,106	4,194,193,498
Accumulated Depreciation			
Balance at beginning of year	–	433,180,137	433,180,137
Depreciation (Note 11)	–	84,719,089	84,719,089
Disposals	–	(61,688,020)	(61,688,020)
Balance at end of year	–	456,211,206	456,211,206
Allowance for Impairment Losses			
Balance at beginning of year	66,674,125	113,153,694	179,827,819
Provisions (reversals) for the year (Note 15)	(568,693)	(1,064,506)	(1,633,199)
Disposals	(3,766,451)	(22,417,833)	(26,184,284)
Balance at end of year	62,338,981	89,671,355	152,010,336
Net Book Value	₱1,345,007,411	₱2,240,964,545	₱3,585,971,956
	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



The details of the net book value of investment properties follow:

	2020	2019
Real estate properties acquired in settlement of loans and receivables	₱3,499,490,423	₱3,675,428,253
Bank premises leased to third parties and held for capital appreciation	86,481,533	90,320,443
	₱3,585,971,956	₱3,765,748,696

As of December 31, 2020 and 2019, the aggregate fair value of investment properties amounted to ₱5.6 billion and ₱5.8 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 ₱182.3 million, ₱246.8 million and ₱278.0 million in 2020, 2019 and 2018, respectively. The Bank realized gain on sale of investment properties amounting to ₱144.6 million, ₱365.0 million and ₱144.0 million in 2020, 2019 and 2018, respectively.

Rental income on investment properties included in miscellaneous income amounted to ₱45.5 million, ₱37.5 million, and ₱49.9 million in 2020, 2019 and 2018, respectively (Notes 23 and 25).

Operating expenses incurred in maintaining investment properties (included under miscellaneous expense - 'Repairs and maintenance') amounted to ₱16.2 million, ₱20.1 million, and ₱21.4 million in 2020, 2019 and 2018, respectively (Note 26).

13. Intangible Assets and Goodwill

This account consists of:

	2020	2019
Goodwill	₱53,558,338	₱53,558,338
Intangible assets		
Software costs	350,461,044	389,774,423
Branch licenses	37,123,737	37,123,737
	387,584,781	426,898,160
	₱441,143,119	₱480,456,498

Movements in intangible assets follow:

	2020		
	Software Costs	Branch Licenses	Total
Balance at beginning of year	₱389,774,423	₱37,123,737	₱426,898,160
Additions	97,105,773	-	97,105,773
Retirement and others	(8,281,794)	-	(8,281,794)
Amortization	(128,137,358)	-	(128,137,358)
Balance at end of year	₱350,461,044	₱37,123,737	₱387,584,781

	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



14. Other Assets

This account consists of:

	2020	2019
Chattel mortgage properties - net	₱1,215,977,923	₱895,829,635
Security deposits (Note 29)	201,234,920	185,170,313
Prepayments (Note 29)	191,060,787	264,701,030
Documentary stamps on hand	68,226,337	146,202,615
Stationeries and supplies on hand	41,924,920	43,430,240
RCOCI	11,626,483	28,942,603
Sundry debits	11,547,954	1,853
Creditable withholding tax	-	49,149
Others	547,533	604,076
	₱1,742,146,857	₱1,564,931,514

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:

	2020	2019
Cost		
Balance at beginning of year	₱979,658,138	₱813,592,771
Additions (Note 32)	3,753,346,148	3,304,131,638
Disposals	(3,391,686,551)	(3,138,066,271)
Balance at the end of year	1,341,317,735	979,658,138
Accumulated Depreciation		
Balance at beginning of year	83,626,821	92,569,663
Depreciation (Note 11)	229,409,304	166,109,603
Disposals	(188,644,066)	(175,052,445)
Balance at the end of year	124,392,059	83,626,821
Balance at beginning of year	201,682	415,837
Provision (Note 15)	3,426,518	856,288
Disposals	(2,680,447)	(1,070,443)
Balance at end of year	947,753	201,682
Net Book Value	₱1,215,977,923	₱895,829,635

Gain(loss) on foreclosure of chattel mortgage properties amounted to (₱116.1 million), ₱189.0 million and ₱313.5 million in 2020, 2019 and 2018, respectively.

The Bank realized loss on sale of chattel mortgage properties amounting to ₱342.7 million, ₱273.9 million and ₱81.4 million in 2020, 2019 and 2018, 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, 2020 and 2019 follows (in thousands):

	2020						Total
	Stage 1		Stage 2		Stage 3	POCI	
	Individual	Collective	Individual	Collective			
Due from BSP							
Balance as of January 1, 2020	₱1,226	₱-	₱-	₱-	₱-	₱-	₱1,226
New assets originated or purchased	-	-	-	-	-	-	-
Assets derecognized or repaid	(237)	-	-	-	-	-	(237)
Balance at December 31, 2020	989	-	-	-	-	-	989

(Forward)



	2020							Total
	Stage 1		Stage 2		Stage 3	POCI		
	Individual	Collective	Individual	Collective				
Due from other banks								
Balance at January 1, 2020	₱1,043	₱-	₱-	₱-	₱-	₱-	₱1,043	
New assets originated or purchased	112,929	-	-	-	-	-	112,929	
Assets derecognized or repaid	-	-	-	-	-	-	-	
Balance at December 31, 2020	113,972	-	-	-	-	-	113,972	
Interbank loans receivable								
Balance at January 1, 2020	-	-	-	-	-	-	-	
New assets originated or purchased	-	-	-	-	-	-	-	
Assets derecognized or repaid	-	-	-	-	-	-	-	
Balance at December 31, 2020	-	-	-	-	-	-	-	
Total loans and advances to banks								
Balance at January 1, 2020	2,269	-	-	-	-	-	2,269	
New assets originated or purchased	112,929	-	-	-	-	-	112,929	
Assets derecognized or repaid	(237)	-	-	-	-	-	(237)	
Balance at December 31, 2020	₱114,961	₱-	₱-	₱-	₱-	₱-	114,961	

	2019							Total
	Stage 1		Stage 2		Stage 3	POCI		
	Individual	Collective	Individual	Collective				
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, 2019	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	

An analysis of changes in the ECL allowances for investment securities as of December 31, 2020 and 2019 follows (in thousands):

	2020							Total
	Stage 1		Stage 2		Stage 3	POCI		
	Individual	Collective	Individual	Collective				
Financial assets at FVOCI								
Balance at January 1, 2020	₱3,419	₱-	₱-	₱-	₱-	₱-	3,419	
New assets originated or purchased	6,318	-	-	-	-	-	6,318	
Assets derecognized or repaid	(4,844)	-	-	-	-	-	(4,844)	
Balance at December 31, 2020	4,893	-	-	-	-	-	4,893	
Investment at amortized cost								
Balance at January 1, 2020	25,525	-	-	-	-	-	25,525	
New assets originated or purchased	-	-	-	-	-	-	-	
Assets derecognized or repaid	(3,078)	-	-	-	-	-	(3,078)	
Balance at December 31, 2020	22,447	-	-	-	-	-	22,447	
Total investment securities								
Balance at January 1, 2020	28,944	-	-	-	-	-	28,944	
New assets originated or purchased	6,318	-	-	-	-	-	6,318	
Assets derecognized or repaid	(7,922)	-	-	-	-	-	(7,922)	
Balance at December 31, 2020	₱27,340	₱-	₱-	₱-	₱-	₱-	₱27,340	



	2019						Total
	Stage 1		Stage 2		Stage 3	POCI	
	Individual	Collective	Individual	Collective			
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

An analysis of changes in the ECL allowances for receivables from customers as of December 31, 2020 and 2019 follows (in thousands):

