AUB
ASIA UNITED BANK

RISING WITH YOU

ANNUAL & SUSTAINABILITY REPORT 2019

Cover Story

2019 was a banner year for Asia United Bank (AUB).

The cover depicts the Joy-Nostalg Center, AUB's headquarters, ensconced within AUB's signature gold swoosh introduced in 2019, ascending toward the AUB Aspire icon at the peak of the AUB Summit logo.

The full shot of AUB's high-rise HQ unveils the Bank's strategic growth and skyward trajectory over the past year. It is set amidst clear skies and vibrant hues of green, blue and gold that signify good luck, hope and triumph, and reflect the optimism of more to come.

With a network of 267 branches nationwide and an impressive arsenal of digitally anchored ventures, the Bank further capitalized on its history of successes through conscientious decision-making and strategic goal-setting.

With technology becoming a forefront for its services as it adapts to the changing digital landscape, its heritage of over two decades of personalized service and customized solutions have become AUB's unique value proposition.

AUB ensures its engagement with its clientele transcends across business strategies, digital channels and personal connections. Its personal assurance of the AUB experience is: "We hear you. We feel you. We engage with you."

RISING WITH YOU highlights AUB's proficiency in consistently providing relevant products and services that address the needs of its growing clientele. The Bank's aspiration of building and strengthening meaningful relationships with its stakeholders goes hand in hand with the Bank's pursuit of constantly listening to and involving its stakeholders in its initiatives and undertakings.

AUB not only enables its clientele's financial resources to flourish — it continues to advance with its customers, having likewise been integral in their success.

AUB's distinction, dynamism, resilience and adaptability is evident in how they have attuned to their customers on a personal level, aspiring to provide what the Bank feels each customer needs depending on the situation and the time. Striving to become an influencer and a thought leader who sparks curiosity, interest, drive and assumes a key character in its customer's stories, AUB remains driven and connected with its customers through this collaborative appreciation.

"Each customer's story of success becomes our reality."

With AUB, the shared aspiration of AUBankers and their customers have remained the same over the past years: With AUB, Your Future is our Commitment.

Our Vision

We are committed to be the bank of choice, known for financial strength and superior delivery of innovative products and services, driven towards total customer satisfaction.

Our Mission

We shall be guided by our chosen corporate values of Commitment, Integrity, Excellence, Leadership, and Teamwork in:

- Developing long-term partnerships with clients through the delivery of responsive, innovative, and value-added products and services
- Providing the delivery channels that are relevant to our market to ensure convenience and increase the bank's accessibility
- Creating a dynamic and meritocratic employee work environment that fosters mutual respect, provides professional and personal growth, and encourages creativity
- Dealing fairly with business partners
- Ensuring optimum returns for our stockholders.

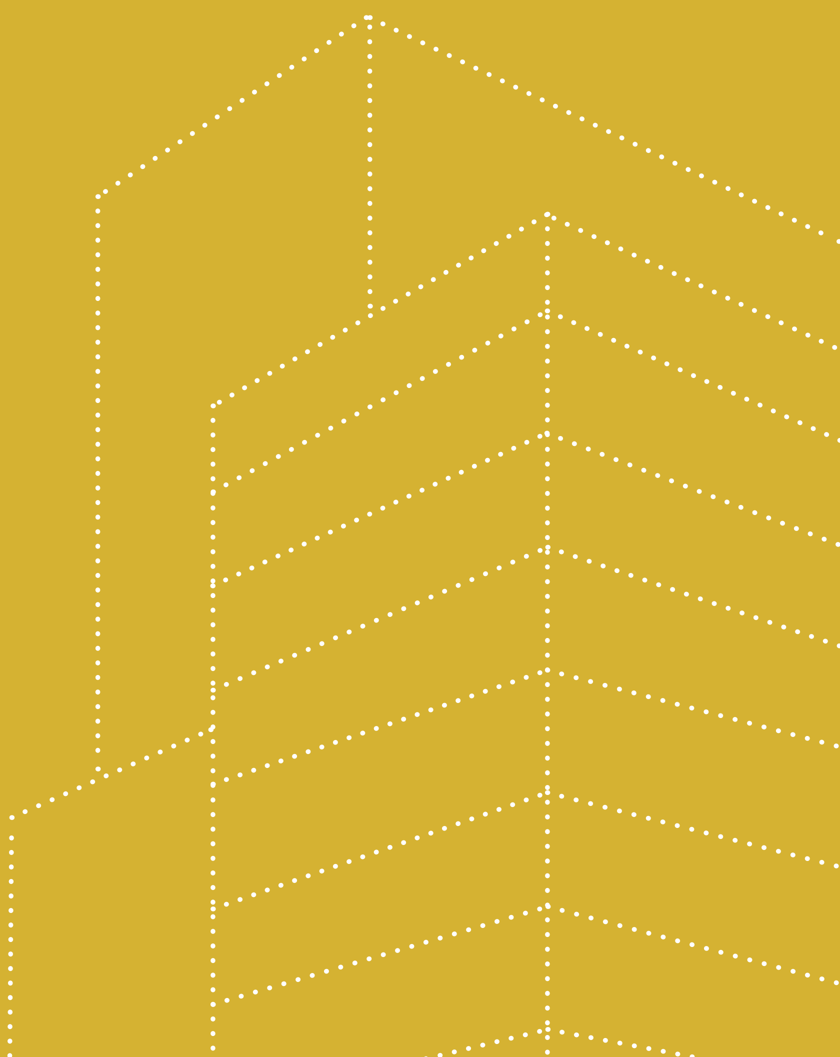


Table of Contents

AUB: The Bank's Journey

Asia United Bank (AUB) started its journey on October 31, 1997, as a joint venture between a consortium of Filipino industrialists and Taiwanese investment banks.

Registered with the Securities and Exchange Commission and recognized by the Bangko Sentral ng Pilipinas (BSP), AUB exercises its authority as a commercial bank under Monetary Board Resolution No. 1149 dated September 3, 1997, and as a universal bank under MB Resolution No. 356 dated February 28, 2013.

With its upgraded commercial banking license, AUB was able to expand its business and distribution network nationwide. AUB's deposit base was also boosted through three acquisitions since 2016: Rural Bank of Angeles, Cavite United Rural Bank, and Asia United Leasing and Finance Corp (AULFC). AUB has also absorbed 100 percent of AULFC's subsidiaries, including Asia United Fleet and the Singapore-based RediMoney Express PTE Limited (formerly Pinoy Express PTE Ltd).

As a universal bank, AUB has the authority to exercise the powers of an investment house, including securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity securities, project finance and direct equity investment.

These powers also enable AUB to invest in allied and non-allied enterprises, subject to regulatory caps on the amount of investment relative to the Bank's capital and ownership percentage.

AUB is now recognized as a publicly-listed company, joining an illustrious league of Philippine banks that have become public corporations.

AUB's principal and executive offices are housed at the Joy-Nostalg Center in Ortigas Center, one of the country's most progressive business districts and a strategic hub for commercial opportunities.

Led by a highly-experienced management team with proven track records, AUB fulfills the needs of its solid customer base of small to medium enterprises and corporations, as well as a growing retail clientele, through tailored customer service supported by internally developed digital innovations.

Driven by an efficient operational structure, AUB's strengths have been proven by its service excellence, its effective use of technology and innovation and its responsiveness to its market's needs.

AUB at a Glance

OWNERSHIP - Top 5 Shareholders in Percentages

Rank	Name of Shareholder	No. of Shares	% Total
1	REPUBLIC BISCUIT CORPORATION	158,399,535	32.64%
2	KUO YU PHILIPPINES HOLDINGS CORPORATION	90,000,000	18.54%
3	LAMBDA HOLDINGS CORPORATION	71,999,850	14.84%
4	PCD NOMINEE CORPORATION (FILIPINO)	38,923,716	08.02%
5	PCD NOMINEE CORPORATION (NON FILIPINO)	27,381,524	05.64%

NO. OF BRANCHES AS OF END 2019

Parent 226
Conso 267
(with 1 microbanking office)

NO. OF ATMS AS OF END 2019

Onsite 170
Offsite 38
TOTAL 208

ONLINE BANKING
www.aub.com.ph

MOBILE BANKING
AUB Mobile App

E-WALLET
HelloMoney

SUBSIDIARIES WITH PERCENTAGE OF OWNERSHIP

Subsidiary	% of Ownership
Rural Bank of Angeles	99.54%
Cavite United Rural Bank	100.00%
Asia United Leasing and Finance Corp (AULFC) and its 100% subsidiary, Asia United Fleet	39.00%
RediMoney Express PTE Limited (formerly Pinoy Express PTE Ltd)	100.00%

BUSINESS SEGMENTS	OPERATING INCOME		NET INCOME	
In millions except percentages	2019		2019	
	Amount	%	Amount	%
Commercial	2,214	18%	1,180	27%
Consumer	2,112	17%	178	4%
Treasury	2,103	17%	1,129	25%
Branch Banking	5,477	45%	1,892	43%
Others	241	2%	62	1%
TOTAL	**12,147**	**100%**	**4,441**	**100%**

Financial Highlights

(In Billions)

Total assets

2019	**265.99**
2018	237.64
2017	199.94

Total deposits

2019	**210.23**
2018	193.08
2017	159.39

Total loans and receivables

2019	**172.54**
2018	155.70
2017	131.07

Stockholders equity

2019	**33.16**
2018	29.22
2017	26.84

Net income

2019	**4.44**
2018	3.29
2017	2.83

01

Message from the Chairman Emeritus and the Chairman

Message from the Chairman Emeritus and the Chairman

Our dear shareholders,

Asia United Bank (AUB) has always been at the forefront of change, always looking for ways to revolutionize banking and further innovate on its own initiatives. This continuous pursuit of improvement has helped the Bank achieve a banner year in 2019.

As the general investment climate in the country improved, we generated more income at a much faster rate than we projected in comparison to 2018's figures. From satisfactory results in 2018, AUB maintained a stable deposit base, a consistent asset-earning base and manageable bank liquidity for 2019.

As an active participant in the digital banking age, we made conscious efforts to change the way that we do banking, constantly striving to offer products and services that showcase our digital capabilities. The launch of our e-wallet, HelloMoney, our partnership

"As an active participant in the digital banking age, we made conscious efforts to change the way that we do banking, constantly striving to offer products and services that showcase our digital capabilities."

with Pag-IBIG Fund to upgrade loyalty cards into cash cards, the launch of Hello Pag-IBIG App, paperless loan applications, automation system improvements and QR payment platforms are just a few of the key innovations that AUB proudly rolled out in 2019.

Success in the digital sphere requires a strong foundation, along with the right technological infrastructure, efficient manpower and continuous efforts to expand the online banking client base.

AUB has always worked to build strategic advantages in these fronts, and we are proud of our internally developed systems.

As we speak of change, one of our biggest challenges for 2020 is addressing the changing ways by which we bank.

The COVID-19 crisis has brought to the fore the need to make online banking a priority, as well as the need for innovative products and services that can further encourage online banking.

Rest assured that we take our responsibility seriously to make sure that we serve the best interests of our key stakeholders—the depositors, our personnel, and AUB's clients.

While 2020 has taught us that we cannot always anticipate what will happen, we are proud to say that AUB is in a fundamentally good position to address these challenges.

While there will always be challenges ahead, we will always do our best to ensure that AUB will be in the best possible position to meet these head-on and still reach its goals.

We thank you, our esteemed shareholders, for your continuous support and confidence in AUB.

Jacinto L. Ng Sr.
Founder and Chairman Emeritus

Abraham T. Co
Chairman

02

Message from the President

Message from the President

AUB is no stranger to crisis. After all, we opened in the midst of one in 1997. We prevailed since then, and we will do so now.

With AUB, your future is our commitment.

The unprecedented event that we are facing today is something that we could not have imagined. It triggered devastating effects on global economies and businesses. But we felt it most in our way of life; and, it is far from over. Though no one could have prepared for this pandemic, AUB is poised to meet it head-on because of three key points: our strong performance over the years, our strength in technology, and lastly, our people.

2019 was a very good year of growth. We recorded our most profitable year ever: 35% up from 2018 despite the challenging environment. We continue to depend on our core businesses for growth and our trading gains remain robust. We further expand our already strong balance sheet, and we remain a very capable provider of liquidity in the market and to our customers.

The second key point is AUB's strength in technology. Leadership foresight and our IT group's agility and flexibility pushed AUB ahead of the curve in terms of automation and in implementing new digital products, enabling us to meet current challenges and needs. The physical distance caused by this pandemic became a massive hurdle for businesses, but most especially for banks.

Technology bridged this gap.

Our branch operations were adjusted to follow a low-touch and safe banking blueprint to protect the health of our employees and customers.

In the third quarter of 2019, we introduced HelloMoney, our e-wallet solution, to address the needs of the unbanked and underserved market, as well as to appeal to our digital-savvy customers. We made it possible for the regular Filipino to manage and secure his finances through the HelloMoney mobile app.

Transacting with AUB therefore became easier, more convenient, and more accessible. We saw a growth in registration and usage in the recent months because it empowered customers to continue banking with us in this new environment.

We also recently re-launched our Virtual Teller to reduce the transaction time in our branches, and we will continue to improve and enhance our AUB online banking website and mobile app to make these more effective and more efficient channels. These are just some of the initiatives happening in our digital space. The customer is at the heart of everything that we do. As we transform and transition to become a more digital-enabled bank, we remain human-centric and personal in all our interactions. Digital is just another platform where we will communicate, engage, and build trust and relationships with our customers.

The third key point that will help us weather this storm is our people. Thus, our first and foremost priority in this pandemic was everyone's well-being. That everyone in all our AUB offices nationwide was safe, was already a big win for us.

AUB answered the call of "Bayanihan." Throughout the nation, AUBankers from different areas were empowered to provide assistance to their local communities. We donated food, sanitation materials, living essentials for frontliners, institutions and community members.