	2020						Total
	Stage1		Stage2		Stage3	POCI	
	Individual	Collective	Individual	Collective			
Consumption Loans							
Balance at January 1, 2020	₱-	₱612,245	₱-	₱533,857	₱684,108	₱-	₱1,830,210
New assets originated or purchased	-	1,410,109	-	61,374	150,416	-	1,621,899
Assets derecognized or repaid	-	(531,248)	-	(116,643)	(484,618)	-	(1,132,509)
Amounts written off	-	-	-	-	(746,309)	-	(746,309)
Transfers to Stage 1	-	39,073	-	(25,523)	(13,550)	-	-
Transfers to Stage 2	-	(153,565)	-	225,561	(71,996)	-	-
Transfers to Stage 3	-	(43,008)	-	(147,572)	190,580	-	-
Impact on change in assumptions	-	589,658	-	640,153	893,918	-	2,123,729
Balance at December 31, 2020	-	1,923,264	-	1,171,207	602,549	-	3,697,020
Real Estate Loans							
Balance at January 1, 2020	-	54,044	-	165,655	143,774	-	363,473
New assets originated or purchased	-	244,352	-	9,318	8,166	-	261,836
Assets derecognized or repaid	-	(154,714)	-	(8,548)	(26,687)	-	(189,949)
Amounts written off	-	-	-	-	(84,325)	-	(84,325)
Transfers to Stage 1	-	38,064	-	(31,519)	(6,545)	-	-
Transfers to Stage 2	-	(12,969)	-	52,402	(39,433)	-	-
Transfers to Stage 3	-	(2,156)	-	(33,140)	35,296	-	-
Impact on change in assumptions	-	23,128	-	301,536	337,401	-	662,065
Balance at December 31, 2020	-	189,749	-	455,704	367,647	-	1,013,100
Commercial Loans							
Balance at January 1, 2020	-	96,604	-	34,071	94,734	-	225,409
New assets originated or purchased	-	175,020	-	49,368	104,117	-	328,505
Assets derecognized or repaid	-	(116,757)	-	(5,366)	(17,015)	-	(139,138)
Amounts written off	-	-	-	-	(12,627)	-	(12,627)
Transfers to Stage 1	-	5,723	-	(2,250)	(3,473)	-	-
Transfers to Stage 2	-	(15,255)	-	18,539	(3,284)	-	-
Transfers to Stage 3	-	(2,722)	-	(16,399)	19,121	-	-
Impact on change in assumptions	-	68,966	-	73,640	149,156	-	291,762
Balance at December 31, 2020	-	211,579	-	151,603	330,729	-	693,911
Personal Loans							
Balance at January 1, 2020	-	6,582	-	195,130	392,394	-	594,106
New assets originated or purchased	-	5,140	-	103,824	218,305	-	327,269
Assets derecognized or repaid	-	(2,127)	-	(37,498)	(118,666)	-	(158,291)
Amounts written off	-	-	-	(104)	(231,445)	-	(231,549)
Transfers to Stage 1	-	14,277	-	(12,863)	(1,414)	-	-
Transfers to Stage 2	-	(1,920)	-	7,651	(5,731)	-	-
Transfers to Stage 3	-	(260)	-	(28,221)	28,481	-	-
Impact on change in assumptions	-	(11,226)	-	11,280	208,680	-	208,734
Balance at December 31, 2020	-	10,466	-	239,199	490,604	-	740,269
Total Receivable from Customer							
Balance at January 1, 2020	-	769,475	-	928,713	1,315,010	-	3,013,198
New assets originated or purchased	-	1,834,621	-	223,884	481,004	-	2,539,509
Assets derecognized or repaid	-	(804,846)	-	(168,055)	(646,986)	-	(1,619,887)
Amounts written off	-	-	-	(104)	(1,074,706)	-	(1,074,810)
Transfers to Stage 1	-	97,137	-	(72,155)	(24,982)	-	-
Transfers to Stage 2	-	(183,709)	-	304,153	(120,444)	-	-
Transfers to Stage 3	-	(48,146)	-	(225,332)	273,478	-	-
Impact on change in assumptions	-	670,526	-	1,026,609	1,589,155	-	3,286,290
Balance at December 31, 2020	₱-	₱2,335,058	₱-	₱2,017,713	₱1,791,529	₱-	₱6,144,300



	2019						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
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 change in assumptions	-	(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)	-	-
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 change in assumptions	-	(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 change in assumptions	-	(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 change in assumptions	-	(1,320,695)	-	61,225	339,639	-	(919,831)
Balance at December 31, 2019	₱-	₱769,475	₱-	₱928,713	₱1,315,010	₱-	₱3,013,198

An analysis of changes in the ECL allowances for other receivables as of December 31, 2020 and 2019 follows (in thousands):

	2020						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Accrued Interest Receivable							
Balance as of January 1, 2020	₱-	₱302	₱	₱6,962	₱393,900	₱-	₱401,164
New assets originated or purchased	-	-	-	5,083	224,713	-	229,796
Assets derecognized or repaid	-	-	-	-	-	-	-
Amounts written off	-	-	-	-	-	-	-
Transfers to Stage 1	-	-	-	-	-	-	-
Transfers to Stage 2	-	-	-	3,001	(3,001)	-	-
Transfers to Stage 3	-	-	-	(387)	387	-	-
Impact on change in assumptions	-	44,968	-	(2,533)	118,434	-	160,869
Balance at December 31, 2020	-	45,270	-	12,126	734,433	-	791,829
Sales Contract Receivable							
Balance as of January 1, 2020	-	14	-	-	408	-	422
New assets originated or purchased	-	-	-	-	-	-	-
Assets derecognized or repaid	-	-	-	-	-	-	-
Amounts written off	-	-	-	-	-	-	-

(Forward)



	2020						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
Transfers to Stage 1	₱-	₱151	₱-	₱-	(₱151)	₱-	₱-
Transfers to Stage 2	-	-	-	-	-	-	-
Transfers to Stage 3	-	(1)	-	-	1	-	-
Impact on change in assumptions	-	(163)	-	-	196	-	33
Balance at December 31, 2020	-	1	-	-	454	-	455
Total Other Receivables							
Balance as of January 1, 2019	-	316	-	6,962	394,308	-	401,586
New assets originated or purchased	-	-	-	5,083	224,713	-	229,796
Assets derecognized or repaid	-	-	-	-	-	-	-
Amounts written off	-	-	-	-	-	-	-
Transfers to Stage 1	-	151	-	-	(151)	-	-
Transfers to Stage 2	-	-	-	3,001	(3,001)	-	-
Transfers to Stage 3	-	(1)	-	(387)	388	-	-
Impact on change in assumptions	-	44,805	-	(2,533)	118,630	-	160,902
Balance at December 31, 2020	₱-	₱45,271	₱-	₱12,126	₱734,887	₱-	792,284

	2019						
	Stage 1		Stage 2		Stage 3	POCI	Total
	Individual	Collective	Individual	Collective			
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 change in assumptions	-	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 change in assumptions	-	(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 change in assumptions	-	775	-	21,353	72,388	-	94,516
Balance at December 31, 2019	₱-	₱316	₱-	₱6,962	₱394,308	₱-	₱401,586

The global pandemic situation is the primary driver for increased ECL allowances in the Bank's portfolio. The significantly depressed macroeconomic indicators, the Bank's anticipatory credit downgrades and adjustments to projected recovery rates resulting in increased LGD's accounted for the effects of the COVID-19 pandemic on the Bank's credit risk exposures.

The details of provisions (reversals) under the statements of income follow:

	2020	2019
Loans and receivables	₱6,282,536,932	₱2,213,888,525
Due from other banks	112,929,135	-
Chattel mortgage	3,426,518	856,288
Investment properties	(1,633,199)	245,044
	₱6,397,259,386	₱2,214,989,857



16. Deposit Liabilities

Interest expense on deposit liabilities consists of:

	2020	2019	2018
Time (Note 29)	₱2,136,446,710	₱4,594,981,252	₱4,239,706,713
LTNCD	393,944,665	392,214,948	230,861,749
Demand (Note 29)	150,040,647	205,871,472	195,685,212
Savings	91,174,935	134,557,733	152,239,685
	₱2,771,606,957	₱5,327,625,405	₱4,818,493,359

Peso-denominated deposit liabilities earn annual fixed interest rates ranging from 0.25% to 6.00% in 2020 and 2019, and from 0.25% to 7.56% in 2018, while foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.18% to 2.00% in 2020, from 0.25% to 3.00% in 2019, and 0.25% to 3.05% in 2018. Effective interest rates on deposit liabilities range from 0.24% to 3.60% in 2020, from 1.09% to 3.68% in 2019 and from 1.94% to 3.28% in 2018.

In 2020, the Bangko Sentral ng Pilipinas issued BSP Circular No 1092 reducing the reserve requirements against deposit and deposit liabilities to 3% from 7%. 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, 2020 and 2019, Due from BSP amounting to ₱5.5 billion and ₱6.3 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, 2020 and 2019.

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, 2020 and 2019, deferred financing cost on LTNCDs amounted to ₱34.1 million and ₱49.5 million, respectively. Amortization of deferred financing cost amounted to ₱15.4 million in 2020 and ₱14.7 million in 2019.

17. Bills Payable, Bonds Payable and Subordinated Notes

Bills payable

This account consists of the following:

	2020	2019
Medium term fixed rate notes (MTFNs)	₱-	₱2,989,736,932
Interbank borrowings	-	1,200,000,000
	₱-	₱4,189,736,932



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.

On June 10, 2020, the Bank paid its outstanding MTFNs.

Peso-denominated interbank borrowings of the Bank bear annual interest ranging from 3.97% to 4.00% in 2020, from 3.94% to 5.25% in 2019 and 3.00% to 4.69% in 2018. Foreign currency-denominated interbank borrowings bear annual interest ranging from 1.00% to 1.60%, from 2.35% to 2.50%, and 1.28% to 2.38% in 2020, 2019 and 2018, respectively. Annual interest rate on dollar-denominated securities sold under resale agreement (SSURA) ranges from 1.90% to 2.00%, from 2.70% to 2.79%, and 1.00% to 2.35%, in 2020, 2019 and 2018, respectively.

As of December 31, 2020 and 2019, deferred financing cost on MTFNs amounted to nil and ₱10.3 million, respectively. Amortization of deferred financing cost amounted to ₱10.3 million and ₱21.2 million in 2020 and 2019, respectively.

Interest expense on bills payable in 2020, 2019, and 2018 amounted to ₱110.4 million, ₱319.7 million and ₱55.9 million, respectively (Note 29).

Bonds payable

On February 04, 2020, the Bank issued fixed rate bonds amounting to ₱4.65 billion with a tenor of three (3) years and due on February 4, 2023 with interest rate of 4.5% 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, 2020, the carrying amount of the bonds payable is ₱4.62 billion. Debt issuance cost related to the issuance amounted to ₱42.7 million.

Interest expense incurred on bonds due in 2023 amounted to ₱202.3 million in 2020. Amortization of debt issuance costs amounted to ₱12.1 million in 2020.

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, 2020 and 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 due in 2021 amounted to ₱381.1 million in 2020, and ₱167.6 million in 2019. Amortization of debt issuance costs amounted to ₱28.3 million, and ₱11.6 million, in 2020 and 2019, respectively.

Subordinated notes

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. Interest expense incurred on these notes amounted to ₱125.1 million and ₱167.7 million in 2019 and 2018, respectively.



18. Accrued Taxes, Interest and Other Expenses

This account consists of:

	2020	2019
Accrued interest payable	₱263,688,878	₱434,200,032
Accrued other taxes and licenses payable	193,293,668	130,618,997
Accrued other expenses payable (Note 29)	1,325,937,256	844,632,958
	₱1,782,919,802	₱1,409,451,987

Accrued other expenses payable consist of:

	2020	2019
Litigation	₱554,078,518	₱276,305,828
Compensation and fringe benefits	191,280,204	196,783,477
Insurance (Note 29)	165,918,523	178,230,395
Security, messengerial and janitorial	113,168,923	51,608,230
Information technology (Note 29)	68,583,689	55,897,969
Advertising	46,318,803	9,077,992
ATM maintenance	22,094,221	10,469,566
Membership, fees & dues	3,773,951	5,161,321
Professional and consultancy fees	2,410,891	10,552,469
Miscellaneous	158,309,533	50,545,711
	₱1,325,937,256	₱844,632,958

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:

	2020	2019
Accounts payable (Note 29)	₱2,073,100,382	₱2,383,631,295
Lease liability (Note 25)	1,342,394,905	1,467,103,825
Other credits	179,132,827	171,091,034
Sundry credits	78,121,495	101,382,063
Undrawn portion of committed credit lines	56,862,211	57,321,764
Net retirement liability (Note 24)	49,023,221	440,394,816
Withholding taxes payable	44,551,177	90,033,709
Due to the Treasurer of the Philippines	20,491,276	20,491,276
SSS, Medicare, ECP and HDMF premium payable	12,320,821	11,734,970
Bills purchased - contra (Note 9)	4,595,741	8,798,803
Miscellaneous (Note 29)	39,255,571	40,508,189
	₱3,899,849,627	₱4,792,491,744

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.

Sundry credits represent various items or transactions which cannot be classified immediately under any credit account.



Miscellaneous liabilities include incentives for housing loan customers that are compliant with the payment terms amounting to ₱21.97 million, and ₱20.60 million as of December 31, 2020 and 2019, 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					
	2020			2019		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Assets						
Cash and other cash items	₱2,841,852	₱-	₱2,841,852	₱2,281,813	₱-	₱2,281,813
Due from BSP - gross	31,689,965	-	31,689,965	6,816,092	-	6,816,092
Due from other banks - gross	1,575,447	-	1,575,447	1,139,685	-	1,139,685
Interbank loans receivable and SPURA - gross (Note 7)	5,445,979	-	5,445,979	-	-	-
FVTPL investments (Note 8)	50	-	50	44	-	44
Financial assets at FVOCI (Note 8)	8,008,381	2,050,852	10,059,233	976,272	3,799,116	4,775,388
Investment securities at amortized cost (Note 8)	800,001	12,958,446	13,758,447	1,267,247	32,992,253	34,259,500
Loans and receivables - gross (Note 9)	48,430,300	102,041,527	150,471,827	46,023,350	118,091,219	168,316,819
Other assets - gross* (Note 14)	31,244	181,729	212,973	42,486	171,745	214,231
	98,823,219	117,232,554	216,055,773	58,546,989	155,054,333	217,803,572
Nonfinancial Assets						
Investment in a joint venture (Note 10)	-	705,477	705,477	-	755,781	755,781
Property and equipment - gross (Note 11)	-	7,788,815	7,788,815	-	7,569,855	7,569,855
Investment properties - gross (Note 12)	-	4,194,193	4,194,193	-	4,378,757	4,378,757
Deferred tax assets (Note 27)	-	2,091,141	2,091,141	-	1,398,137	1,398,137
Goodwill and intangible assets-gross (Note 13)	-	569,280	569,280	-	615,511	615,511
Other assets - gross** (Note 14)	313,196	1,341,318	1,654,514	454,870	979,658	1,434,528
	313,196	16,690,224	17,003,420	454,870	15,697,699	16,152,569
Less: Allowance for credit and impairment losses (Note 15)			7,810,111			4,139,729
Accumulated depreciation (Notes 11, 12, 13 and 14)			5,407,742			4,908,880
Unearned discounts and capitalized interest (Note 9)			427,738			711
			13,645,591			9,049,320
			₱219,413,602			₱224,906,821

* Others assets under financial assets comprise petty cash fund, shortages, RCOI 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					
	2020			2019		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Financial Liabilities						
Deposit liabilities (Note 16)	₱145,042,499	₱22,421,811	₱167,464,310	₱148,468,691	₱24,036,419	₱172,505,110
Bills payable (Note 17)	-	-	-	4,189,737	-	4,189,737
Bonds payable	6,283,068	4,619,389	10,902,457	-	6,254,702	6,254,702
Treasurer's, cashier's and manager's checks	531,318	-	531,318	1,297,680	-	1,297,680
Accrued other expenses payable (Note 18)	1,325,937	-	1,325,937	844,633	-	844,633
Accrued interest payable (Note 18)	263,689	-	263,689	434,200	-	434,200
Other liabilities (Note 19)						
Accounts payable	2,073,100	-	2,073,100	2,383,631	-	2,383,631
Bills purchased - contra	4,596	-	4,596	171,091	-	171,091
Lease liability	333,603	1,008,792	1,342,395	39,803	1,427,301	1,467,104
Other credits	179,133	-	179,133	8,799	-	8,799
Deposits for keys - SDB	777	-	777	791	-	791
Others*	2,144	-	2,144	15,332	1,760	17,092
	156,039,864	28,049,992	184,089,856	157,854,388	31,720,182	189,574,570
Nonfinancial Liabilities						
Accrued other taxes and licenses payable (Note 18)	193,294	-	193,294	130,619	-	130,619
Income tax payable	322,019	-	322,019	375	-	375
Withholding taxes payable (Note 19)	44,551	-	44,551	90,034	-	90,034
Other liabilities (Note 19)**	183,640	69,514	253,154	213,555	440,395	653,950
	743,504	69,514	813,018	434,583	440,395	874,978
	₱156,783,368	₱28,119,506	₱184,902,874	₱158,288,971	₱32,160,577	₱190,449,548

* 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, 2020 and 2019, the Bank's capital stock consists of:

	2020		2019	
	Shares	Amount	Shares	Amount
Authorized common stock - ₱10 par value	600,000,000	₱6,000,000,000	600,000,000	₱6,000,000,000
Issued and outstanding				
Beginning Balance	383,109,416	₱3,831,094,160	240,252,491	₱2,402,524,910
Stock right issuance	-	-	142,856,925	1,428,569,250
Stock dividend	43,750,000	437,500,000	-	-
Ending Balance	426,859,416	₱4,268,594,160	383,109,416	₱3,831,094,160

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, 2020 and 2019, the total number of stockholders is 1,453 and 1,458, respectively, with share price closed at ₱54.6 and ₱57.5 a share, 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 March 12, 2019, the BOD approved (a) the amendment of the AOI to increase the authorized capital stock from ₱4.25 billion to ₱6.00 billion and (b) the declaration of a 11.42% stock dividend equivalent to 43,750,000 shares amounting to ₱2.57 billion representing the minimum 11.42% subscription and paid-up capital for the increase in the authorized capital stock of the Bank which were ratified by the stockholders representing at least 2/3 of the outstanding capital stock on April 15, 2019. These were approved by BSP on August 8, 2019 and by the SEC on November 20, 2019. Following this, the authorized capital stock of the Bank increased from ₱4.25 billion to ₱6.00 billion consisting of 600.00 million common shares with par value of ₱10.00 per share.

On January 16, 2020, the Bank received the SEC order fixing the record date of the 11.42% stock dividend on January 31, 2020. The 11.42% stock dividend was issued on February 21, 2020 with record date on January 31, 2020. On February 17, 2020, the PSE approved the listing of such stock dividend. Capital paid in excess of par related to the issuance of stock dividend amounted to ₱2.1 billion.

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 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
<i>(Forward)</i>				



Cash Dividends				
Date of declaration	Per share	Total amount	Record date	Payment date
October 14, 2019	0.75	287,332,062.0	October 29, 2019	November 13, 2019
January 16, 2020	0.75	287,332,062.0	January 31, 2020	February 17, 2020
April 21, 2020	0.75	320,144,562.0	May 7, 2020	May 21, 2020
July 23, 2020	0.75	320,144,562.0	August 7, 2020	August 24, 2020
October 22, 2020	0.75	320,144,562.0	November 9, 2020	November 23, 2020

Stock Dividends				
Date of declaration	Per share	Total amount	Record date	Payment date
March 12, 2019	11.42%	₱-	January 31, 2020	February 21, 2020

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).

	2020	2019
Tier 1 capital	₱33,009	₱32,807
CET1 capital	33,009	32,807
Less: Required deductions	3,942	3,146
Total Tier 1 Capital	29,067	29,661
Total Tier 2 capital	2,148	1,672
Total qualifying capital	31,215	31,333
Risk weighted assets	160,738	₱176,385
Tier 1 ratio	18.08%	16.82%
CET1 ratio	18.08%	16.82%
Capital adequacy ratio	19.42%	17.76%

Regulatory qualifying capital consists of Tier 1 (going concern) capital, which comprises capital stock, surplus, surplus reserves, net unrealized gains on FVOCI 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, 2020 and 2019, 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 is 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, 2020 and December 31, 2019, the Bank maintains these ratios above minimum requirements as shown in the table below (in millions):

	December 31, 2020	December 31, 2019
A. Capital Measure	₱29,067	₱29,661
B. Exposure Measure	216,790	221,774
C. Basel III Leverage Ratio (A/B)	13.41%	13.37%

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 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 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, 2020 and 2019, the LCR in single currency as reported to the BSP, is 163.03% and 130.22%, respectively.