Our people are our most valuable asset. They will lead, innovate, transform, and propel AUB forward. We will invest in talent and leadership development to expand and advance the capabilities to equip them for their careers in AUB and beyond.

And, we will continuously build a culture in the organization that will make AUB the best bank to work for.

The script of this story is still unfinished, and we can't know what the outcome will be, but one thing for sure is this will be a time of change — one that we will adapt and adjust to because we are forward-looking. By recognizing the changes in our way of life, we will move quickly and confidently to address this.

We are ready. Yes, there is danger, but there is also an opportunity to shape the future. We are in the right position, with the right talent, enabled by you, our stockholders, and supported by our loyal customers. We are steadfast in our commitment of people first. AUBankers are the cornerstones of this organization.

The remainder of 2020, and most likely far after, will be, at the very least, doubly challenging. Fundamental objectives for the most part will remain unchanged, but the road map will be significantly altered. The New Normal ways of execution will be applied to 2020. AUB plans to maintain its lending activities to its defined markets, the corporate and consumer sectors of the market, as well as the micro, small and medium enterprises (MSMEs).

To quote our Chairman, Mr. Abraham Co, "We have to be prepared for the things we can't see." Preparing for it means riding out the current crisis, by keeping a healthy balance sheet, staying liquid, prioritizing and proactively managing the deployment of both financial and non-financial resources, to effectively manage the attendant market and credit risks. Lastly, but not the least, keeping our employees safe and productive.

We are optimistic and confident that with the government's handling of the current economic crisis, its proactive monetary policies and fiscal stimulus towards creating demand, to keep the wheels of our economy running, coupled with strong earnings of the banks in prior years leading to their stronger capitalization, the banking industry will remain resilient.

We began 2020 with an event that shook the world, but AUB is no stranger to crisis. After all, we opened in the midst of one in 1997. We prevailed since then, and we will do so now.

We appreciate your continued trust and support of AUB's progress and transformation through 2020.

With AUB, your future is our commitment.

Thank you.

Manuel A. Gomez
President

03

Operational Highlights

Consolidation and Innovation

In an ever-increasing global economy, what happens in distant lands can easily affect our financial markets. The year 2019 presented many such challenges—from the uncertainties of Brexit, to the wild ride that was the US-China trade war standoff, to the crises of the Persian Gulf—all of which had an impact, particularly on treasury assets.

Nevertheless, 2019 was a very good year for AUB. The Bank has reached all-time highs in terms of profitability and deposit generation. AUB has also achieved strategic goals of stabilizing its deposit base and managing a more consistent asset-earning base, with Treasury now focusing more on loans so as to better manage unpredictable macroeconomic risks.

These actions and strategies are now paying off as the world adjusts to the new realities brought about by the COVID-19 pandemic.

> “We design our products in such a way to make sure that these service the real needs of the client.”

Jacob C. Ng, Senior Vice President
and Head of Branch Banking Group

Branch Banking: Next-Level Service and Technologies

AUB has always held a reputation for being one of the fastest-growing banks in the Philippines, despite it being one of the youngest universal banks. This aggressive growth was bolstered by AUB's commitment to both technological capacity-building and to excellent service, enabling AUB to grow to its present-day network of 228 branches.

For the past three years, AUB has been more strategic in its branch expansion efforts. From opening 20 to 30 branches a year, AUB strategically shifted its gears and identified six new branches in 2019. The Bank has since made a more conscientious effort to ensure profitability and viability by prioritizing maximum efficiency.

This included training employees to know the business by heart and standardizing of service quality across all of AUB's branches and offices. In doing so, AUB hopes to gain efficiencies across the board that will enable it to grow at an even faster rate over the long term.

The year 2019 also saw AUB furthering its digital innovations—from bolstering its paperless deposit system to adding new mobile banking features, with its HelloMoney e-wallet now becoming the most feature-laden digital wallet in the market today.

These actions have helped the Bank prepare for the unexpected COVID-19 crisis of 2020, with AUB making use of the quarantine period to improve service processes and continue serving its clients even under lockdown conditions.

With its focus on service excellence and technological innovation, AUB is expected to be in a very good position heading toward the next decade, whether or not a new normal will be set in place.

Consumer Loans: Effective Niche Market Strategies

> “When we go into a new business, we need scalability. You cannot just take on niche markets because you won't make money. We look for present niches that can be big markets in the future.”

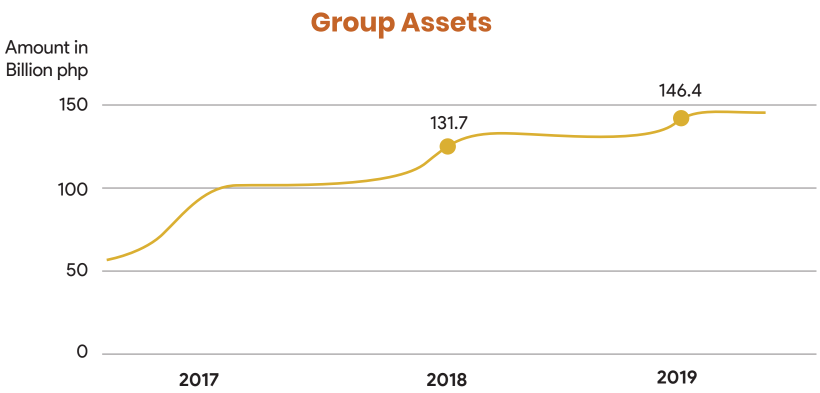
Leonides F. Intalan, Senior Vice President
and Head of Consumer Loans Group.

Following niche market needs proved to be advantageous for AUB in 2018, and it continued to be an effective strategy in 2019.

The big bike loans added to the Auto Loans unit became a popular new offering in 2019. AUB saw an increase in demand for motor vehicles from both individual consumers and small businesses in 2019, and was one of the first few banks to offer such loan services along with paperless loan applications, offering convenience for a service that usually takes a long time to process.

Coming into the new decade, AUB expects to receive more loan applications for big bikes as more people begin to see it as a preferable means of transportation. Paperless applications through mobile means will also be improved on as the Bank sees the significance of digital platforms to address the new normal.

Account Management Group: Growing Across the Nation



For the year 2019, the lending function was streamlined and made agile by combining the corporate banking and the branch lending groups into a single Account Management Group that focuses on both relationship management and cross-selling.

As the Metro Manila market grew and margins became more competitive, the group expanded its market base and directed its efforts to provincial lending. This is from the observation that clients from the provincial areas tend to be more loyal to one or two banks, and generally use these same banks for most of their financial needs.

The Bank's commercial loan portfolio grew from P131.7 billion to P146.4 billion, registering an 11 percent growth. While most of the increment still come from Metro Manila and Luzon, Visayas and Mindanao regions now account for almost one third of the growth. There is also a notable increase in the contribution of micro, small and medium enterprises to the portfolio.

The group's strategic goals over the coming years would mainly focus on the improvements in the level of service to be delivered. Together with the Branch Banking group, the group hopes to assist in expanding the customer base of the Bank as well as deepen relationships with the depositors and identify qualified borrowers. Internal changes in the group include improvements on coordination, identification of customer needs and cross-selling of the Bank's products to increase account profitability. Plans to maintain good asset quality include thorough account evaluation, watchful account management and crafting portfolios of accounts with a diverse range of productive sectors across fast-growing areas in the country.

Toward this end, the Bank will enhance its program of recruiting, training and retaining its pool of account officers which will give the group greater capacity to offer commercial and business loans to qualified depositors.

"Our strategy was to expand our lending capability to the provinces. Clients from the provincial areas tend to be loyal to their bank and generally use the same bank for all their financial needs."

Ernesto T. Uy, Senior Vice President and Head of Account Management Group

Investment Banking: Structured Solutions

“Purely digital end-to-end subscription process for retail fixed income transactions is an achievement that we’re proud to have pioneered in the industry.”

Eddie Abel C. Dorotan, First Vice President and Head of Investment Banking Group

The Investment Banking group was able to exceed its goals for 2019 by focusing on structured solutions for clients where the Bank can provide the most value. The group was likewise instrumental in the successful debut of AUB in the local bond market which was renowned for being the first issue to utilize a fully digital subscription process. The importance of this pioneering digital capability cannot be more apparent during the ongoing COVID-19 pandemic.

With the COVID-19 crisis affecting operations for the first and second quarters of 2020, as well as pointing to more challenges ahead under a new normal, the Investment Banking group believes that the economy as a whole will eventually recover and when that time comes, the Bank is uniquely positioned to meet the digital demands of a new banking environment.

Cards and Acquiring Business: Growth Through Technological Innovations

“We intend to find a synergy between our QR acquiring business and credit card business by later on enabling our credit cardholders to do QR payment transactions at AUB PayMate merchants through the use of credit card mobile app.”

Maria Magdalena V. Surtida, First Vice President and Head of Cards and Acquiring Business Group

The group generally had a favorable 2019, most notably seen with AUB’s strategic partnerships with GCash and GrabPay, two of the country’s biggest e-wallet brands. This strengthened the accessibility of PayMate, AUB’s digital payment acceptance platform that allows merchants to accept QR payments. It is already integrated with AliPay, WeChat Pay and UnionPay QR, three of the biggest digital payment services in China. Incorporating GCash and GrabPay solidified the Bank’s direction in addressing the future of cashless transactions.

Another 2019 milestone is the merchant’s QR payment acceptance from our very own HelloMoney e-wallet users. With this, AUB is the first bank to have its own e-wallet customers making QR transactions in AUB PayMate accredited merchants. With the HelloMoney & AUB PayMate’s tandem, AUB is able to offer greater value to its customers.

For 2020, the group aims to further grow its cards portfolio and launch new digital services such as credit card application via mobile app and a social commerce and web ordering online platform for merchants.

Coming into the new decade, AUB aims to achieve a highly efficient synergy between its cards and acquiring businesses to fully enhance and deepen its customer engagement.

Trust: Riding the 2019 Wave

“Our strategy is to play a niche market. With last year’s positive investment climate, we continued to perform well in terms of fund management. And we used that as leverage to secure more transactions with high net worth clients.”

Andrew A. Chua, Senior Vice President and Head of Trust and Investments Group

The Trust group was able to outperform its targets for 2019, aided by a more bullish and positive environment all around. Assets under management grew by 37 percent, while cost-to-income ratios were at a stellar level of 56 percent, which was higher than the industry average. Fund management also performed excellently thanks to the positive investment climate.

The group’s key strategy for growth was niche marketing, focusing efforts on growing the volume of corporate trust accounts in coordination with the Investment Banking group, as well as a focus on high-net-worth individuals. Fund management’s excellent performance helped to drive offerings to high-net-worth clients.

The group notes that momentum has been on its side as it continues to perform well, with investments continuing to come in, despite the challenges brought about by 2020. Clients remain delighted with their portfolios’ above-market performance. All in all, the stellar performance of 2019 was a blessing that will help serve as a buffer for the challenges of 2020.

Treasury: Industry-leading Performance

A general improvement in the investment climate benefited AUB in 2019 with inflation rates worldwide declining following price pressures that built in the previous year from the oil and energy sector. As interest rates declined globally, the Treasury maintained its winning streak and delivered way beyond targets despite limitations imposed by stricter regulations on its risk-taking activities.

Several factors have contributed to this exceptional performance: Ensure the Bank has adequate Capital and Liquidity Buffers to capitalize on market developments and the efficient management of resources to be deployed in the execution of its goals and strategies.

The Treasury Group envisions AUB to be strategically well-positioned at all times as it continues to outperform effectively and efficiently within the framework of a rigid regulatory environment and challenging market conditions moving forward.

Operations and Information Technology: Future-proofed Digital Space

AUB's technology investments have always enabled it to outperform in a highly competitive banking industry. AUB continued to build on its technology capacities in 2019 through strategic alliances and internally developed products and services.

AUB's partnership with Pag-Ibig Fund enabled members to upgrade their loyalty card into the Pag-Ibig Loyalty Card Plus, a cash card that facilitates easy access to their credited loan proceeds through ATMs. AUB also released Hello Pag-Ibig, a companion mobile app that lets the upgraded loyalty cardholders manage their bank account online.

Efficiency in the workforce and financial technology (fintech) support were some of IT's key areas of focus for 2019, which addressed through various innovations: the application of two-step factor authentication and single sign-ins for online banking platforms, easy online access with expanded mobile apps, AI-enabled monitoring of transactions, software upgrades, and increase in network security.

The group is already working on its future-proofing initiatives—from expanding existing electronic platforms to applying additional layers of security. These will come in handy as the Bank addresses what may be a new normal in banking services.

Human Resources: Lower Attrition and Greater Service Excellence

“Year 2019 was a fulfilling year—not only have we reinforced our people development initiatives, we have levelled up to build capacity of our people to drive business sustainability and performance.”

Rosario M. Dayrit, Senior Vice President
and Head of Human Resources Group

AUB's strategic priorities remain in the areas of talent acquisition, engagement and retention, and competency development. Our solid partnership with top universities nationwide, has been crucial not only to

“2019 was a phenomenal year for the Treasury as we saw the interest rate environment benefiting our fixed income trading and investment portfolios tremendously. We were heavily invested in the bond markets, both domestic and external, in anticipation of a generally accommodative stance among central banks worldwide.”

Antonio V. Agcaoili, Executive Vice President
and Head of Treasury Group

“Technology in every aspect has been the culture and DNA of our Bank since day one. There's a lot of technology not only in the IT space, but also in all of the other areas of the Bank.”

Wilfredo E. Rodriguez Jr.,
Executive Vice President
and Head of Operations Group

attracting new talents to join our growing workforce, but also supports the education sector in preparing our upcoming graduates with requisite job skills, exposure and mindset when they graduate. We run the Student Apprenticeship Program each year for incoming seniors, and recently, have extended this internship program to accommodate Senior High School students, in support of the K-12 program of the government. This exposure to corporate life has proven beneficial to sudents as it has been to the bank, as we have onboarded previous interns to the growing AUB family in the past years.