Net Stable Funding Ratio

On June 6, 2018, the BSP issued Circular No. 1007, Implementing 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.

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 U/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, 2020 and 2019, the NSFR as reported to the BSP is at 126.65% and 114.30%, respectively.

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.

22. Net Service Fees and Commission Income

This account consists of:

	2020	2019	2018
Service Fees and Commission Income			
Credit-related fees and commissions	₱890,934,914	₱1,383,966,509	₱1,147,242,321
Deposit-related and other fees received (Note 29)	374,192,384	531,415,495	542,791,633
Trust fees	43,083,232	36,559,669	31,711,469
	1,308,210,530	1,951,941,673	1,721,745,423
Service Fees and Commission Expense			
Commissions	41,856,120	84,651,434	89,813,087
Brokerage	8,969,685	3,785,862	6,294,577
	50,825,805	88,437,296	96,107,664
Net Service Fees and Commission Income	₱1,257,384,725	₱1,863,504,377	₱1,625,637,759



23. Miscellaneous Income

This account consists of:

	2020	2019	2018
Recovery of charged-off assets	P234,282,740	P305,034,325	P309,707,677
Insurance commission income	105,684,417	146,397,446	156,867,388
Rental income (Notes 12, 25 and 29)	46,711,545	38,164,311	50,548,338
Others (Notes 9 and 29)	(371,212,674)	65,301,808	107,176,032
	P15,466,028	P554,897,890	P624,299,435

Rental income arises from the lease of properties and safety deposit boxes of the Bank.

Others include loss arising from debt modification amounting to P0.4 billion in 2020, 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, 2020.

The amounts of pension expense included in 'Compensation and fringe benefits' in the statements of income follow:

	2020	2019
Current service cost	P280,603,012	P223,748,861
Net interest cost	13,286,975	(7,346,183)
	P293,889,987	P216,402,678



The net retirement liability shown under 'Other liabilities' recognized in the Bank's statements of condition follows (in thousands):

2020													
				Remeasurements in other comprehensive income									
Net benefit cost				Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from financial assumptions	Subtotal	Contribution by employer	December 31, 2020		
January 1, 2020	Current service cost	Net Interest	Subtotal										
Present value of defined benefit obligation	₱3,340,316	₱280,603	₱157,856	₱438,459	(₱250,970)	₱-	(₱16,668)	(₱88,011)	(₱164,123)	(₱268,802)	₱-	₱3,259,980	
Fair value of plan assets	(2,899,921)	-	(144,569)	(144,569)	₱250,970	(33,650)	-	-	-	(33,650)	(382,810)	(3,209,980)	
Net defined benefit liability	₱440,395	₱280,603	₱13,287	₱293,890	₱-	(₱33,650)	(₱16,668)	(₱88,011)	(₱164,123)	(₱302,452)	(₱382,810)	₱49,023	

2019													
				Remeasurements in other comprehensive income									
Net benefit cost				Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from financial assumptions	Subtotal	Contribution by employer	December 31, 2019		
January 1, 2019	Current service cost	Net Interest	Subtotal										
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	

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The Bank expects to contribute ₱263.0 million to its noncontributory defined benefit plan in 2021.



The fair values of plan assets by each class as at the statements of condition date are as follows:

	2020	2019
Investment in debt securities		
Government	₱1,775,616,337	₱997,445,361
Private	1,218,154,420	1,036,436,064
Cash and cash equivalents		
Special deposit account	99,961,991	753,284,758
Unit Investment Trust Fund (UITF)	41,115,121	55,533,465
Investment in equity securities	68,516,666	45,678,960
Other assets	19,660,318	17,388,012
	3,223,024,853	2,905,766,620
Expected withdrawals	116,000,000	2,186,497
Expected contributions	(95,000,000)	-
Expected earnings	(7,845,880)	-
Other liabilities	2,700,781	3,659,269
	15,854,901	5,845,766
	₱3,207,169,952	₱2,899,920,854

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, 2020 and 2019 are shown below:

	2020	2019
Discount rate	3.56%	4.86%
Turnover rate	3.63%, 10.23%	3.72%, 7.03%
Future salary increases	4.00%	5.80%

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, 2020		December 31, 2019	
	Possible Fluctuations	Increase (decrease)	Possible Fluctuations	Increase (decrease)
Discount rate	+1.00%	(₱261,736,483)	+1.00%	(₱306,936,163)
	-1.00%	300,216,712	-1.00%	356,515,290
Turnover rate	+1.00%	(54,172,532)	+1.00%	(24,844,215)
	-1.00%	61,612,552	-1.00%	25,904,088
Future salary increase rate	+1.00%	311,960,997	+1.00%	365,875,807
	-1.00%	(276,760,337)	-1.00%	(320,611,308)

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:

	2020	2019
Less than one year	₱260,001,350	₱184,489,685
One to less than five years	1,079,325,185	968,188,477
Five to less than 10 years	1,820,446,053	1,984,484,132
10 to less than 15 years	1,956,019,106	2,385,120,244
15 to less than 20 years	2,025,400,932	3,514,621,971
20 years and above	1,443,347,516	3,998,539,092



The average duration of the expected benefit payments at the statement of condition date is 12.50 years.

25. Leases

The Bank leases the premises occupied by its branches for periods ranging from 1 to 30 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, 2020, the carrying amounts of lease liabilities (included in 'Other Liabilities' in Note 19) are as follows:

	2020	2019
Balance at beginning of year	P1,467,103,825	P1,631,376,370
Additions	243,849,256	186,062,195
Expiry/termination	(12,924,409)	(24,419,449)
Accretion of interest	99,539,323	113,560,729
Payments	(455,173,090)	(439,476,020)
	P1,342,394,905	P1,467,103,825

The Bank recognized interest expense on lease liabilities (included in 'Interest expense' in the statements of income) amounting to P99.54 million and P113.56 in 2020 and 2019, respectively, rent expense from short-term leases and leases of low-value assets amounting to P140.71 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 P579.9 million in 2018.

Future minimum rentals payable under non-cancelable operating leases are as follows:

	2020	2019
Within one year	P468,112,062	P423,674,780
After one year but not more than five years	1,053,338,985	1,329,902,440
More than five years	238,684,657	290,459,635
	P1,760,135,704	P2,044,036,855

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, 2020 and 2019, there is no contingent rental income. Rental income of the Bank related to these property leases amounting to P45.5 million, P37.5 million and P49.9 million in 2020, 2019 and 2018, 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:

	2020	2019
Within one year	P42,408,437	P33,471,331
After one year but not more than five years	70,692,447	42,079,555
	P113,100,884	P75,550,886



26. Miscellaneous Expenses

This account consists of:

	2020	2019	2018
Insurance (Note 29)	₱498,092,209	₱526,287,475	₱595,158,658
Litigation	364,647,454	282,384,260	297,754,941
Information technology (Note 29)	362,765,811	425,215,165	297,643,153
Fines, penalties and other charges	188,886,091	128,331,742	234,341,527
Communications	143,024,129	177,856,164	179,193,852
Transportation and traveling	127,736,459	94,905,835	95,921,603
Repairs and maintenance (Note 12)	117,546,466	110,547,531	135,470,468
Stationery and supplies	98,511,725	48,873,458	65,109,689
Supervision and examination fees	79,409,221	77,018,742	70,287,368
Advertising	50,064,780	69,277,788	69,805,497
Management and professional fees	18,899,050	24,116,130	23,735,142
Donations and charitable contributions	11,465,500	11,477,405	10,490,700
Banking activities expenses	4,670,840	8,038,978	12,549,672
Membership fees and dues	4,380,400	2,983,128	5,671,411
Training and seminars	1,973,526	8,452,923	12,134,080
Meeting allowance	786,289	4,702,558	6,325,640
Entertainment, amusement and recreation (EAR) (Note 27)	633,249	1,877,071	2,504,229
Rewards and incentives	490,668	3,104,531	7,167,172
Others	10,836,446	17,740,398	19,632,920
	₱2,084,820,313	₱2,023,191,282	₱2,140,897,722

Insurance expense includes premiums paid to the Philippine Deposit Insurance Corporation (PDIC) amounting to ₱345.66 million, ₱361.14 million, and ₱398.4 million in 2020, 2019 and 2018, respectively.

Other expenses include sponsorship expenses, home free loan expenses, appraisal fees and notarial fees. These also include payments to union members amounting to ₱10.6 million, ₱11.1 million and ₱10.7 million in 2020, 2019 and 2018, 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 2020 and 2019.

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 2020 and 2019.

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:

	2020	2019	2018
Current:			
Final tax	₱265,200,890	₱260,917,208	₱260,261,959
RCIT	501,075,819	153,911,132	121,107,822
	766,276,709	414,828,340	381,369,781
Deferred	(783,739,604)	135,612,443	(71,774,541)
	(₱17,462,895)	₱550,440,783	₱309,595,240

Net deferred tax assets consist of the following tax effects:

	2020	2019
Deferred tax assets on:		
Allowance for credit and impairment losses	₱1,916,366,550	₱1,243,297,588
Unamortized pension cost contribution	220,479,926	220,355,789
Difference between book base and tax base of investment property	118,557,427	112,799,780
Leases	72,270,513	68,373,851
Loan modification	127,955,219	–
Net pension liability	14,706,966	132,118,445
	2,470,336,601	1,776,945,453
Deferred tax liabilities on:		
Net unrealized gain on investment properties	(365,019,153)	(375,267,861)
Unrealized foreign exchange gains	(12,739,353)	(1,774,776)
Others	(1,437,248)	(1,766,034)
	(379,195,754)	(378,808,671)
	₱2,091,140,847	₱1,398,136,782

As of December 31, 2020 and 2019, the Bank did not recognize deferred tax assets pertaining to allowance for credit losses amounting to ₱444.5 million and ₱16.8 million, respectively. Income tax effect recognized in OCI amounted to (₱90.7 million), ₱200.3 million, and (₱32.0 million), in 2020, 2019 and 2018, respectively.

The Bank believes that it is not reasonably probable that the tax benefits of these temporary differences will be realized in the future.

The reconciliation between the statutory income tax and effective income tax follows (in thousands):

	2020	2019	2018
Statutory income tax	₱327,225	₱1,073,634	₱891,522
Tax effect of:			
Tax-paid and tax-exempt income	(928,629)	(630,511)	(675,048)
Change in unrecognized DTA	427,676	(7,056)	–
Nondeductible expenses	225,399	215,415	364,875
FCDU income	(78,916)	(100,331)	(67,360)
Others	9,782	(710)	(204,394)
Effective income tax	(₱17,463)	₱550,441	₱309,595



28. Earnings Per Share

The following table presents information used to calculate basic EPS:

	2020	2019	2018
a. Net income	₱1,108,212,279	₱3,028,337,640	₱2,662,145,866
b. Weighted average number of common shares for basic earnings per share	426,859,416	420,124,743*	282,262,011*
c. Basic/Diluted EPS (a/b)	₱2.60	₱7.21	₱9.43

*Restated to show the effect of stock dividends issued in 2020.

As of December 31, 2020, 2019 and 2018, 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.

Transactions with the Retirement Plan

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, 2020 and 2019 amounted to ₱3.3 billion and ₱2.9 billion, respectively. The details of the assets of the fund as of December 31, 2020 and 2019 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, 2020 and 2019:

Related Party	Nature of Transaction	2020	
		Statement of Condition	Statement of Income
Philippine Savings Bank	Savings Deposit	₱1,227,169	-
	Investment in Money Market Fund*	40,650,542	-
	Dividends income	-	1,445,965
	Income from UITF**	-	836,424
	Interest income	-	20,436
First Metro ETF	Equity investment***	₱26,237,412	-
*Includes fair value gains of ₱3.4 million			
**Includes fair value loss of ₱0.06 million			
***Includes fair value loss of ₱0.43 million			
Related Party	Nature of Transaction	2019	
		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			
*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:

	2020	2019
Short-term employee benefits	₱332,208,598	₱300,297,110
Post-employment pension benefits	14,480,487	35,761,294
	₱346,689,085	₱336,058,404

Short-term employee benefits include salaries and other non-monetary benefits.

Remunerations given to directors, as approved by the Board Remuneration Committee, amounted to ₱21.9 million, ₱19.0 million and ₱19.3 million in 2020, 2019 and 2018, 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, 2020		Nature, Terms and Conditions
	Amount/ Volume	Outstanding Balance	
Entities with significant influence (MBTC)			
Due from other banks	P643,918	P1,374,327	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	32,381,000	-	
Maturities	(32,381,000)	-	
Investment securities at amortized cost	59,581	59,581	Pledged for security of payroll account with MBTC.
Accounts receivable (payable)	(208)	(1,909)	Outstanding ATM service fees, rental and utility receivables, non-interest bearing; no impairment
Miscellaneous assets	1,763	1,834	Security deposits on lease contracts
Miscellaneous liabilities	(323)	5,919	Advance payments of security deposits
Bills Payable	-	-	Peso-denominated borrowing with fixed interest rate of 3.00% with 1 day maturity.
Deposits/placements	-	-	
Withdrawals/maturities	-	-	
Accrued other expense payable	36,124	68,584	Outstanding information technology expense payable, charges on current and savings accounts processing
Interest income	4,329	-	Income on deposits and interbank loans receivables
Rental income	8,209	-	Income from leasing agreements with various lease terms ranging from 2 to 5 years
Miscellaneous income	9,947	-	Income received from ATM service fees, rental and utilities
Information technology expense	121,476	-	Payment of information technology expenses
Trading and security loss	57,038	-	Gain from securities transactions
Interest expense	-	-	Interest expense on bills payable
Securities transactions	-	-	
Outright purchases	4,892,130	-	Outright purchase of FVTPL, FVOCI and investment at amortized cost
Outright sales	(3,166,130)	-	Outright sale of FVTPL, FVOCI and investment at amortized cost
Joint Venture (SMFC)			
Investment in a joint venture	(50,305)	705,477	Investment in SMFC
Share in net income of a joint venture	40,299	-	30% share in net income of SMFC
Dividends from joint venture	(53,280)	-	Dividends from SMFC
Share in unrealized gain on remeasurement of retirement liability	(2,227)	(1,285)	30% share in remeasurement of SMFC retirement liability taken up in OCI
Share in hedge reserves	(35,097)	(35,097)	30% share in hedge reserves of SMFC taken up in OCI
Accounts receivable	(648)	217	Outstanding rental and utility receivables, non-interest bearing
Deposit liabilities	464,130	488,007	Demand and short-term peso time deposits with annual fixed rates of 1.25%
Miscellaneous liabilities	-	-	Payment of security deposits
Rental income	14,028	-	Income from leasing agreements
Miscellaneous income	4,752	-	
Interest expense	722	-	Interest on deposit liabilities with 1.25% annual fixed rate
Other Related Parties(DOSRI/indirect)			
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	-	-	
Maturities	-	-	
Receivable from customers	-	982,125	Loans granted bear interest of ranging 7.05% to 7.38% with 1 to 10 years term.
Placements	975,000	-	
Maturities	987,300	-	
Miscellaneous assets	(187)	2,597	Three months advance security deposits
Accounts receivable	372	6,693	Outstanding ATM service fees, rental and utility receivables, non-interest bearing
Prepaid expense	(3,221)	6,773	Payment for various policy renewals
Deposit liabilities	226,204	915,051	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	2,700,000	-	
Withdrawals/maturities	(2,700,000)	-	
Accrued other expense payable	-	1,151	Outstanding group life insurance
Accounts payable	(4,055)	2	Various personal and car insurance payable
Miscellaneous liabilities	1,872	1,872	Advance payment of security deposits from various tenants
Interest income	63,020	-	Income on receivables from customers and interbank loans receivables
Trading and securities loss	-	-	Loss from securities transactions

(Forward)



December 31, 2020			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Rental income	₱15,995	₱-	Income from leasing agreements with various lease terms
Bank commission	2,415	-	Commission income on ATM service fees
Miscellaneous income	3,931	-	Service income from referral fees on approved credit card issuances and bank insurance with rates ranging from 2.00% to 10.00%
Insurance expense	75,849	-	Payment of insurance premium
Interest expense	12,410	-	Interest on deposit liabilities and bills payable
Rent expense	485	-	Payment of rent expense to various lessors
Securities transactions			
Outright purchases	4,415,710	-	Outright purchase of FVTPL and FVOCI
Outright sales	-	-	Outright sale of FVTPL and FVOCI
Key Personnel			
Receivables from customers	-	8,813	Unsecured, no impairment, with annual fixed interest rates of 6.00% and maturities ranging from 2 to 10 years
Placements	2,430	-	
Maturities	(4,946)	-	
Interest income	849	-	Interest income from loans
December 31, 2019			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Entities with significant influence (MBTC)			
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	-	71	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	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 (SMFC)			
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(DOSRI/indirect)			
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%

(Forward)



December 31, 2019			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
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
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

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, 2020 and 2019, the Bank deposited government securities with carrying value of ₱114.1 million and ₱143.2 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 ₱2.0 million and ₱1.3 million, which corresponds to 10.00% of the net income realized from the Bank's Trust Department in 2020 and 2019, 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.

Commitments and Contingencies

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

	2020	2019
Trust department accounts (Note 30)	₱8,611,155,604	₱6,981,353,030
Stand-by credit lines	41,781,859	84,000,000
Spot foreign exchange and contracts sale	24,011,500	-
Swap forward exchange - sold	-	50,635,000
Late deposits/payments received	9,521,669	9,521,669
Items held for safekeeping	563,320	455,693
Others	565,680	488,280



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:

	2020	2019	2018
Additions to chattel mortgage in settlement of loans (Note 14)	₱3,753,346,148	₱3,304,131,638	₱2,592,446,719
Recognition of right-of-use assets (Note 11)	243,849,256	1,628,345,834	–
Recognition of lease liabilities (Note 25)	243,849,256	1,817,438,565	–
Fair value changes in financial assets at FVOCI (Note 8)	278,577,437	994,927,408	(815,985,665)
Additions to investment properties in settlement of loans (Note 12)	457,713,276	735,282,417	791,786,329
Cost adjustment on intangible assets (Note 13)	8,281,794	84,291,800	–
Net retirement of ROU/ (Lease liability)	(605,028)	(17,314,414)	–
Cumulative translation adjustment	327,675	(181,095)	(6,116)

The table below provides for the changes in liabilities arising from financing activities in 2020 and 2019 (in millions):

	Subordinated Notes	Bills Payable	Bonds Payable	Lease Liability	Total Liabilities from Financing Activities
January 1, 2020	₱–	₱4,190	₱6,255	₱1,467	₱11,912
Cash flows from availments	–	4,971	4,607	–	9,578
Cash flows from settlement	–	(9,171)	–	(455)	(9,626)
Foreign exchange movement	–	–	–	–	–
Others	–	10	40	330	380
December 31, 2020	₱–	₱–	₱10,902	₱1,342	₱12,244

	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.