Our in-house development programs allow us to hone home-grown and high performing employees to assume critical officer requirements in credit, sales and operations. Employees draw on the learnings thru the AUB Institute, taking advantage of technology, to keep updated on bank products and services. To strengthen the credit competency of our Account Officers, we re-launched basic and advanced credit discipline training for our lending units, thus allowing us to grow our corporate and consumer lending organizations.

Being in a service-oriented industry, we put a high premium on customer service skills of our people. This has led us to invest in our team of Customer Service Training Ambassadors who will support the roll-out of a Customer Service Program to the whole Organization. We also introduced leadership discipline and coaching programs for supervisors and continued on with our Executive Development Program, in line with succession management initiatives.

To sustain employee engagement and keep employees happy and fit, we sought out the creative talents in our team, which gave birth to various talent clubs and sports activities, all in the spirit of camaraderie and sportsmanship. To celebrate our 22nd year in 2019, a delegation of employees visited the Anawim Lay Missions Foundation, a home for the less fortunate and abandoned elderlies. This activity will forever be remembered by all as a humbling and joyous occasion which brought happiness to the elderlies and employees.

As we face the challenges ahead, maintaining a healthy balance between professional and personal development of our employees remains our primary commitment, providing opportunities to initiate and innovate for organizational efficiency, better customer experience and increased shareholder value.

Marketing: #AspireLikeNoOther

“We would like to maximize the full digital experience of our customers. This is an integration of various digital touchpoints for our customers within the AUB ecosystem. It is a better appreciation of the need for enhanced customer experience that leads to innovative digital banking. Everything should be geared towards redefining digital not as a channel but as a way of life.”

Joselinda Kittilu L. Vibar, Vice President
and Head of Marketing Group

The Marketing group launched a major rebranding campaign in 2019, showcasing AUB's engaging and client-focused communication strategy. Vibar addressed the advent of change by reconstructing AUB's marketing framework.

The group standardized processes and implemented marketing policies through an internal system that the group developed, which was further integrated into the bank-wide system. This streamlined operations and aligned the rest of the Bank with marketing campaigns that were launched.

The Marketing group succeeded in highlighting a more personal touch for AUB, most notably with the development of the Bank's first Brand Story that became the foundation of the Aspire Brand Campaign, anchored on the brand's promise of engagement, commitment and fulfillment.

The group's efforts in 2019 allowed AUB to adapt to the changing digital landscape by highlighting its digital endeavors and focus on client relationship management. Prioritizing the requirements and considerations of its clients and partners also contributed to how the Bank strategizes and navigates its business direction.

Vibar added, “There will come a point where digital transactions and social media will continue to become seamless. This is the foundation of digital commerce and the future of banking as we know it.”

Now that brands have become fluid with the advent of digital marketing and social media, brands have adapted to their customers on a personal level, becoming what an individual needs depending on the situation and the time. AUB aspires to become an influencer and thought leader who sparks curiosity, interest, drive and assumes a key character in its customer's stories. This is where the Brand's story and those of its customers become one and the same.

“With AUB, this is seamless. Our customers' story of success becomes our reality,” Vibar emphasized. “Throughout our journey, we have engaged with different people from various walks of life—different goals and different experiences. At AUB, our aspirations are fuelled by your same passion, hopes and dreams mirrored in the face of our existence, and the embodiment of the ultimate goals we see in your path, you see in us as enablers to take you to your destination. This is the essence of the AUB Aspire icon.”

Understanding and validating customer requirements in the new normal is imperative in the implementation and innovation of a seamless online banking experience, anchored on further strengthening the customer relationship in the digital sphere.

The Bank has begun its digital marketing transformation journey which fully unfolds in 2020.

04

Corporate Social Responsibility

AUB visits Anawim Lay Missions Foundation, a home for elderly folk abandoned by their families.

Life Beyond Work

AUB has always attributed the success of its ventures to the support and involvement of its stakeholders, which include not only its valued clients and shareholders, but also its employees.

AUB believes in the capabilities of its employees, and sees them as individuals who grow along with the Bank. It has always been AUB's philosophy to develop people from within, committed to providing opportunities for its employees' professional and personal growth.

In 2019, The Employee Committee or the E-comm spearheaded many of AUB's wellness and work-life balance programs and corporate social responsibility initiatives, from organizing a bank-wide sports league to creating talent clubs that showcase employees' creativity and innovation.

AUB delegates bond over lunch and share stories with our friends at Anawim.

The AUB delegates are all smiles and eager to spend the day with the Anawim folk.

Sharing with the Elderly

One of the most impactful initiatives for 2019 was AUBigay, a charity event held in celebration of AUB's 22nd anniversary. A delegation of 80 AUB employees from the corporate headquarters and Metro Manila branches served as volunteers at the Anawim Lay Missions Foundation. Founded by Catholic lay preacher Bo Sanchez, Anawim is a facility in Brgy. San Isidro that serves as a home to elderly folk abandoned by their families, and AUB was more than happy to be their family even for just a day.

The employees shared stories with the elderly folk over lunch and joined them for fun parlor games. In turn, the elderly residents of Anawim dedicated musical numbers to show their appreciation for the delegates' efforts.

As parting gifts, the employees donated food and essential items such as hygiene kits for the Anawim residents they spent the day with.

In a time of uncertainty and loneliness, AUB strives to reach out to communities that share its core values. AUBigay has impacted the lives of both the Anawim residents and the employee delegates, and the lessons learned will keep impacting lives as its participants continue sharing the stories of the Anawim elderly.

As the delegates bid farewell, they carry with them the stories of the Anawim folk to share with the world.

05

Feature Story

Excellence in action

AUB's star players are its Branch Managers and Area Managers. Meet four of AUB's top performers and learn their playbooks for winning.

2019 was a banner year for AUB, with branches reaching all-time highs—from current accounts and savings accounts (CASA) growth, to overall quality of service and customer satisfaction.

Behind the success of each and every branch are the Branch Managers and Area Heads. They are the heroes who drive the growth of AUB. Here, four such heroes share their insights on how they have achieved record growth, as well as their own perspectives on building effective client relationships.

Maria Virginia Feliciano: Fostering camaraderie toward better service

Maria Virginia Feliciano is proud of her AUB roots, tracing the beginnings of her career to an opportunity that unfolded on the same day AUB scouted her.

She was fresh out of college with a degree in information technology, and AUB recognized her potential to contribute greater things to their digital initiatives. A job offer at the Bank's IT department awaited her, but Feliciano was more inclined to interact with clients and was confident about her abilities to succeed in this arena. It was a bold move that saw her moving to a sales position.

Her confidence in her abilities turned out to be well-founded. From her start as a field sales officer, Feliciano is now the branch manager for AUB Annapolis, driving her nine-person team to success by reinforcing a positive work mindset.

"I motivate them by being generous with compliments and being constructive with my criticism," says Feliciano. "Helping my team overcome the daily challenges of work creates a positive working atmosphere in the branch."

AUB Annapolis branch manager Maria Virginia Feliciano

Feliciano fosters camaraderie in her branch by creating a working environment that allows each member of her team to thrive as individuals. Each day at the office is a productive day as she guides her team and makes sure to acknowledge their strengths, encouraging them to find fulfillment in their respective duties.

Boosting her team's morale, from the smallest tasks to high-stake projects, enabled her team to surpass their targets for 2019, and even bag yet another award in recognition of her branch's performance.

The outstanding performance of AUB would not have been made possible without the bright, dedicated, and service-oriented people who serve as the face of the Bank.

Feliciano fosters camaraderie in her branch by creating a working environment that allows each member of her team to thrive as individuals. Each day at the office is a productive day as she guides her team and makes sure to acknowledge their strengths, encouraging them to find fulfillment in their respective duties.

Boosting her team's morale, from the smallest tasks to high-stake projects, enabled her team to surpass their targets for 2019, and even bag yet another award in recognition of her branch's performance.

There will always be challenges. But Feliciano sees them more as opportunities. She recounts a time when a client with concerns about post-dated checks visited the branch for assistance. The client had heard of AUB's check warehousing services, but only had a small volume to process and felt that the service would not be applicable. But because Feliciano and her team knew the Bank's services by heart, they were able to come up with a solution. Her team introduced the client to AUB's then newly-launched Virtual Teller Kiosk, a queueing system that allows bankers to input their transactions themselves. Coupled with AUB's online banking system, the solution eased the client's worries and allowed them to manage the pull-out dates of the checks.

"The client was very satisfied, and since then, a lot of clients have used the same facility," Feliciano shares. As an added bonus, the experience further motivated her team to sustain this level of service for clients with other challenges.

Knowing she has helped her clients grow is a reminder of the reason Feliciano chose her career path in the first place—an eagerness to serve. And she sees to it that her team applies the same level of care and service to each and every client who visits their branch.

Jacquelyn Cu Pornel: Straightforward strategies

As branch manager for AUB EDSA-Caloocan, Jacquelyn Cu Pornel describes her journey as a constant learning experience from a diverse clientele.

"What other job is instrumental to a bank's growth and provides opportunities to assist clients in what they need? I cannot think of anything better than that–it's a win-win," Pornel says.

Pornel describes her leadership style as being "straightforward." Call it tough love, but to her, it's the most effective and efficient way to get the job done.

"I don't order, I don't command. I show how things are done and show results. Everything else follows," explains Pornel.

By implementing a result-focused internal system, she allows her team to reflect on their performance and pushes them to perform even better, making sure that each member of the team is capable of carrying their own weight.

Establishing this mindset within the team allowed them to focus on their goals, further boosting her branch's performance in 2019 when the branch reached P1.55 billion in total CASA deposits, exceeding their target by about 24%.

Serving AUB for 14 years and counting, Pornel knows that such achievements are not easy. Streamlining internal procedures is efficient, but allowing stakeholders to actively engage with the Bank goes a long way.

Pornel has seen many clients come and go, and has learned that maintaining relationships with them plays an important part in the mutual growth of bank, client and bank employees alike.

"In my mind, when I label someone as VIP over others, it gives me undue bias," says Pornel. "I want our clients to feel that how a branch manager serves is exactly how AUB serves, regardless of who they are."

AUB EDSA-Caloocan branch manager Jacquelyn Cu Pornel

Bienvenido Giancarlo Sioson: Raising the bar

Bienvenido Giancarlo Sioson started out with AUB as a branch manager himself, witnessing the Bank's growth over the years and contributing to its future-proof initiatives to address ever-changing client needs.

He is known for his professionalism in the field, having years of banking experience behind him as a testament to his dedication to his craft, and attests to the importance of collective effort to both financial and personal growth.

"Teamwork is a blessing—it's something that you, as a member of the team, should be thankful for," says Sioson. "As long as you are consistent and are working toward a common goal, everyone will always be a winner."

Now making his mark in the industry as an area head for South Metro Manila, he reports remarkable results for his branches, especially in 2019. He has set ambitious goals for both himself and the branch teams under his guidance: boosting local and USD CASA deposits, generating more accounts and credit cards, improving risk management and leveling up the overall service quality of AUB branches within the area.

AUB South Metro Manila area head Bienvenido Giancarlo Sioson

The quality of client service in particular has seen improvements. It is common for clients to make last minute transactions, and Sioson recalls one client wanting to process a loan at 4 o'clock in the afternoon, when most banks have already closed shop for the day. His team immediately proceeded to make the paperwork move as quickly as possible. This required constant coordination, but they managed to secure the necessary approvals within the same day.

It may seem like just another day at the office, but this transaction is but one example of the seriousness with which people like Sioson take their client relationships. As a result, the client was so delighted with the service experience that he eventually brought in a good number of referrals to the Bank. This is an example of the kind of win-win plays that AUB makes possible through its attention to customer service.

Katherine Villareal: Sharing is caring

Katherine Villareal began her career at AUB as a branch manager. Today, she is an area head for East Metro Manila, managing the Quezon City branches and ensuring that business is constantly growing in the area.

AUB East Metro Manila area head Katherine Villareal

"Being part of a newbie bank entails a lot as we continuously do enhancements on our processes and systems to make it better," says Villareal. "Though with every change, we do understand that it's meant to improve what we currently have."

Introducing changes to a branch requires keeping an open mind. Villareal taps on her learnings as a former branch manager to understand how branches can best adapt to the periodic changes and improvements she implements.

The results speak for itself. In 2019, five out of 10 branches monitored by Villareal in East Metro Manila achieved well over their full year-to-date budgets for CASA, delivering P2.524 billion in deposits.

The successful performance across her branches was also made possible through an inter-branch support system created so that the teams can openly share success stories that can in turn be used by other teams as reference to improve client relationships. This ability to learn across the grapevine enables the area branches to learn best practices from one another.

The best metric for Villareal, however, is still a client's smile. "Your happy customer is your greatest endorser," she says. After all, a happy customer has the power to bring in further growth through referrals. Each client is different, and the support system's shared experiences also allow the teams to share in the successes that they bring to the Bank.

Fulfilling the AUBanker's Promise

The outstanding performance of AUB would not have been possible without the bright, dedicated and service-oriented people who serve as the face of the Bank. The area managers, the branch managers and everyone else on the Bank floors represent what AUB is all about. They may have different personal approaches for managing their branches, but they are all consistent in their passion for delivering the best possible levels of service to their clients.

06

Risk Management

Risk is inherent in our business and this requires us to identify, assess, measure, and manage our risks, and to allocate capital prudently and properly. We strive to reinforce our agility and resilience by encouraging a holistic approach to the management of risk and return throughout our organization, as well as the effective management of our risk, capital and reputational profile.

Risk management is the establishment of controls to minimize the possibility of a loss. An effective risk management system is a critical component of bank management and a foundation for the safe and sound operation of banking organizations. It will ensure that the goals and objectives of the Bank are met, that the Bank achieves long-term profitability targets, preserves and properly allocates its capital resources to viable activities and maintains reliable financial and managerial reporting. Such a system can also help to ensure that the Bank complies with laws and regulations as well as policies, plans, internal rules and procedures and decrease the risk of unexpected losses or damage to the Bank's reputation.