As of December 31, 2020 and 2019, the Bank recognized allowance for credit losses from 'Due from BSP' and 'Due from other banks' as follows:

	2020	2019
Due from BSP	₱988,734	₱1,226,349
Due from other banks	113,972,254	1,043,119
	₱114,960,988	₱2,269,468

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, 2020, there were no derivative assets.

Financial assets recognized at the end of reporting period by type	December 31, 2020						
	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statement of condition	Effect of remaining rights of set-off (including rights to set-off financial collateral) that do not meet PAS 32 offsetting criteria			Net exposure
				Financial instruments	Fair value of financial collateral		
	[a]	[b]	[a-b] [c]	[d]		[e]	[c-d] [e]
SPURA (Note 7)	5,445,979,370	-	5,445,979,370	-	5,437,211,343		8,768,027

As of December 31, 2019, there were no derivative assets and SPURA.

Financial liabilities

As of December 31, 2020 and 2019, there were no outstanding foreign currency swaps and forwards and SSURA.

34. Subsequent Events

Cash Dividend Declaration

On January 21, 2021, the BOD of the Bank approved the declaration of a 7.50% regular cash dividend for the fourth quarter of 2020 for stockholders on record as of February 05, 2021 amounting to ₱320.14 million or ₱0.75 per share, to be paid on February 22, 2021.

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 18, 2021.



36. Supplementary Information Required Under BSP Circular No. 1074

On January 8, 2020, the Monetary Board (MB) amended BSP Circular No. 1074, requiring Banks to include the additional information on the following:

Financial Performance

The following basic ratios measure the financial performance of the Bank:

	2020	2019	2018
Return on average equity	3.21%	10.29%	11.38%
Return on average assets	0.50%	1.31%	1.15%
Net interest margin on average earning assets	7.26%	5.82%	5.79%
Current ratio	43.60%	19.70%	23.47%
Debt-to-equity ratio	5:36:1	5.53:1	8.75:1
Asset-to-equity ratio	6:36:1	6.53:1	9.75:1
Interest rate coverage ratio	1:31:1	1.59:1	1.59:1

Capital instruments issued

The Bank considers common stock as capital instruments eligible as Tier 1 and Tier 2 capital as of December 31, 2020 and 2019.

Significant credit exposures as to industry/economic sector

Loan concentration as to economic activity follows (gross of unearned discounts, modification loss and allowance for credit losses):

	2020	%	2019	%
Activities of households as employers and undifferentiated goods-and-services producing activities of households for own use	₱83,034,414,625	57.83	₱99,328,259,110	60.52
Real estate activities	45,189,118,736	31.47	47,435,436,567	28.90
Wholesale and retail trade, repair of motor vehicles and motorcycles	2,362,772,977	1.65	2,905,710,768	1.77
Electricity, gas, steam and air-conditioning supply	1,763,274,648	1.23	1,864,986,016	1.14
Financial and insurance activities	1,196,454,574	0.83	1,198,964,283	0.73
Transportation and storage	960,817,945	0.67	1,041,311,221	0.63
Manufacturing	668,284,576	0.47	805,033,894	0.49
Construction	654,610,491	0.46	741,251,226	0.45
Administrative and support service activities	564,185,204	0.39	702,200,790	0.43
Information and communication	538,639,977	0.38	546,048,174	0.33
Accommodation and food service activities	312,799,962	0.22	332,145,362	0.20
Human health and social work activities	189,964,709	0.13	248,280,198	0.15
Water supply, sewerage, waste management and remediation activities	42,621,664	0.03	243,086,738	0.15
Education	143,609,507	0.10	172,810,953	0.11
Professional, scientific and technical activities	158,337,618	0.11	159,731,330	0.10
Arts, entertainment and recreation	89,335,238	0.06	78,801,234	0.05
Agriculture, forestry and fishing	103,944,776	0.07	74,422,698	0.05
Mining and quarrying	17,735,712	0.01	13,178,977	0.01
Others	5,583,267,492	3.89	6,222,910,001	3.79
	₱143,574,190,431	100.00	₱164,114,569,540	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.



Breakdowns of total loans to as to security and status

The breakdown of loans and receivables from customers (gross of unearned discounts, modification loss and allowance for credit losses) as to secured and unsecured and as to type of security follows:

	2020	%	2019	%
Secured by:				
Chattel	₱74,695,763,423	52.03%	₱84,573,541,229	51.53%
Real estate	34,623,440,207	24.12%	37,086,534,930	22.60%
Deposit hold-out	616,116,114	0.43%	849,760,087	0.52%
Others	1,121,142	0.00%	6,173,885	0.00%
	109,936,440,886	76.57%	122,516,010,131	74.65%
Unsecured	33,637,749,545	23.43%	41,598,559,409	25.35%
	₱143,574,190,431	100.00%	₱164,114,569,540	100.00%

Breakdown of total loans as to status

Details of non-performing loans (NPL) follow:

	2020	2019
Secured	₱7,602,430,965	₱4,307,641,178
Unsecured	2,372,479,952	1,609,454,115
	₱9,974,910,917	₱5,917,095,293

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:

	2020	2019
Total NPLs	₱9,974,910,917	₱5,917,095,293
Less NPLs fully covered by allowance for credit losses	705,833,911	1,315,008,850
	₱9,269,077,006	₱4,602,086,443

Restructured loans as of December 31, 2020 and 2019 amounted to ₱68.8 million, and ₱104.6 million, respectively. The Bank's loan portfolio includes non-risk loans as defined under BSP regulations totaling ₱0.6 billion and ₱0.9 billion as of December 31, 2020 and 2019, respectively.



Information on related party loans

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, 2020 and 2019, 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, 2020 and 2019 (in thousands):

	2020		2019	
	DOSRI Loans	Related Party Loans	DOSRI Loans	Related Party Loans
Total outstanding loans	₱206,202	₱7,125	₱236,494	₱1,349,467
Percent of DOSRI/Related Party loans to total loan portfolio	0.0%	0.00%	0.1%	0.8%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	98.35%	0.00%	94.8%	89.7%
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 ₱0.9 million in 2020, ₱5.7 million in 2019, and ₱5.8 million in 2018.

Aggregate amount of secured liabilities and assets pledged as security

As of December 31, 2020 and 2019, 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 ₱59.6 million and ₱66.3 million, respectively.

Commitments and Contingencies

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

	2020	2019
Trust department accounts (Note 30)	₱8,611,155,604	₱6,981,353,030
Stand-by credit lines	41,781,859	84,000,000
Spot foreign exchange and contracts sale	24,011,500	—
Swap forward exchange - sold	—	50,635,000
Late deposits/payments received	9,521,669	9,521,669
Items held for safekeeping	563,320	455,693
Others	565,680	488,280



**37. 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, 2020, taxes and licenses of the Bank consist of:

Gross receipts tax	₱895,534,795
Documentary stamps tax	574,327,417
Local taxes	93,853,825
Fringe benefit tax	8,152,994
	<hr/>
	₱1,571,869,031

Withholding Taxes

As of December 31, 2020, total remittances and balance of withholding taxes are as follows:

	Total Remittances	Balance
Withholding taxes on compensation and benefits	₱426,201,312	₱25,037,832
Final withholding taxes	452,837,792	10,879,028
Expanded withholding taxes	78,378,124	8,634,317
	<hr/>	<hr/>
	₱957,417,228	₱44,551,177

The Bank has no ongoing tax assessment as of December 31, 2020 and 2019.



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, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated February 18, 2021. 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 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 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. 8534216, January 4, 2021, Makati City

February 18, 2021



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, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and have issued our report thereon dated February 18, 2021. 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 Company'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 Company's financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



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. 8534216, January 4, 2021, Makati City

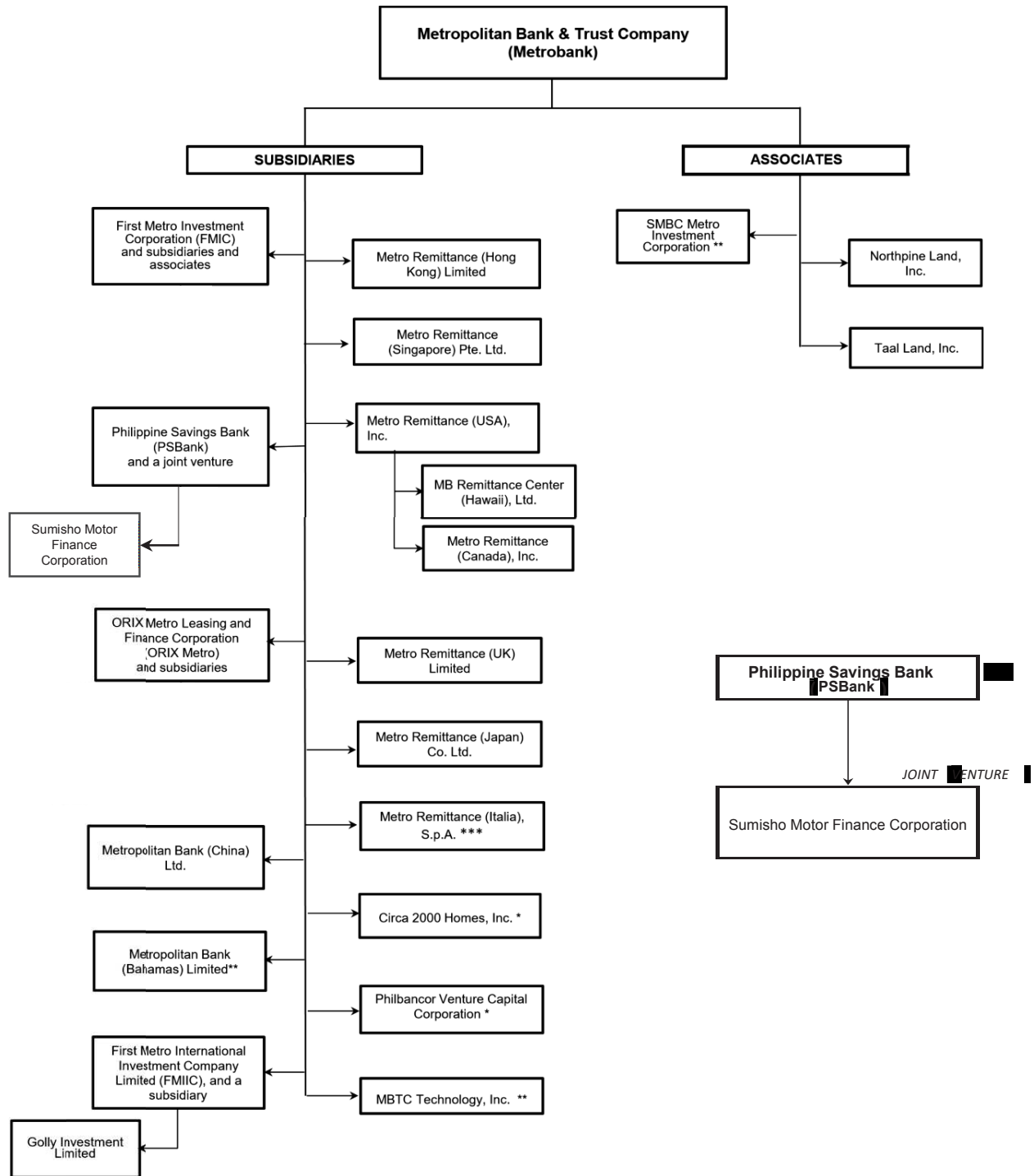
February 18, 2021



PHILIPPINE SAVINGS BANK
RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION

Unappropriated Retained Earnings, 12/31/2019		₱21,269,544,273
Prior year adjustments		
Less: Non-accrual/unrealized income net of tax		
Equity in net income of a joint venture	(154,839,688)	
Unrealized foreign exchange gains – net	(4,141,144)	
Unrealized gains on investment properties	(875,625,009)	
Recognized deferred tax assets	(996,156,244)	
Mark to market gains on FVTPL	2,847	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	(52,981,190)	(2,083,740,428)
<hr/>		
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		19,185,803,845
Net Income during the period closed to Retained Earnings		1,108,212,278
Less: Non-accrual/unrealized income net of tax		
Equity in net income of a joint venture	12,980,669	
Unrealized foreign exchange gains – net	(38,323,367)	
Unrealized gains on investment properties	(9,362)	
Recognized deferred tax assets	(783,739,604)	
Mark to market gains on FVTPL	(341,105,503)	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	52,981,190	(1,097,215,977)
<hr/>		
Net income actually earned during the period		10,996,301
Less:		
Dividend declarations during the period		(3,820,265,748)
Appropriations of Surplus Reserves during the period		(1,951,455)
<hr/>		
Retained earnings available for dividend distribution		₱15,374,582,943

**Metropolitan Bank & Trust Company
Subsidiaries and Associates
As of December 31, 2020**



* In process of dissolution

** In process of liquidation

*** Fully liquidated in January 2021

PHILIPPINE SAVINGS BANK
SCHEDULE A – FINANCIAL ASSETS
As of December 31, 2020

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	₱50,189	₱50,189	₱669
Derivatives with positive fair value	–	–	–	–
	₱46,521	₱50,189	₱50,189	₱669
Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)				
Debt Securities				
Government Bonds				
Peso – denominated	₱7,120,446,467	₱7,093,131,657	₱7,093,131,657	₱321,039
Private Corporation				
Peso – denominated	2,755,300,000	2,737,315,980	2,737,315,980	20,113,769
Dollar – denominated	192,092,000	218,552,673	218,552,673	3,260,228
	2,947,392,000	2,955,868,653	2,955,868,653	23,695,036
Equity Securities	6,594,720	10,232,495	10,232,495	–
	₱10,074,433,187	₱10,059,232,805	₱10,059,232,805	₱23,695,036
Investment Securities at Amortized Cost				
Government Bonds				
Peso – denominated	₱8,429,573,236	₱11,107,726,919	₱12,331,565,944	₱247,908,605
Private Corporation				
Peso – denominated	1,658,950,000	1,663,788,184	1,674,354,633	11,469,914
Dollar – denominated	941,154,754	964,484,035	1,027,596,590	14,302,775
	2,600,104,754	2,628,272,219	2,701,951,223	25,772,689
	₱11,029,677,990	₱13,735,999,138	₱15,033,517,167	₱273,681,294

- 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, 2020

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
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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, 2020

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
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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, 2020

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)	₱6,300,000,000	₱ 6,283,067,847	–	5.60%	July 24, 2021
Bonds Payable	₱4,650,000,000	–	₱ 4,619,389,064	4.50%	February 4, 2023

(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, 2020

Name of Related Party (i)	Balance at Beginning of the Period	Balance at the End of the Period (ii)
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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, 2020

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)
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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, 2020

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	426,859,416	–	377,279,068	4,459,653	45,120,695

- (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.

PHILIPPINE SAVINGS BANK
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE PERIOD INDICATED

	December 31, 2020	December 31, 2019
PROFITABILITY RATIOS		
Return on Assets		
<u>Net Income</u>	0.50%	1.31%
Average Total Resources		
Return on Equity		
<u>Net Income</u>	3.21%	10.29%
Average Stockholders' Equity		
Net Interest Margin		
<u>Net Interest Income</u>	7.26%	5.82%
Average Earning Assets		
Cost to Income Ratio		
Operating Expenses Excluding Provision <u>for Impairment and Credit Losses and Income Taxes</u>	55.19%	61.28%
Net Interest Income + Operating Income		
SOLVENCY RATIOS		
Debt to Equity Ratio		
<u>Total Liabilities</u>	5.36:1	5:53:1
Total Stockholders' Equity		
Asset-to-Equity Ratio		
<u>Total Assets</u>	6:36:1	6:53:1
Total Stockholders' Equity		
Interest Rate Coverage Ratio		
<u>Earnings Before Interest and Taxes</u>	1:31:1	1:59:1
Interest Expense		
LIQUIDITY RATIOS		
Liquidity/Current Ratio		
<u>Current Assets</u>	43.60%	19.70%
Current Liabilities		
Loans to Deposit Ratio		
<u>Gross Loans</u>	85.48%	95.14%
Total Deposits		
Capital Adequacy Ratio		
<u>Total Qualifying Capital</u>	19.42%	17.76%
Total Risk-Weighted Assets		

PHILIPPINE SAVINGS BANK
EVENTS REPORTED UNDER FORM 17-C
(Reports filed during the year 2020)

No.	Particulars	Date Reported
1	PSBank reported the following information as of December 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	January 10, 2020
2	PSBank reported in a press release that PSBank announces a 4.5% P.A. Peso Fixed Rate Bond offer.	January 10, 2020
3	PSBank reported in a press release that PSBank shortens the offer period for its 2 nd Tranche Peso Fixed Rate Bond issuance.	January 17, 2020
4	PSBank reported that the Board of Directors, in its meeting held on 16 January 2020, passed a resolution on the following: <ul style="list-style-type: none"> • Scheduling of the Annual Stockholders Meeting on April 21, 2020 at 3 o'clock in the afternoon at the 19th Floor, PSBank Center, Paseo de Roxas corner Seden Street, Makati City; • Setting February 28, 2020 as the Record Date for determining stockholders entitled to notice and to vote in the Meeting; and • 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 22, 2020
5	PSBank reported that the Board of Directors, in its meeting held today, 16 January 2020, passed a resolution declaring a 7.5% Regular Cash Dividend for the fourth 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 31 January 2020 and will be paid no later than the Payment Date of 17 February 2020.	January 22, 2020
6	PSBank reported the attendance of its Board of Directors in Corporate Governance Seminars for the year 2019 and the corresponding certification issued by the Corporate Secretary, Mr. Pocholo V. Dela Peña.	January 28, 2020
7	PSBank reported in a press release that PSBank returns to the PDEX bourse with its PhP 4.65 Billion Series B 3-Year Fixed Rate Bonds.	February 6, 2020
8	PSBank reported its financial results for year-end 2019.	March 4, 2020
9	PSBank reported the postponement of the Bank's Annual Stockholders' Meeting, originally scheduled on 21 April 2020.	March 27, 2020
10	PSBank reported the following information as of March 31, 2020: 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 20, 2020
11	PSBank reported that the Board of Directors, in its meeting held on 21 April 2020, passed a resolution declaring a 7.5% Regular Cash Dividend for the first quarter of 2020 amounting to Php 320.14 million equivalent to Php 0.75 per share. This will be payable to all common stockholders as of the Record Date of 7 May 2020 and will be paid no later than the Payment Date of 21 May 2020.	April 23, 2020
12	PSBank reported its financial results for first quarter of 2020.	May 8, 2020
13	PSBank reported that, in compliance with the SEC Notice dated April 20, 2020 on the alternative mode for distributing and providing copies of the Notice of Meeting, Information Statement, and other documents in connection with the holding of Annual Stockholders' Meeting ("ASM") for 2020, the Philippine Savings Bank's 2020 Notice of Annual Stockholders' Meeting was published in two (2) major publications (print and online) on May 5 and May 6, 2020. Accordingly, the same had been disclosed to the Philippine Stock Exchange (PSE) pursuant to applicable PSE regulations.	May 12, 2020