We actively take risks in connection with our business and as such, the following principles underpin our risk management framework.

Risk Management Framework

AUB adopts a top-down risk management framework, with the Board of Directors setting policy, defining the overall institutional tolerance for risk and creating the framework that allocates responsibilities and institutes controls for compliance with policies. The responsibility for implementation of these risk management procedures resides at all levels of the Bank and its subsidiaries, with all employees receiving training on their role in both the risk and internal control processes.

Board of Directors, Risk Oversight Committee ("ROC") and Assets and Liabilities Committee ("ALCO")

The Board of Directors is responsible for establishing and maintaining a sound risk management system and is ultimately accountable for risks taken within the bank. The Board of Directors is apprised of the decisions and matters for its attention by the ROC, which advises the Board on setting and monitoring adherence to limits that reflect AUB's maximum tolerance for each major risk, including credit risk, market risk, interest rate risk, foreign exchange risk, liquidity risk and operational risk. AUB's ROC is actively involved in planning, reviewing, approving and assessing all risks involved. AUB's ALCO is responsible for managing AUB's statement of financial position, including its liquidity, interest rate and foreign exchange related risks. In addition, ALCO formulates investment and financial policies by determining the asset allocation and funding mix strategies that are likely to yield the targeted financial results.

Risk Management Group ("RMG")

The Risk Management Group (RMG) is a distinct and independent unit within the Bank directly reporting to the Risk Oversight Committee. As organized, its functional responsibilities cover five major risk areas, namely Credit, Treasury, Trust, Operations, and Information Technology.

It is the responsibility of RMG to

IDENTIFY, analyze and measure risks from the Group's trading, position-taking, lending, borrowing, and other transactional activities and recommend Treasury, Credit, Trust, Information Security/ IT and Operational Risk Management Policies

RECOMMEND control policies and procedures to mitigate risks in identified risk areas in Treasury, Credit, Trust, IT and Operational Risk Management

CONDUCT stress tests on the Bank's portfolios that are to be documented and reported to the ROC and the Board of Directors

ASSIST traders in recommending trading limits to the ROC and develop risk reduction strategies in collaboration with the RCC officer

ESTABLISH standards to monitor and report compliance with limits

PROVIDE credit risk ratings and assist traders in recommending credit limits to financial counterparties for review of the ROC

COORDINATE efforts with dealing associations and counterparties on developing credit risk reduction strategies

BE INVOLVED in the preparation of product manuals particularly in identifying the risks present

ENSURE that the automated systems output adequately measure risk, prepare risk identification reports and value-at-risk calculators

ASSIST Risk-Taking Personnel in business task mapping and risk identification

ANALYZE exposures and recommend limits and enhancements to the risk limit structure to the Risk Oversight Committee

MONITOR and report compliance with approved limits

SET product development guidelines and include new exposures within the current framework.

In addition, the Risk Management Group is represented in the Product Committee, which is responsible for setting product development policies and guidelines. Vulnerabilities in the existing risk management framework are identified, evaluated and reviewed by the risk manager of the affected area (either credit, market or operational), and appropriate policies and procedures are implemented to ensure that risks are addressed and documented properly in product manuals.

Senior Management

RESPONSIBLE for implementing the risk strategy approved by the Board of Directors. Management ensures that the strategy is implemented consistently throughout the whole bank and that all levels of staff understand their responsibilities with respect to risk management.

RESPONSIBLE for developing policies, processes and procedures for managing risks in all of the bank's products, activities, processes and systems. They must maintain an organizational structure that clearly assigns authority, responsibility and reporting relationships and ensure that these delegated responsibilities are effectively carried out.

ENSURES that bank activities are conducted by qualified staff with the necessary experience and technical capabilities.

Internal Audit Function

The Internal Audit is an essential part of the risk management system that takes the lead in the ongoing monitoring of the internal control process and providing an independent assessment of system integrity. The Bank's internal audit shall perform a financial-based audit as well as a risk-based audit on the Bank's units and branches.

The Bank's Audit Committee assumes the internal audit function, which is responsible for monitoring the performance and adequacy of AUB's risk management functions and ensuring compliance with the internal risk management policies through periodic reviews and spot checks. It also identifies internal control deficiencies and assists in reviewing new and existing products and instruments to ensure sufficient internal controls.

Types of Risk

- Liquidity Risk
- Market Risk
- Foreign Currency Risk
- Credit Risk
- Operational Risk

Credit Risk

Credit risk is the risk that the counterparty in a transaction will not be able to pay obligations in full or on time as contracted, subjecting the Bank to financial loss. AUB is exposed to credit risk through its lending, trade finance, Treasury investments, over-the-counter derivatives trading and other activities undertaken by AUB.

The Bank should have a Board-approved credit risk management structure that clearly delineates lines of authority and establishes accountabilities and responsibilities of individuals involved in the different phases of credit risk management process.

The Bank's credit risk management organization may be classified into three functional lines of activities: the front, middle and back offices, to properly segregate the accountabilities and ensure that no individual is assigned conflicting responsibilities and effectively monitor and control the risks being taken.

Front	• Lending Units/Credit Originating Units • Credit Administration • Credit Evaluation by Approving Authorities with designated approval limits
Middle	• Risk Management Group
Back	• Loans Operations • Remedial Management

AUB's risk management process also includes the review of excessive risk concentration. The RMG reviews AUB's loan portfolio in line with AUB's policy of not having significant unwarranted exposure to individual counterparties. This policy is in line with the BSP's prohibitions on maintaining a financial exposure to any single person or group of connected persons in excess of 25% of its net worth. As with the single-borrower limit, AUB's exposure to a particular industry is limited to 25% of the total loan portfolio. AUB also has limits on excessive exposure to counterparties engaged in similar business activities or activities in the same geographical region, borrowers that have a similar economic profile, a particular type of credit facility or a particular type of security.

Credit Approval Process

The credit granting process in the Bank involves different business functions, such as marketing or business origination, credit analysis and credit approval. The Bank established a credit granting process that coordinates the efforts of all individuals involved in order to make prudent credit decisions.

To be able to maintain a sound credit portfolio, there is a formal transaction evaluation and approval process for the granting of credits. Credit approvals are made in accordance with the Bank's written guidelines and granted by the appropriate level of management. A clear audit trail exists to document that the approval process was complied with and written policies were followed. Likewise, any deviations from policies on credit approval are clearly identified and documented. Individuals or Committees providing input and making credit decisions are clearly identified.

For effective credit evaluation and approval, there are minimum requirements for adequate information on the borrower/counterparty. Policies are in place outlining information and documentation required for approving credits.

Each credit proposal is carefully analyzed by a qualified credit officer with expertise commensurate with the size and complexity of the transaction. The Bank developed a corps of credit officers with the experience, knowledge and background to exercise prudent judgment in assessing, approving and managing credit risks. The Bank's credit approval process establishes accountabilities for decisions taken and designates who has the authority to approve credits or changes in credit terms. Approval authorities or limits are commensurate with the expertise of the individuals involved.

For commercial loans, AUB applies its Internal Credit Risk Rating System ("ICRRS"), which has been in place since 2005 in compliance with BSP regulations. The ICCRS involves a two-pronged analysis, assessing both the (1) borrower risk rating, or the creditworthiness of the particular borrower, and (2) facility risk rating, or the risk level of a specific facility taking into account the security, collateral and credit covenants.

For consumer loans, AUB applies a credit risk ratings based on historical payment patterns and default history of the borrower.

The table below presents the classification of credit rating to credit quality and a description for each credit rating

Credit Quality		ICRRS Grade	Description
High	Internal Credit Rating	Good 1	The borrower exhibits adequate protection parameters, but there are foreseen adverse conditions or circumstances that will, in all likelihood, lead to a weakened capacity of the borrower to pay its debt obligations upon maturity. The borrower's earning performance and capacity to pay maturing obligations are more vulnerable to possible occurrences than those rated Strong. This type of borrower, where the probability of default is still quite low, bears characteristics of some degree of stability and substance.
	External	Aaa	Highest quality, with minimal credit risk
		Aa1-Aa3	High quality and is subject to very low credit risk
		Baa1-Baa2	Subject to moderate credit risk
		Baa3	Considered medium-grade and as such may possess certain speculative characteristics
Standard	Internal Credit Rating	Good 2	The probability of default is somewhat greater than those rated as Good 1. This probability is reflected in volatility of earnings and overall performance. Borrowers in this category normally have less access to public financial markets. Borrowers should be able to withstand normal business cycles, but any prolonged unfavorable economic period would create deterioration beyond acceptable levels. The borrower and its principals still have good credit standing with the creditors and trade suppliers, without any history of past due.
		Good 3	The borrower has very limited access to external funding sources. The risk elements for AUB are sufficiently pronounced, although borrowers should still be able to withstand normal business cycles. Any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels.
	External	Ba1	Have speculative elements and is subject to substantial credit risk
		Ba2-Ba3 B1	Considered speculative and is subject to high credit risk (Actual exposure limited to foreign exchange denominated issues of the Republic of the Philippines hence the Standard Classification)
Substandard	Internal Credit Rating	Watchlist	The borrower is vulnerable to non-payment but payments are still being made. The borrower has a minimal level of, and doubtful sources for, alternative funding to cover possible shortfalls of existing liquidity to pay off maturing obligations.
		Doubtful	The borrower is unable or unwilling to service debt over an extended period of time and near future prospects of orderly debt service is doubtful.

*Note The credit quality of other financial instrument exposures, such as trading and investment securities, are managed by reference to external ratings and supplemented by individual assessments. External ratings were taken from the ratings by Standard & Poor's, Moody's, Fitch and Phil Rating System on exposures to Sovereigns, Banks, LGU's, Government Corporates, and Corporates.

Credit Risk Monitoring

AUB implements a credit quality review process to enable early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. The credit quality review process allows AUB to assess potential loss and take corrective actions to mitigate losses that may arise from the risks to which it is exposed.

Credit Risk Mitigations are in the form of guarantees and acceptance of collaterals such as deposits, real estate mortgage, chattel mortgage and shares of stocks or club memberships.

Using regulatory Standard approach, AUB's Consolidated Credit Risk-Weighted Assets as of December 2019 is as follows:

Credit Risk-Weighted Assets in Million Php

Total Risk Weighted On-Balance Sheet Assets (Schedule A)	169,999.8
Total Risk-Weighted Off-Balance Sheet Assets (Schedule B)	4,211.2
Total Counterparty Risk-Weighted Assets in the Banking Book (Schedule C)	242.7
Total Counterparty Risk-Weighted Assets in the Trading Book	-
Total Risk-Weighted Amount of Credit Linked Notes in the Banking	-
Total Gross Risk-Weighted Assets	174,453.7

Schedule A (in million Php)

On-Balance Sheet Assets	Total Credit Risk Exposure After Risk Mitigation	Total Credit Risk Weighted Assets
Cash on Hand	3,998.3	-
Checks and other Cash Items	20.4	4.1
Due from BSP	39,025.8	
Due from other Bank	3,364.3	920.3
Financial Assets Designated at Fair Value		
Available for Sale (AFS) Financial Assets	17,869.1	767.1
Held-to-Maturity (HTM) Financial Assets	14,120.1	2,491.2
Unquoted Debt Securities Classified as Loans		
Loans and Receivables	163,547.3	163,405.6
Loans and Receivables arising from Repurchase Agreements	3,330.3	
Sales Contract Receivable (SCR)	128.2	129.0
Real and Other Properties Acquired	250.0	375.0
Total Exposures Excluding Other Assets	245,653.8	168,092.3
Other Assets	1,907.5	1,907.5
Total Exposures Including Other Assets	247,561.2	169,999.8
Total Risk Weighted On Balance Sheet Assets		169,999.8

Schedule B (in million Php)

Off-Balance Sheet Assets	Credit Equivalent Amount	Total Credit Risk Weighted Assets
Direct credit substitutes	580.8	580.8
Transaction-related contingencies	5,471.6	2,735.8
Trade-related contingencies arising from movement of goods	4,473.5	894.7
Other commitments which can be unconditionally cancelled at any time by the bank	31,484.9	-
Total	42,010.7	4,211.2

Schedule C (in million Php)

Counterparty Risk-Weighted Assets in the Banking Book	Credit Equivalent Amount	Total Credit Risk Weighted Assets
Exchange Rate Contracts	51.2	28.6
Counterparty Exposures Arising from Financial Assets Sold/Lent under Repurchase Agreements, Certificates of Assignment/Participation with Recourse, Securities Lending and Borrowing Agreements	1,630.4	214.1
Total Counterparty Risk-Weighted Assets in the Banking Book	1,681.5	242.7

Liquidity Risk

Liquidity risk is the risk that there could be insufficient funds available to adequately meet the credit demands of AUB's customers and repay deposits on maturity. AUB manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met and by maintaining a balanced loan portfolio which is re-priced on a regular basis. The Bank uses the Cashflow Gapping Approach, employing either contractual cashflow treatment for products with definite maturities/payment schedule or behavioral assumptions for products that follow a liquidity pattern as observed in historical data relating to asset inflows and liability run-offs. In addition, AUB seeks to maintain sufficient liquidity to take advantage of interest rate and exchange rate opportunities when they arise.

Market Risk

Market risk is the potential loss in the value of investments and other asset and liability portfolios, including financial instruments. The Bank employs the following approaches, together with the standardized approach, in its market risk management and capital allocation process a.) Value-at-Risk (VaR), b.) Mark-to-Market (MTM) c.) Earnings-at-Risk (BSVaR) and Economic Value of Equity (EVE) approach for the Interest Rate Risk in the Banking Book and d.) Foreign Currency Risk – VaR approach in its market risk management process and capital allocation.

a.) VaR is used to assess the interest rate risk inherent in the Bank's treasury portfolio. The Bank's model uses historical distribution to assess the maximum possible loss that may be incurred within a ten-day holding period on a 99% confidence interval at a given volatility rate as a standardized measure of day-on-day price change. Currently, the Bank's capital charge for interest rate risk in the trading book is based on the standardized approach that is composed of a specific and general market risk charge.

b.) The Mark-to-Market Approach (MTM) is an additional method to derive economic charges. The model calculates trading risk-related economic charges with the historical maximum actual ten-day MTM movements in the Bank's Government Securities and Eurobonds trading portfolios. This approach allowed a more straightforward assessment in allocating capital. To add more conservatism, the capital allocation process leveraged on the Bank's current Stop Loss mechanism to control Mark-to-Market losses and avoid further decline in the prices of the securities held by AUB. The stop loss limit, set at 3% on a per security level assuming full utilization within the portfolio, was used and incorporated in the projected treasury portfolio in determining the appropriate capital allocation. The Bank also uses the standardized approach in calculating for the regulatory capital charge of interest rate risk in the FVPL (trading) and FVOCI (available-for-sale) books. This is composed of a specific and a general market risk charge as prescribed in the BSP CAR template.

c.) The Interest Rate Risk in the Banking Book (IRRBB) refers to a mismatch of the re-pricing schedules in the Bank's accrual books. The Bank uses the Balance Sheet Value-at-Risk (BSVaR) or Earning-at-Risk (EaR) to assess the interest rate risk inherent in its balance sheet. Re-pricing gaps (re-pricing assets less re-pricing liabilities) are measured for each tenor bucket. Interest Rate volatility (projected using historical movement of interest spot rates for a given maturity within a 99% confidence interval) is applied to the re-pricing gaps to calculate the EaR. The volatility of benchmark PDS and USD LIBOR interest rates were chosen for this discipline for the Peso and Foreign Currency Books, respectively. Apart from the BSVaR calculation, AUB also considered the effect of the Economic Value of Equity (EVE) approach to measure Interest Rate Risk in the Banking Book. In this approach, benchmark rates, taking into account their volatility, were used in discounting the re-pricing gaps to present terms.

The Parent Company's re-pricing gap is calculated by distributing the accounts into tenor buckets according to the time remaining to the next contractual re-pricing date or maturity date (for fixed rate transactions) and then obtaining the difference between the total of the re-pricing (interest rate-sensitive) assets and re-pricing (interest rate-sensitive) liabilities. For transactional (non-maturity) products, the observed frequency of re-pricing is assumed.

Foreign currency risk refers to the variability in the value of exposures denominated in foreign currencies as a result of the volatility in foreign exchange rates. As a means of measuring its foreign currency risk for economic capital charge, the Bank uses the VaR approach to assess the maximum possible loss that may be incurred within a ten-day holding period on a 99% confidence interval. The Bank's regulatory capital charge for foreign currency risk is based on the standardized approach while the economic charge is based on the volatility rate derived from the maximum historical ten-day DVaR as a percentage of absolute FX positions, i.e. the sum of overbought (long) and oversold (short) positions.

The Bank's capital charge for foreign currency risk is based on the standardized approach that is composed of a specific and general market risk charge.

Market Risk-Weighted Assets (in million Php)

Interest Rate Exposures	2,994.9
Foreign Exchange Exposures	174.4
Sub-total (Sum of A1 to A4)	3,169.3
Using Internal Models Approach	-
TOTAL MARKET RISK-WEIGHTED ASSETS	3,169.3

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, employees, operating systems and external events. To effectively manage risk, the bank adopts the concept of three lines of defense to establish ownership and accountability of risk and controls, and at the same time establish the proper escalation of identified risk events. The three lines of defense is illustrated below:

First Line of Defense	Business Units	• Primarily responsible for managing its own process • Responsible for identifying and controlling risk by using control frameworks, implement processes and adequate controls
Second Line of Defense	Risk Management and Compliance	• Responsible for setting risk frameworks • Serves as advisor/consultant to 1st line
Third Line of Defense	Internal Audit	• Provides assurance on design and effectiveness of 1st and 2nd line

Operational risk is inherent in all areas of business, and AUB has identified information system security, business continuity, compliance and legal risk as its major areas of operational risk. To manage operational risk, AUB's operating units regularly perform risk and control self-assessments ("RCSAs") wherein each unit analyzes its key processes and identifies risks inherent in its operations, as well as the controls necessary to mitigate such risks. Risks are ranked "high," "medium" or "low" in accordance with existing guidelines, which assess the impact and likelihood that the risk will materialize.

AUB uses the Basic Indicator Approach in calculating Operational Risk Weighted Assets.

Operational Risk-Weighted Assets (in million Php)

Average Capital Requirement for last 3 years	1,086.3
Adjusted Capital Charge	1,357.9
Operational Risk-Weighted Amount	13,579.1

In addition to RCSAs, key risk indicators ("KRIs") are used to alert the Bank of impending problems in a timely fashion. KRIs enable monitoring of the Bank's control culture and operational risk profile, in addition to triggering risk mitigating actions. The Bank captures and monitors KRIs on a monthly basis.

Operational loss events are reported in a central database and are reported to the ROC monthly. Comprehensive information about these events is collected, including information on the amount of loss, occurrence, discovery date, business area and product involved, root causes and risk drivers.

Information security and the protection of confidential and sensitive customer data are critical to AUB. AUB has implemented an information security program which complies with regulatory guidelines and industry best practices. Among other security measures, the information security program requires entitlement reviews for AUB's various application systems to ensure that access to data is restricted to authorized employees only and that access is provided on a need-to-know basis. Various critical logs are reviewed regularly to ensure that AUB's information assets are adequately protected. AUB's information security program is reviewed and enhanced periodically to address emerging threats to customers' information.

AUB's business continuity planning is led by its Operational Risk Management Group, a sub-unit within the Bank's Risk Management Group. The Operational Risk Management Unit coordinates Bank-wide preparedness and mitigation strategies for business continuity risks reviewing and overseeing tests of recovery procedures. The primary objective of the business continuity plan is to provide defined guidelines that enable different business units to handle software and hardware, communications, facilities degradation and failure and certain adverse personnel situations that may result from accidental or deliberate circumstances. To this end, each unit of the Bank performs an annual "business impact analysis", which identifies the critical activities that support key products and services within the unit, interdependencies with other units and outside parties, recovery time and point objectives, resources required to support minimum activity levels, the priorities for recovery and the potential loss arising from failures in key business activities.

AUB's primary data center, located at Joy~Nostalg Tower in Ortigas Center, Pasig City, contains redundant data communications connections, multiple active power and cooling distribution paths and security devices to ensure seamless functioning of AUB's IT infrastructure and to protect against disruptions in internet connectivity. AUB also maintains a disaster recovery data center with the capability to host critical banking applications in the event of a shut-down at the primary site. Business continuity tests are conducted to ensure that critical operations can be performed at our alternate sites while connected to the Bank's systems at the disaster recovery center.

Compliance Risk

The Board and the Senior Management of AUB strongly believe that compliance is a line-driven function and, as such, is the direct responsibility of each line manager. All AUB employees are trained to be personally responsible for familiarizing themselves with the laws, regulations, policies and ethical standards applicable or related to their respective assignments and responsibilities at the Bank. In relation to this corporate policy, the Board approved the adoption and implementation of the compliance program, subject to final approval by the Monetary Board, in a meeting of the Board on July 17, 1998.

Legal Risk

AUB has established and maintains policies and procedures for identifying and avoiding the sources and causes of legal risk with the aim of preventing financial loss, criminal or civil litigation and/or administrative sanctions.

AUB engages several external legal counsels to assist in the handling of legal matters requiring legal advisory, documentation, litigation and other similar legal services. The expertise and specialization of these external counsels are assessed, verified and taken into consideration in the assignment and endorsement of legal cases to ensure that AUB receives effective, timely and proper legal assistance at all times. Specific guidelines are formulated to control endorsement of cases, monitoring of case status, review and approval of billings, as well performance review.

Capital Management

Capital Adequacy Ratio (CAR)

The capital adequacy ratio (CAR) of the Group and Parent Company, as reported to the BSP, as at December 31, 2019, 2018, and 2017 are shown in the table below:

	Consolidated (in millions)			Parent (in millions)		
	2019	2018	2017	2019	2018	2017
Tier 1 capital	28,734	24,409	22,544	27,563	23,353	21,455
CET 1 Capital	28,734	24,409	22,544	27,563	23,353	21,455
Tier 2 capital	6,647	6,209	6,336	6,594	6,178	6,318
Total regulatory capital	35,382	30,618	28,880	34,157	29,531	27,773
Total qualifying capital	35,382	30,618	28,880	34,157	29,531	27,773
Risk weighted assets	196,696	202,637	184,150	191,202	197,961	179,216

Capital ratios

	2019	2018	2017	2019	2018	2017
Total regulatory capital expressed as percentage of total risk weighted assets	18%	15%	16%	18%	15%	16%
Total CET1 expressed as percentage of total risk weighted assets	15%	12%	12%	14%	12%	12%
Total tier 1 expressed as percentage of total risk weighted assets	15%	12%	12%	14%	12%	12%

As at December 31, 2019, 2018, and 2017, the Group and the Parent Company were in compliance with the minimum CAR.

Qualifying Capital

In computing the CAR, the regulatory qualifying capital is analyzed into two tiers which are (i) Tier 1 Capital, and (ii) Tier 2 Capital. Tier 1 Capital and Tier 2 Capital are defined as follows:

	Inclusions	Deductions
Tier 1 Capital	Paid-up common stock, paid-up perpetual and non-cumulative preferred stock, common and perpetual, non-cumulative preferred stock dividends distributable, surplus, surplus reserves, undivided profits (for domestic banks only), unsecured subordinated debt (with prior BSP approval), and minority interest in the equity of subsidiary financial allied undertakings.	Treasury shares, unrealized losses on underwritten listed equity securities purchased, unbooked valuation reserves, and other capital adjustments based on the latest report of examination, outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI), goodwill, and deferred income tax.
Tier 2 Capital	Perpetual and cumulative preferred stock, limited life redeemable preferred stock with or without the replacement requirement subject to BSP conditions, dividends distributable, appraisal increment reserve - bank premises, as authorized by the Monetary Board (MB), net unrealized gains on underwritten listed equity securities purchased, general loan loss provision, unsecured subordinated debt with a minimum original maturity of at least ten years (with prior BSP approval), unsecured subordinated debt with a minimum original maturity of at least five years (with prior BSP approval), and deposit for stock subscription on common stock, perpetual and non-cumulative preferred stock, perpetual and cumulative preferred stock subscription, and limited life redeemable preferred stock subscription with the replacement requirement upon redemption.	Perpetual and cumulative preferred stock treasury shares, limited life redeemable preferred stock treasury shares with the replacement requirement upon redemption, sinking fund for redemption of limited life redeemable preferred stock with the replacement requirement upon redemption, limited life redeemable preferred stock treasury shares without the replacement requirement upon redemption, and sinking fund for redemption of limited life redeemable preferred stock without the replacement requirement upon redemption.

The breakdown of the Group's and Parent Company's qualifying capital follows:

In Millions	Consolidated	Parent Company
Tier 1 Capital		
Paid-up common stock	4,853	4,853
Additional paid-in capital 1/	6,623	6,623
Retained earnings	16,104	16,104
Undivided profits 2/	4,672	4,672
Other comprehensive income	228	228
Minority interest in subsidiary banks which are less than wholly-owned	157	
Total Tier 1 Capital	**32,637**	**32,480**
Deductions		
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	93	93
Total outstanding unsecured credit loans, and other credit accommodations granted to subsidiaries		16
Goodwill	1,720	1,335
Deferred Tax Assets	86	169
Other intangible assets	2,003	2,003
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/ brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable)		1,301
Total Deductions	**3,902**	**4,917**
Tier 1 Capital	**28,734**	**27,563**
Tier 2 Capital		
General loan loss provision, limited to a maximum of 1% of credit risk-weighted assets, and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio	1,673	1,621
Instruments issued by the bank that are eligible as Tier 2 capital	4,974	4,974
Total Tier 2 Capital	**6,647**	**6,594**
Deductions		
Tier 2 Capital	**6,647**	**6,594**
Total Regulatory Capital	**35,382**	**34,157**
Required Deductions		
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/ brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable) 24/		
Total Qualifying Capital	**35,382**	**34,157**

Risk-Weighted Assets

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. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in

Tier 2 capital. The risk weights vary from 0.00% to 150.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors.

The Group's total risk-weighted assets, as reported to the BSP, as at December 31, 2019 and 2018 are shown in the table below:

Consolidated

	Credit risk-weighted assets	Market risk-weighted assets	Operational risk-weighted assets	Total
2019	**178,784**	**3,169**	**14,742**	**196,696**
2018	166,242	23,609	12,786	202,637

Parent Company

	Credit risk-weighted assets	Market risk-weighted assets	Operational risk-weighted assets	Total
2019	**174,454**	**3,169**	**13,579**	**191,202**
2018	162,687	23,493	11,781	197,961

Below is a summary of exposure types:

Risk Weight	Exposure Asset Type*
0%	• Cash on hand, claims collateralized by securities issued by the national government, BSP • Loans covered by the Trade and Investment Development Corporation of the Philippines • Real estate mortgages covered by the Home Guarantee Corporation
20%	• COCI, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality • Claims guaranteed by foreign incorporated banks with the highest credit quality • Loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation
50%	• Housing loans fully secured by first mortgage on residential property • Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation
75%	• Direct loans of defined Small Medium Enterprise (SME) and microfinance loans portfolio • Non-performing housing loans fully secured by first mortgage
100%	• All other assets (e.g., real estate assets) excluding those deducted from capital (e.g., deferred income tax)
150%	• All non-performing loans (except non-performing housing loans fully secured by first mortgage) and all non-performing debt securities

*Not all inclusive

With respect to off-balance sheet exposures, the exposure amount is multiplied by a credit conversion factor (CCF), ranging from 0.00% to 100.00%, to arrive at the credit equivalent amount, before the risk weight factor is multiplied to arrive at the risk-weighted exposure. Direct credit substitutes (e.g., guarantees) have a CCF of 100.00%, while items not involving credit risk have a CCF of 0.00%.