14	PSBank reported the results of its Annual Stockholders' Meeting held on 27 May 2020.	May 29, 2020
15	PSBank reported the results of its Organizational Meeting held on 27 May 2020.	May 29, 2020
16	PSBank reported the following information as of June 30, 2020: 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 15, 2020
17	PSBank reported that the Board of Directors, in its meeting held on 23 July 2020, passed a resolution declaring a 7.5% Regular Cash Dividend for the second quarter of 2020 amounting to Php 320.14 million equivalent to Php 0.75 per share. This will be payable to all common stockholders as of the Record Date of 7 August 2020 and will be paid no later than the Payment Date of 24 August 2020.	July 24, 2020
18	PSBank reported its financial results for first half of 2020.	August 19, 2020
19	PSBank reported the following information as of September 30, 2020: 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 16, 2020
20	PSBank reported a press release from Philippine Rating Services Corporation (Philratings) regarding the Bank's Issuer Rating.	October 23, 2020
21	PSBank reported that the Board of Directors, in its meeting held on 22 October 2020, passed a resolution approving the promotion of two (2) Senior Officers (LMZamora and JMValero) to Senior Vice President effective December 1, 2020	October 23, 2020
22	PSBank reported that the Board of Directors, in its meeting held on 22 October 2020, passed a resolution declaring a 7.5% Regular Cash Dividend for the third quarter of 2020 amounting to Php 320.14 million equivalent to Php 0.75 per share. This will be payable to all common stockholders as of the Record Date of 9 November 2020 and will be paid no later than the Payment Date of 23 November 2020.	October 27, 2020
23	PSBank reported its financial results for third quarter of 2020.	November 18, 2020

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JOSE T. PARDO**, Filipino, of legal age and a resident of _____
 _____ after having been duly sworn to in accordance with law do
 hereby declare that:

1. I am a nominee for independent director of Philippine Savings Bank and have been its independent director since May 2007 (where applicable).

2. I am affiliated with the following companies or organizations (including Government- Owned and Controlled Corporations):

COMPANY/ ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Philippine Seven Corporation \	Chairman and \ Independent Director	2015 to present
Philippine Stock Exchange \	Chairman and \ Independent Director	2011 to present
Securities Clearing Corporation of the Philippines \	Chairman and \ Independent Director	2011 to present
Bank of Commerce \	Chairman and Non - Executive Director \	2003 to present
National Grid Corporation of the Philippines \	Non - Executive Director \	2009 to present
JG Summit Holdings, Inc. \	Independent Director \	2003 to present
ZNN Radio Veritas Foundation \	Director \	2006 to present
Synergy Grid and Development Philippines, Inc. (Non - operational) \	Independent Director \	2014 to present
Monte Oro Grid Resources Corporation (Non - operational)	Non - Executive Director	2016 to present
Araneta Hotels, Inc. \	Independent Director \	2016 to present
League One Finance and Leasing Corporation \	Independent Director	2016 to present
Del Monte Philippines, Inc. \	Independent Director \	2018 to present
ECOP Council of Business Leaders	Chairman \	2009 to present
PCCI Council of Business Leaders \	Chairman \	2007 to present

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

4. I am related to the following director/ officer/ substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/ administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

6. (For those in government service/ affiliated with a government agency or GOCC) I have the required written permission or consent from the N/A to be an independent director in N/A, pursuant to the Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

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

8. I shall inform the Corporate Secretary of Philippine Savings Bank of any changes in the abovementioned information within five days from its occurrence.

FEB 18 2021,

MAKATI CITY

Done, this _____ day of _____, at _____.



Jose T. Pardo
Affiant

FEB 18 2021

MAKATI CITY

SUBSCRIBED AND SWORN TO before me this _____ day of _____, at _____
affiant exhibiting to me his Passport No. _____ issued on _____
Manila.

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ATTY. ROMEO S. MASANGYA, JR.
ROLL NO. 45164
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-27 UNTIL DECEMBER 31, 2022
MCLE COMPLIANCE NO. VI-0014090. APRIL 14, 2022
IBP LIFETIME NO. 018663. 01/03/2018 MAKATI CITY
PTR NO. 8533524. 01/04/2021 MAKATI CITY
MEZZANINE FLR. PSBANK CENTER NO. 777 PASEO DE ROXAS
COR. SEDENO ST. MAKATI CITY
TEL NO. (02)8511-8042

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **BENEDICTO JOSE R. ARCINAS**, Filipino, of legal age and a resident of _____ after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Philippine Savings Bank and have been its independent director since April 2012 (where applicable).

2. I am affiliated with the following companies or organizations (including Government- Owned and Controlled Corporations):

COMPANY/ ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Arcinas Freres, Inc.	Director & General Manager	1989 to present

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

4. I am related to the following director/ officer/ substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/ administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

6. (For those in government service/ affiliated with a government agency or GOCC) I have the required written permission or consent from the N/A to be an independent director in N/A, pursuant to the Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

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


8. I shall inform the Corporate Secretary of Philippine Savings Bank of any changes in the abovementioned information within five days from its occurrence.

Done, this FEB 18 2021 day of MAKATI CITY, at MAKATI CITY.


Benedicto Jose R. Arcinas
 Affiant

SUBSCRIBED AND SWORN TO before me this FEB 18 2021 day of MAKATI CITY, at MAKATI CITY,
 affiant exhibiting to me his Passport No. _____ issued on _____

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ATTY. ROMEO S. MASANGYA, JR.
 ROLL NO. 45164
 NOTARY PUBLIC FOR MAKATI CITY
 APPOINTMENT NO. M-27 UNTIL DECEMBER 31, 2022
 MCLE COMPLIANCE NO. VI-0014030. APRIL 14, 2022
 IBP LIFETIME NO. 018663. 01/03/2018 MAKATI CITY
 PTR NO. 8533524. 01/04/2021 MAKATI CITY
 MEZZANINE FLR. PSBANK CENTER NO. 777 PASEO DE ROXAS
 COR. SEDENO ST. MAKATI CITY
 TEL NO. (02)8511-8042

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **SAMSON C. LIM**, Filipino, of legal age and a resident of _____ after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Philippine Savings Bank** and have been its independent director since April 2008 (where applicable).
2. I am affiliated with the following companies or organizations (including Government – Owned and Controlled Corporations) :

COMPANY/ ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
BLIMS LIFESTYLE GROUP (BLG)	CHAIRMAN	2014 to present
COLLINS INTERNATIONAL TRADING CORP.	CHAIRMAN	2002 to present
FRANCORP PHILIPPINES	CHAIRMAN	2002 to present
CANADIAN TOURISM & HOSPITALITY INSTITUTE	PRESIDENT	2010 to present
PHILIPPINE CHAMBER OF COMMERCE AND INDUSTRY	CHAIRMAN FOR TOURISM, RETAIL & FRANCHISE	2020 to present
PHILIPPINE RETAILERS ASSOCIATION	CHAIRMAN EMERITUS	2000 to present
PHILIPPINE FRANCHISE ASSOCIATION	CHAIRMAN EMERITUS/ INTERNATIONAL RELATION	2005 to present

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

4. I am related to the following director/ officer/ substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code (where applicable)

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/ administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

6. (For those in government service/ affiliated with a government agency or GOCC) I have the required written permission or consent from the N/A to be an independent director in N/A, pursuant to the Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

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

8. I shall inform the Corporate Secretary of Philippine Savings Bank of any changes in the abovementioned information within five days from its occurrence.

Done, this _____ day of _____, at FEB 18 2021.


MAKATI CITY


Samson C. Lim
Affiant

FEB 18 2021

MAKATI CITY
SUBSCRIBED AND SWORN to before me this _____ day of _____ at _____
affiant personally appeared before me and exhibited to me his Passport
No _____ issued at _____

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ATTY. ROMEO S. MASANGYA, JR.
ROLL NO. 45164
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-27 UNTIL DECEMBER 31, 2022
MCLE COMPLIANCE NO. VI-0614090, APRIL 14, 2022
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TEL NO. (02)8511-8042

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

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **EDUARDO A. SAHAGUN**, Filipino, of legal age and a resident of _____, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Philippine Savings Bank** and have been its independent director since April 2017 (where applicable).

2. I am affiliated with the following companies or organizations (including Government – Owned and Controlled Corporations) :

COMPANY/ ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Union Galvasteel Corporation	Member, Board of Directors	2011 to present
Union Galvasteel Corporation	President & CEO	2017 to present
Phinma Property Holdings Corporation	Member, Board of Directors	2016 to present
EdCommerce Corporation	Chairman	2017 to present
Phinma Solar Energy Corporaton	President and CEO	2017 to present
Phinma Renewable Energy Corporation	Member, Board of Directors	2017 to present
Philcement Corporation	President and CEO	2017 to present
Phinma Foundation Inc.	Member, Board of Trustees	2017 to present
T – O Insurance Brokers, Inc.	Member, Board of Directors	2019 to present

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

8. I shall inform the Corporate Secretary of Philippine Savings Bank of any changes in the abovementioned information within five days from its occurrence.


FEB 18 2021

Done, this _____ day of _____, at Makati City.


Eduardo A. Sahagun
Affiant

SUBSCRIBED AND SWORN TO before me this _____ day of FEB 18 2021,
at MAKATI CITY, affiant exhibiting to me his Passport No. _____
issued on _____

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ATTY. ROMEO S. MASANGYA, JR.
ROLL NO. 45164
NOTARY PUBLIC FOR MAKATI CITY
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