In the case of derivatives, the credit equivalent amount (against which the risk weight factor is multiplied to arrive at the risk-weighted exposure) is generally the sum of the current credit exposure or replacement cost (the positive fair value or zero if the fair value is negative or zero) and an estimate of the potential future credit exposure or add-on. The add-on ranges from 0.00%to 1.50% (interest rate-related) and from 1.00% to 7.50% (exchange rate-related), depending on the residual maturity of the contract. For credit-linked notes and similar instruments, the risk-weighted exposure is the higher of the exposure based on the risk weight of the issuer's collateral or the reference entity or entities.

The summary of the credit risk-weighted assets, as reported to the BSP, as at December 31, 2019 and 2018 are shown in the table below:

In millions	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Total Risk Weighted On-Balance Sheet Assets	**174,330**	160,789	**170,000**	157,234
Total Risk-Weighted Off-Balance Sheet Assets	**4,211**	4,112	**4,211**	4,112
Total Counterparty Risk-Weighted Assets in the Banking Book	**243**	289	**243**	289
Total Counterparty Risk-Weighted Assets in the Trading Book	**-**		**-**	
Total Risk-Weighted Amount of Credit Linked Notes in the Banking Book	**-**	1,052	**-**	1,052
Total Risk-Weighted Securitization Exposures				
Total Credit Risk Weighted Assets	178,784	166,242	174,454	162,687

In millions	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Cash on Hand	4,030	3,746	3,998	3,702
Checks and other Cash Items	20	18	20	18
Due from BSP	39,112	29,012	39,026	28,950
Due from other Bank	3,662	3,552	3,364	3,400
Financial Assets Designated at Fair Value	27	27	-	-
Available for Sale (AFS) Financial Assets	18,212	20,668	18,212	20,382
Held-to-Maturity (HTM) Financial Assets	17,221	15,340	16,546	15,340
Unquoted Debt Securities Classified as Loans	-	-	-	-
Loans and Receivables	172,627	155,604	168,555	152,331
Loans and Receivables arising from Repurchase Agreements	3,330	2,501	3,330	2,501
Sales Contract Receivable (SCR)	143	179	128	158
Real and Other Properties Acquired	383	420	250	287
Total Exposures Excluding Other Assets	258,767	231,068	253,430	227,069
Other Assets	2,132	2,138	1,907	1,740
Total Exposures Including Other Assets	260,899	233,206	255,337	228,809

In millions	Consolidated		Parent Company	
	2019	2018	**2019**	2018
TOTAL RISK -WEIGHTED ON BALANCE SHEET ASSETS	**174,330**	**160,789**	**170,000**	**157,234**
Guarantees issued	581	364	581	364
Transaction-related contingencies	2,736	2,994	2,736	2,994
Trade-related contingencies arising from movement of goods (e.g., documentary credits collateralized by the underlying shipments) and commitments with an original maturity of up to one (1) year	895	754	895	754
TOTAL RISK-WEIGHTED OFF BALANCE SHEET ASSETS	**4,211**	**4,112**	**4,211**	**4,112**
Exchange Rate Contracts	29	28	29	28
Counterparty Exposures Arising from Financial Assets Sold/Lent under Repurchase Agreements, Certificates of Assignment/Participation with Recourse, Securities Lending and Borrowing Agreements	214	260	214	260
TOTAL COUNTERPARTY RISK WEIGHTED ASSETS	**243**	**289**	**243**	**289**

The summary of the market risk-weighted assets, as reported to the BSP, as at December 31, 2019 and 2018 are shown in the table below:

In millions	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Using Standard Approach				
Interest Rate Exposures	**2,995**	22,819	**2,995**	22,703
Foreign Exchange Exposures	**174**	790	**174**	790
TOTAL MARKET RISK-WEIGHTED ASSETS	**3,169**	23,970	**3,169**	23,493

The breakdown of the market risk-weighted assets, as reported to the BSP, as at December 31, 2019 and 2018 are shown in the table below:

In millions	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Specific Risk	**77**	862	**77**	862
General Market Risk				
Philippine Peso	**96**	178	**96**	168
U.S. Dollar	**67**	786	**67**	786
EURO				
Yuan Renmimbi				
(A) Total Capital Charge For Interest Rate Exposures	**240**	1,826	**240**	1,816
(B) Adjusted Capital Charge For Interest Rate Exposures (A x 125%)	**299**	2,282	**299**	2,270
TOTAL RISK-WEIGHTED INTEREST RATE EXPOSURES (B x 10)	**2,995**	22,819	**2,995**	22,703

1 Capital charge is multiplied by 125% to be consistent with BSP required minimum CAR of 10%, which is 25% higher than the Basel minimum of 8%.
2 Adjusted capital charge is multiplied by 10 (i.e. the reciprocal of the minimum capital ratio of 10%).

The summary of the Group's operational risk-weighted assets, as reported to the BSP, as at December 31, 2019 and 2018 are shown in the table below:

Consolidated

Basic Indicator Approach (BIA)	Capital Charge Factor	Gross Income			Capital Requirement					
		Year 3	Year2	Last Year	Year 3	Year2	Last Year	Average	Adjusted Capital Charge	Risk Weighted Amount
2019	15%	6,866	7,787	8,935	1,030	1,168	1,340	1,179	1,474	14,742
2018	15%	5,804	6,866	7,787	871	1,030	1,168	1,023	1,279	12,786

Parent Company

Basic Indicator Approach (BIA)	Capital Charge Factor	Gross Income			Capital Requirement					
		Year 3	Year2	Last Year	Year 3	Year2	Last Year	Average	Adjusted Capital Charge	Risk Weighted Amount
2019	15%	6,307	7,148	8,272	946	1,072	1,241	1,086	1,358	13,579
2018	15%	5,396	6,307	7,148	809	946	1,072	943	1,178	11,781

2019 Consolidated (Amounts in P0.000 million)	Exposures, Net of Specific Provisions	Exposures covered by CRM, Gross of Materiality Threshold	Exposures not covered by CRM	Risk Weights						
				0%	20%	50%	75%	100%	150%	Total
Cash Checks and other Cash Items	4,050		4,050	4,030	20					4,050
Sovereigns	39,112		39,112	39,112						39,112
Banks	3,662		3,662		2,802	405		455		3,662
Interbank Loans	213		213		213					213
Treasury Assets	35,460	2,769	32,691	26,595	191	5,315		590		32,691
Corporate loans	138,643	2,057	136,587	3,330	657			132,600		136,587
Housing Loans	9,115	2,859	6,256			1,336		4,920		6,256
Individuals	12,322	91	12,231					12,231		12,231
MSME equivalent Portfolio	13,991		13,991					13,991		13,991
Defaulted Exposures - Housing Loans	244		244					244		244
Defaulted Exposures - Others	1,428		1,428						1,428	1,428
SCR	143		143					135	7	143
ROPA	383		383						383	383
Other Assets	2,132		2,132					2,132		2,132
Total Exposures including Other Assets	260,899	7,776	253,123	73,067	3,883	7,056		167,298	1,818	253,123
Total Risk-Weighted On-Balance Sheet Assets					777	3,528		167,298	2,727	174,330
Total Risk-Weighted Off-Balance Sheet Assets										4,211
Total Counterparty Risk-Weighted Assets in the Banking Book										243
Total Risk-Weighted Amount of Credit Linked Notes										
Total Credit Risk-Weighted Assets										178,784

Risk-weighted on-balance sheet assets covered by credit risk mitigants consisted of collateralized transactions and guarantees by the Philippine National Government (PNG) and those with highest credit rating. Third party credit assessments were based on the external ratings by Standard & Poor's, Moody's, Fitch and Phil Rating System on exposures to Sovereigns, Banks, LGU's, Government Corporates, and Corporates.

Asia United Bank has no securitization structures.

For more information on AUB's risk management objectives, policies, and other matters, please refer to Note 4 of the Group's Audited Consolidated Financial Statement.

07

Corporate Governance

Corporate governance is at the heart of everything we do at AUB. In 2019, we continued to ensure that we have a strong and robust corporate governance culture in place to help support the creation of long-term value for our stakeholders.

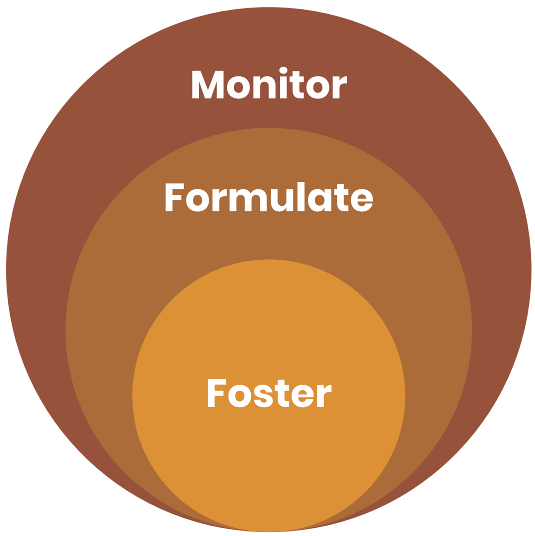
This report contains all material information about the Bank that could adversely affect its viability or the interest of our shareholders and other stakeholders. We work closely with our regulators to ensure that our internal governance standards meet mandates and regulations.

Board of Directors

AUB ensures that our corporate culture is anchored on competent leadership, effective internal controls, and a set of common values.

The Board of Directors is primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values. It is also responsible for monitoring and overseeing the performance of senior management which manages the day-to-day affairs of AUB. The Board is also responsible to our various constituencies and stakeholders. It is necessary for our directors to have a diverse background and experience to ensure that the Bank is able to fulfill all its responsibilities, be it in its day-to-day operations or in policy making and direction setting.

Specifically, the Board has the following duties and functions



FOSTER the long-term success of the Bank and to sustain its competitiveness and profitability consistent with its corporate objectives and the promotion of the best interests of its shareholders and other stakeholders;

FORMULATE the Bank's vision, mission, strategic objectives, policies and procedures that will guide its activities; and

MONITOR and oversee the performance of senior management in managing the day-to-day affairs of the Bank.

Board Composition

As of December 31, 2019, the Board is composed of nine Directors, three of whom are Independent Directors. There is a balance of power and authority at the Board level to ensure that no single director has unfettered powers of decision making.

Of the nine Directors, three hold executive positions and the rest are non-executive Directors, including the three Independent Directors. An executive director is a director who is also the head of a department or unit of the Bank or performs any work related to the

Bank's operations. A non-executive director refers to those who are not part of the day-to-day management of banking operations. AUB has no executive director who serves on more than two boards of listed companies outside of the AUB Group.

Independent Directors

AUB promotes the strong independence of the Board and has appointed three Independent Directors, defined as those holding no interests or relationships with the Bank, the controlling shareholders, or the Management that would influence their decisions or interfere with their exercise of independent judgement.

Based on the definition of an Independent Director in Section 38 of the Securities Regulation Code of the Securities and Exchange Commission (SEC), AUB's present Board consists of three highly respected Independent Directors Justice Adolfo S. Azcuna, former Associate Justice of the Supreme Court; Atty. Maria Gracia M. Pulido Tan, former Chairperson of the Commission on Audit; and Alfonso G. Siy, currently Vice Chairman of Citystate Savings Bank, Inc.

Their integrity and reputation, as well as their extensive experience, training, and knowledge, help the Board arrive at sound decisions. AUB has complied with all the applicable rules on their nomination and election. Their tenure does not exceed a cumulative term of nine years.

Chairman of the Board

The Chairman of the Board provides leadership to the Board and its committees. He presides at and conducts the meetings of the stockholders and the board of directors with the right to vote. He calls meetings of stockholders and convenes the board of directors whenever he deems it necessary either on his own initiative or upon request of the president. The Chairman likewise exercises such powers and performs all duties customarily incidental to said office and as maybe prescribed by the board of directors from time to time.

Board Election and Succession

The position of a director is a position of trust. Directors are elected during the annual meeting of shareholders, or at any special meeting called for the purpose. A director assumes certain responsibilities with various constituencies or stakeholders, i.e., the Bank itself, its stockholders, depositors and other creditors, management and employees, regulators, deposit insurer, and the public at large. These stakeholders have the right to expect that the Bank is being run in a prudent and sound manner.

The Nomination Committee assists the Board in defining and assessing the criteria for directorship. It screens all nominees to determine whether or not they have all of the qualifications and none of the disqualifications to be elected to the Board. The Committee prepares the Final List of Nominees for election to the Board at the annual shareholders' meeting. In addition, the Committee also ensures that there is a process for identifying and developing highly qualified individuals who will take on key Board and Board committee positions when there are vacancies.

Once they are appointed, the new Directors are required to attend a seminar on corporate governance and are briefed on the Bank's Corporate Governance Manual, Code of Business Conduct and Ethics, and other pertinent policies.

The table below shows the shares beneficially owned by the directors of AUB as of December 31, 2019

Title of Class	Name of Beneficial Owner	Citizenship	Nature of Beneficial Ownership	Amount of Beneficial Ownership	Percent of Class
Common Stock	Abraham T. Co	Filipino	Direct	150	0.00%
Common Stock	Ramon Y. Sy	Filipino	Direct	31,515	0.01%
Common Stock	Manuel A. Gomez	Filipino	Direct	9,840	0.00%
Common Stock	Lily K. Gruba	Filipino	Direct	120	0.00%
Common Stock	George T. Chua	Filipino	Direct	47,459	0.01%
Common Stock	Adolfo S. Azcuna	Filipino	Direct	15	0.00%
Common Stock	Maria Gracia M. Pulido Tan	Filipino	Direct	100	0.00%
Common Stock	Jacob C. Ng	Filipino	Direct	9,450	0.00%
Common Stock	Alfonso G. Siy	Filipino	Direct	241	0.00%
TOTAL				**98,890**	**0.02%**

Board of Directors. Non-executive directors are appropriately compensated for their attendance to Board and committee meetings in view of the direction and guidance they provide to achieve the Bank's objectives. Each director receives Php60,000 and Php10,000 in monthly professional fees for attending Board and committee meetings, respectively.

Senior Management. Executive directors, such as the Chairman, President, and Branch Banking Head receive salaries, bonuses, and benefits commensurate to the functions they hold. The remuneration packages are based on an annual performance evaluation against financial and qualitative targets and standards presented to and approved by the Board. These performance indicators include the accomplishment of the bank-wide financial budget and their ability to lead and maintain a cohesive organization under their guidance and direction.

Board Attendance in Meetings

In 2019, the Board held a total of 14 meetings.

Chairman **Abraham T. Co**	100%	Attended 14 meetings
Vice Chairman **Ramon Y. Sy**	79%	Attended 11 meetings
President **Manuel A. Gomez**	100%	Attended 14 meetings
Director **George T. Chua**	100%	Attended 14 meetings
Director **Lily K. Gruba**	86%	Attended 12 meetings
Director **Jacob C. Ng**	100%	Attended 14 meetings
Lead Independent Director **Adolfo S. Azcuna**	79%	Attended 11 meetings
Independent Director **Maria Gracia M. Pulido Tan**	86%	Attended 12 meetings
Independent Director **Alfonso G. Siy**	86%	Attended 12 meetings

Board Committees

There are six Board-level committees and two sub-committees under the Corporate Governance Committee. These were created to increase efficiency and allow deeper focus in specific areas. The Board has appointed the members of each committee, taking into account the optimal mix of skills and experience to allow the members to fully understand, be critical, and objectively evaluate the issues.

Executive Committee

The Executive Committee authorizes or approves, subject to limits imposed by the Board, the Bank's plans to invest in or acquire another company, extend loans to corporations or individuals, enter or terminate partnership, joint venture or any other business dealing, and sell or dispose acquired and/or fixed bank properties. The Committee also provides the business development and financial policy directions of the Bank.

Abraham T. Co	96%	Attended 50 of 52 meetings
Manuel A. Gomez	92%	Attended 48 of 52 meetings
Ramon Y. Sy	71%	Attended 37 of 52 meetings
Jacob C. Ng	100%	Attended 52 of 52 meetings
Andrew T. Yap*	75%	Attended 6 of 8 meetings
Ernesto T. Uy	98%	Attended 51 of 52 meetings

*Resigned February 22, 2019

Audit Committee

The Audit Committee reviews and discusses all reports of examination of the Bank's officers conducted by Internal Audit, the External Auditor, and the findings of the BSP, and submits its comments, recommendations, and instructions to the Bank's management.

Atty. Maria Gracia M. Pulido Tan*	100%	Attended 6 of 6 meetings
George T. Chua	100%	Attended 6 of 6 meetings
Ret. Justice Adolfo S. Azcuna**	67%	Attended 4 of 6 meetings
Florante C. Del Mundo***	100%	Attended 6 of 6 meetings

*Appointed as Chairman of Audit Committee effective June 6, 2019
**Replaced by Atty. Maria Gracia M. Pulido Tan as Chairman of Audit Committee and retained as a member
***Non-Voting Member

Trust Committee

The Trust Committee reviews, accepts and closes trust and other fiduciary accounts.

Ramon Y. Sy	75%	Attended 3 of 4 meetings
Abraham T. Co	100%	Attended 4 of 4 meetings
Atty. Lily K. Gruba	50%	Attended 2 of 4 meetings
Manuel A. Gomez	75%	Attended 3 of 4 meetings
Andrew A. Chua*	100%	Attended 4 of 4 meetings
Alfonso G. Siy**	100%	Attended 3 of 3 meetings

*Non-Voting Member
**Was appointed Committee Member May 30, 2019

Risk Oversight Committee

The Risk Oversight Committee ascertains that the Bank maintains an adequate and effective risk oversight program covering the risk categories as defined under BSP Circular Nos. 510 and 511, and ensures that the risk oversight program of the Bank is properly implemented.

Alfonso G. Siy*	80%	Attended 8 of 10 meetings
Atty. Maria Gracia M. Pulido Tan**	78%	Attended 7 of 9 meetings
Ramon Y. Sy	67%	Attended 8 of 12 meetings
Ret. Justice Adolfo S. Azcuna	33%	Attended 4 of 12 meetings
Maria Teresa C. Ogbinar***	100%	Attended 12 of 12 meetings

* Implementation of the 2018 ROC membership in March 2019
** Implementation of the 2018 ROC membership in March 2019 / Member of ROC in June 2019.
***Non-voting member

Related Party Transactions Committee

The Related Party Transactions (RPT) Committee evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified and transactions are conducted in accordance with the arm's length principle. It also ensures that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.

Ret. Justice Adolfo S. Azcuna	90%	Attended 9 of 10 meetings
George T. Chua	100%	Attended 10 of 10 meetings
Atty. Maria Gracia M. Pulido Tan	90%	Attended 9 of 10 meetings

Corporate Governance Committee

The Corporate Governance Committee assists the Board in fulfilling its corporate governance responsibilities. The Committee reviews and evaluates the qualifications of all persons nominated to the Board, as well as those nominated to other positions requiring appointment by the Board. The Committee also assists the Board in defining an appropriate corporate governance framework that will enable the Board to effectively provide oversight over the parent bank and its subsidiaries.

Ret. Justice Adolfo S. Azcuna	75%	Attended 9 of 12 meetings
Ramon Y. Sy	75%	Attended 9 of 12 meetings
George T. Chua	100%	Attended 12 of 12 meetings
Atty. Lily K. Gruba	58%	Attended 7 of 12 meetings
Atty. Maria Gracia M. Pulido Tan	83%	Attended 10 of 12 meetings
Alfonso G. Siy*	43%	Attended 3 of 7 meetings

*Elected as member of the Corporate Governance Committee during the Bank's Organizational Meeting in May 30, 2019

Performance Evaluation Compensation and Remuneration Sub-Committee

The Performance Evaluation Compensation and Remuneration Committee (under the Corporate Governance Committee) assists the Board by recommending and overseeing the implementation of the salaries and benefits programs for directors and senior management that would attract the best talents to help the Bank accomplish its objectives.

Manuel A. Gomez	100%	Attended 2 of 2 meetings
Ret. Justice Adolfo S. Azcuna	100%	Attended 2 of 2 meetings
Atty. Maria Gracia M. Pulido Tan	100%	Attended 2 of 2 meetings
Rosario M. Dayrit*	100%	Attended 2 of 2 meetings

*Non-voting member

Corporate Governance Updates

AUB implemented the following corporate governance initiatives

Submission of AUB's Annual Corporate Governance Report to SEC and PSE

The Bank submitted to the SEC and the Philippine Stock Exchange its first Annual Corporate Governance Report (ACGR) in May 2014 since it became publicly listed. Pursuant to SEC Memorandum Circular No. 19, series of 2016 (Code of Corporate Governance for Publicly Listed Companies), AUB submitted its Revised Corporate Governance Manual in May 2017. Subsequently, per SEC Memorandum Circular No. 15, series of 2017 Integrated Annual Corporate Governance Report (I-ACGR), AUB submits to SEC and PSE its I-ACGR every year and the last of which was done in May 2019. A more detailed description of our corporate governance practices can be found in our Manual on Corporate Governance, which can be accessed on our website, www.aub.com.ph/corporateGovernance

AUB Corporate Governance Scorecards

The Corporate Governance Committee (CGC) is responsible for ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines. It oversees the periodic performance evaluation of the Board and its committees. Since 2015, AUB has also been conducting a self-assessment of the Board of the parent company acting as a body, and the members of the Board in their individual capacities. The results of this process were reported to the CGC and the Board.

The parent company also expanded the implementation of the self-assessment process to include the Board of its three subsidiaries the Rural Bank of Angeles (RBA), Cavite United Rural Bank (CURB), and Asia United Leasing and Finance Corporation (AULFC).

Corporate Governance Training

In order to promote a higher level of corporate governance through quality training on good corporate governance principles and standards, the Board and key officers are required annually to undertake corporate governance training. AUB's directors and senior management attended the Corporate Governance Training Seminar conducted by duly accredited training providers of the SEC in September 2019. In addition, AUB's Corporate Secretary completed his Annual Corporate Governance training requirement conducted by the Institute of Corporate Directors in August 2019.

Moreover, directors and senior officers are regularly apprised by the Compliance Officer of relevant new regulations, circulars, and policies of regulatory agencies and their potential impact on the Bank.

Manual on Corporate Gover-

The Bank has in place a Corporate Governance Manual that incorporates specific investors' rights and protection, as well as the particular duties expected from the Board members, officers, and employees. The Manual also features a disclosure system that highlights adherence to the principle of transparency, accountability, and fairness.

Updating of AUB's Website

The Bank's website contains all its disclosures to SEC, PSE and if applicable, other regulatory agencies, in line with its commitment to full disclosure of material information dealings for the interest of its stockholders and other stakeholders.

Oversight Function over Bank Committees

To strengthen its oversight function over Board and management committees, the Corporate Governance Committee required all Bank committees to commit to the timely submission of committee minutes to the Board of Directors for review and notation. It likewise required the submission of interim and full-year committee accomplishment reports, which included every committee's meeting dates, attendance summary per member, changes in committee members, work done and issues addressed, and committee programs for the following year.

Other Bank Policies

Anti-Money Laundering (AML) Governance and Culture

AUB as a covered person is committed to assist the government in the fight against money laundering and combat terrorist financing (ML/TF). Toward this end, the Bank strictly adheres to the following core principles and practices to combat ML/TF activities

Compliance with AML rules, laws and regulations
Cooperation with bank regulators
AML/TF risk management
AML training and information dissemination

The Board and Senior Management ensure that sufficient resources, appropriate tools and controls are in place to identify, measure, manage and mitigate Money Laundering and Terrorism Financing risks arising from activities within and across the entire AUB organization.

The Chief Compliance Officer (CCO) serves as the chairperson of the Anti-Money Laundering Committee of the Bank. The AML Committee, through the CCO, takes the lead in providing day-to-day oversight on compliance to the Money Laundering and Terrorist Financing Prevention Program (MTPP) of the bank. The CCO reports to the Audit Committee which in turn assists the Board in fulfilling its over-all oversight function in preventing money laundering and terrorism financing.

To ensure full compliance with AML rules, laws and regulations, the Bank updated and approved Money Laundering and Terrorist Financing Prevention Program (MTPP). This program provides a clear customer acceptance policy, AML risk assessment process, record keeping policy, transaction monitoring/reporting process and AML training, among others.

An automated AML system was also put in place for effective transaction monitoring and reporting. Allocation of more resources for AML training was provided to increase level of employee awareness on best practice, rules, laws and regulations to ensure the Bank will not be used to facilitate money laundering and terrorism financing activities.

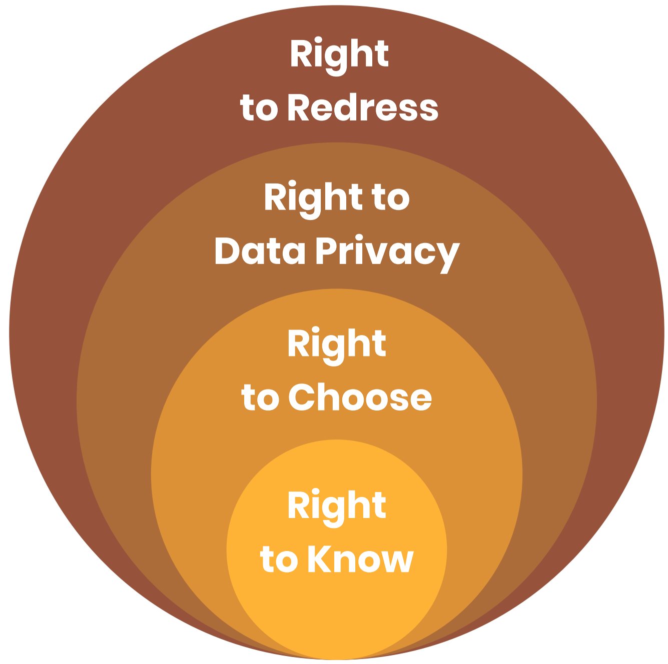
Dividend Policy

Given that the Bank's intentions of pursuing accelerated growth may require a conservative capital management policy anchored on continued capital build-up, AUB has not adopted a specific dividend policy which defines a minimum percentage of net earnings to be distributed to its common shareholders.

Consumer Protection Policy

AUB ensures strict compliance with the BSP Regulation on Financial Consumer Protection (BSP Circular No. 857) that aims to provide "an enabling environment that protects the interest of financial consumers and institutionalizes the responsibilities of all stakeholders."

The Bank adopts a framework that promotes and safeguards the following consumer rights



RIGHT TO KNOW AUB believes that consumers have the right to be given the facts and information they need to make an informed choice and be guided in their dealings with the Bank. Full disclosure and utmost transparency through ready access to information is a critical part in every AUB transaction.

RIGHT TO CHOOSE The Bank ensures that consumers make an informed choice by educating them on the risk and features of the products and services AUB offers. Consumers have the right to choose products at competitive prices with an assurance of satisfactory quality.

RIGHT TO DATA PRIVACY In accordance with the Data Privacy Act of 2012 (Republic Act No. 10173), the Bank recognizes the importance of protecting the personal data of its customers. Thus, AUB does not share customer data without the consent of the customer.

RIGHT TO REDRESS The consumer has the right to seek redress for misrepresentation, breach of contractual obligations, shoddy goods or unsatisfactory services.

The implementation of AUB's consumer protection framework is handled by a fully functioning Customer Service Desk which has a dedicated hotline (+632 8282-8888). The Bank aims to continually enhance its service delivery and responsiveness to the public through the effective management of customer feedback. All suggestions, requests, inquiries, and commendations, and complaints from customers are handled by AUB's Customer Service Desk which is mandated to focus on providing an exceptional customer service experience. The Desk covers processes and procedures in receiving, processing, evaluating/analyzing, monitoring, interpreting, and resolving customer feedback and complaints received through AUB's customer touch points branches, Customer Service Hotline, email, and AUB website.

All customer feedback are immediately relayed or routed to the relevant customer-facing departments, which shall then document the feedback and undertake appropriate action. All customer-facing departments are in-charge of undertaking the necessary action to address, resolve, and report customer complaints within the prescribed turnaround-time.

Corporate Social Responsibility

The Bank strives to meet the expectations of all stakeholders by fulfilling its corporate social responsibility (CSR) and make AUB a company worthy of people's admiration and respect.

Aligned with the nature of its business, AUB focuses on the following CSR initiatives that promote financial literacy and access to quality education

AskUrBanker

Launched in 2016, the financial literacy campaign aims to bring banking closer to the masses. Through the program, AUB helps the public understand the complexities of banking through mini talks and customer engagement activities. In 2018, the Bank continued its media partnership with Pilipino Mirror, the first business tabloid in Filipino, for an info series on personal finance tips.

Scholarship Program

AUB partnered with Manila Tytana Colleges to support the education of financially challenged but deserving students. In 2019, two college and one high school AUB scholars received full discounts on tuition and miscellaneous fees, monthly book and school uniform allowances, on top of a monthly stipend. We also awarded scholarships to four high school students of UP Visayas in Iloilo. This brings the total of AUB scholars to seven.

Health, Safety and Welfare of Employees

AUB believes that keeping employees happy at work in turn leads to happy customers. Thus, it advocates a work environment conducive to the physical and mental well being, as well as the professional development of employees.

The implementation of a monthly living allowance to augment the transportation and cost of living of employees working in the National Capital Region (NCR) was approved in 2018 and is now part of the bank's policy. In 2019, AUB implemented the 105 day Expanded Maternity Leave Law. During the year, AUB also approved to have a clinic on the 34th floor of JN Head Office with a nurse coming in everyday and a doctor available twice a week. In addition, the bank started the AUB Dance Group. Other programs the Bank has been implementing include the annual health/wellness fair, employee celebrations for special occasions such as Halloween, AUB's anniversary, summer outings, and Christmas parties.

08

Report of the Chief Audit Executive

September 3, 1997

Asia United Bank (AUB) was granted authority to operate as a Commercial Bank under MB Resolution No. 1149 commenced operation on October 31, 1997.

February 28, 2013

AUB has upgraded its status to a Universal Bank after completing regulatory requirements and getting the authority from BSP under MB Resolution No. 365 dated February 28, 2013. The universal banking license has allowed AUB greater flexibility to further expand consumer lending, credit card operations, banking services and engage in investment banking activities.

April 22, 2013

AUB has secured the approval of the Securities and Exchange Commission (SEC) to go public. AUB listed its shares in the Philippine Stock Exchange on May 17, 2013.

December 31, 2019

AUB has two hundred twenty-eight (228) branches in Metro Manila and in the key cities of Luzon, Visayas and Mindanao. Asia United Bank (AUB) subsidiaries, namely Rural Bank of Angeles and Cavite United Rural Bank, has thirty-three (33) branches in Northern Luzon and has fourteen (14) branches in Southern Luzon, respectively.

Asia United Leasing and Finance Corporation (AULFC), a subsidiary of Asia United Bank (AUB), was registered in the Securities and Exchange Commission (SEC) on June 2, 2000 and commenced operations in July 2000. Redimoney Express PTE LTD (known as Pinoy Express PTE LTD until the issuance of Monetary Authority of Singapore of license RA No.01414 under its new name on July 18, 2016), a remittance outfit based in Singapore, was fully acquired and recognized as subsidiary of Asia United Bank (AUB) on October 2015.

Governance Structure

The AUB Audit Committee

The AUB Audit Committee is composed of three (3) non-executive directors, two (2) of whom are Independent Directors, including the chairperson, which is in compliance with BSP Circular No. 969. As an independent oversight body of the Board of Directors, the Committee has fulfilled its duties and responsibilities embodied in its board-approved charter. Its role is to ensure that the Bank has strong, adequate and effective processes relating to independence, governance, risk management, internal control, compliance and financial reporting.

In its performance of oversight responsibilities, the Committee convened six (6) times in 2019, wherein the effectiveness and adequacy of the Bank's internal control framework were consistently evaluated, taking into account the Internal Audit Group's work plan and the Management's responses and actions to the audit findings and recommendations. Also, to ensure that the shareholders' interests are protected, the Committee assessed the integrity of the Bank's financial statements and financial reporting process and reviewed risk management functions specifically in the areas of managing credit, market, liquidity, operational and other risks of the Bank. Compliance with applicable rules and regulations mandated by regulatory bodies were also appraised and monitored by the Committee.

Among the items that the Audit Committee reviewed and approved in 2019, with the assistance of internal and external auditors, were the following

1. 2019 Annual Internal Audit Plan using the Risk-Based Approach
2. 2019 Annual Internal Audit Budget and Manpower Complement
3. Results of regular and special audit on branches, head office units, IT and subsidiaries
4. Revised Internal Audit Organizational Chart
5. Revised Audit Program Guide for Branches, Information Technology and Head Office Units
6. Results of Y2018 year-end review conducted by external audit firm SGV and Co and closing meeting with the Audit Committee
7. External Auditor's Financial Report for 2018 endorsed to the Board and presented the same to the stockholders
8. Recommendation on SGV and Co. as AUB's External Auditor to be reappointed by the Stockholder, based on evaluation of their performance and qualifications, and consideration of management's recommendation including audit fees
9. External Auditor SGV and Co. Audit Plan
10. Revised Audit Committee and Internal Audit Charter in compliance with SEC Code of Corporate Governance for Publicly Listed Companies, BSP Circular 969 and BSP Circular 871
11. 2019 Annual Compliance Plan and Manual
12. Revised Compliance and AML/CTF Review and Testing Programs including monitoring policy on outstanding BSP and compliance and issues
13. Results of compliance testing and updates on CTR/STR
14. Compliance activity reports from subsidiaries
15. Results of BSP examination on the Bank and its subsidiaries
16. Annual performance appraisal of the Internal Audit and Compliance Head
17. Review of implementation of IFRS 9 for Parent Bank and Subsidiaries. IFRS 9 took effect on January 01, 2018
18. Reviewed the updates on ICAAP and results on risk model validations (including ICRRS, Value at Risk and stress testing)
19. Major audit issues elevated to management for immediate resolution

Risks and Controls

Audits are conducted using the Risk Assessment methodology, wherein "Risk" is evaluated, taking into consideration the extent of the potential "Loss" and the "Probability" that the loss will occur. To provide the statistical support to the assessment of the area being audited, a Standard Rating System was established with the aim of minimizing any subjectivity. It takes into consideration the gravity of the findings against each category being rated.

The Audit Committee found that the Bank's organizational network of risk management, control and governance processes, as designed and presented by management, are generally adequate and functioning.

The Audit Committee has ensured that oversight responsibilities are in compliance with the Securities and Exchange Commission (SEC) 2016 Code of Corporate Governance for Publicly Listed Companies, BSP Circular 871 and BSP Circular 969.

The current Internal Controls and Credit Policies of the Bank were also consistently rated by the Bangko Sentral ng Pilipinas (BSP) at acceptable CAMEL rating for the past five years. The Bank's CAMEL rating of "3.00" indicates that AUB is a fundamentally sound financial institution. Moreover, the past-due ratio of its combined consumer and commercial loan portfolio as of December 31, 2019 was 1.94%, above the industry average of 1.70%.

The Internal Audit Group, together with AUB's External Auditors and the Audit Committee, have ensured that good governance is practiced in the Bank as prescribed by SEC 2016 Code of Corporate Governance for Publicly Listed Companies, BSP Circular 969 and BSP Circular 871 on the role of the Audit Committee and the External Auditors.

Internal Audit and Compliance

AUB has established internal controls and systems in various areas of its operations to protect it from risks intrinsic in its business. Its Internal Audit Group evaluates the effectiveness of these control systems and compliance programs, and recommends measures to improve governance, risk management, and internal control processes.

For the year 2019, the Internal Audit Group performed internal audit assessments of all organization units, based on its Audit Plans and Strategies as approved by the Audit Committee under the Risk-Based Audit Approach embodied in its Audit Manual. The Internal Audit conducted its function in accordance with its Internal Audit Charter, Code of Ethics and the standards set forth by regulatory bodies including but not limited to the International Standards for the Professional Practice of Internal Auditing (ISPPIA), SEC 2016 Code of

Corporate Governance for Publicly Listed Companies, BSP Circular 871 and BSP Circular 969. To meet with the increasing demand for assurance and consulting services, audit skills and knowledge were developed and enhanced through formal training and seminars.

The Internal Audit Group noted areas that needed to be improved in the Bank's internal control procedures and communicated the same to the Bank's management team, who in turn performed necessary corrective actions.

In ensuring compliance with regulatory requirements within the organization, the Bank has a three-pronged approach:

1 Its Compliance Officers conduct random compliance testing to develop a compliance culture across the ranks. A reporting process helps the Chief Compliance Officer and Chief Audit Executive detect any regulatory infractions.

2 Its Internal Audit conducts regular reviews of Asia United Bank branches and other operating units. Independent Compliance Testing is conducted to ensure compliance with anti-money laundering rules and other regulatory requirements.

3 Its Compliance Office performs oversight functions to validate the findings of the Compliance Testing Offices and Internal Auditors. The Chief Compliance Officer also conducts review of progress of compliance testing performed by compliance officers. The Chief Compliance Officer also continues to regularly update all Unit Compliance Officers and Internal Audit Officers on recently issued regulatory requirements. These sessions serve as a venue to conduct enhancement, updates and training on compliance Testing, Corporate Governance, and CAMELS.

For the year 2019, the Chief Compliance Officer conducted regular meetings; training of officers and staff on Compliance and AMLA matters, updated the Audit Committee on regulatory issues and AMLA Committee for AMLA issues raised by audit and/or BSP.

Protecting Consumers through Safe Digital Banking Solutions

As the banking sector accelerates to significant digital transformations, AUB has set its mark as one of the frontrunners in innovative banking in the country. In 2019, AUB redesigned mobile-centric customer experience by partnering with the three of the world's mobile payment networks and launching AUB Paymate and Hello Money mobile applications. To be ahead amidst the volatile changes in the banking and financing industries, AUB is constantly exploring modern ways to reach and communicate with its customers by enhancing its technological methods, processes and systems, by investing on the ideas and insights of its people and by strengthening relationships with financial intermediaries.

In line with the increasing reliance on digital banking solutions, external regulators have intensified its monitoring efforts to ensure that Republic Act No. 10173 or the Data Privacy Act of 2012 is implemented. To meet with this regulatory demand while providing smooth and safe digital banking experience to consumers, AUB is continually enhancing its compliance systems and improving its control procedures in identifying and mitigating digital risks. AUB has also enjoined its employees to be aware and to be prepared for emerging cyber security threats in order to assure that customers' data (financial and non-financial) is well-protected.

The Audit Committee ensures continued compliance with SEC 2016 Code of Corporate Governance for Publicly Listed Companies and BSP Circular 969 in enhancing its oversight capabilities, with BSP Circular 871 in ascertaining improved Internal Control System and Internal Audit functions in Banks, and with International Standards for the Professional Practice of Internal Auditing in developing effective audit techniques and practices while maintaining utmost integrity and professionalism. Also, the Audit Committee will ensure that the Internal Audit Function keeps its agility in adapting to changes in the banking industry, especially in combating cyber security and digital risks, by formulating audit methods that will foster real-time responses to emerging issues, closer collaboration with stakeholders, shorter delivery cycles and streamlined reporting.

To maintain a robust system of mitigating risks, the Internal Audit Group works hand in hand with other control and monitoring functions such as Risk Management Group, Financial Controller's Group and Compliance Group. The Internal Audit Group is continuously enhancing its Internal Quality Assessment procedures to determine the degree of Internal Audit Activity's conformance with the Institute of Internal Auditors' (IIAs') International Standards for the Professional Practice of Internal Auditing and Code of Ethics and Standards. Internal audit will be resolute in enhancing audit skills and knowledge and adopting audit trends to become at par with global leaders in auditing. Internal Audit will constantly uphold the highest level of integrity, promote transparency, and ensure proper governance and compliance with relevant laws, rules and regulations across the organization.

Report to the Board of Directors

As part of the Audit Committee's Charter, the Committee is delegated to provide oversight of the Bank's financial reporting and disclosures, management and control, risk management activities and internal and external audit functions. It is also responsible for monitoring and evaluating the Bank's compliance with applicable laws, rules and regulations as well as assessing the adequacy and effectiveness of the internal control system.

Management is responsible for the preparation, integrity, and fair presentation of the Bank's financial statements, which were prepared in accordance with Philippine Financial Reporting Standards.

In 2019, the Audit Committee undertook the following in its meeting:

APPROVAL of the overall scope and plans of the Internal Audit Group (IAG), Compliance Unit and the AUB's External Auditor, SGV & Co., including the monitoring of its accomplishment

REVIEWED AUB's 2018 financial statements with SGV, which was responsible for expressing an independent opinion on the audited financial statements and its conformity with Philippine Financial Reporting Standards

REVIEWED AUB's Management Responsibility and Risk Management Reports

REVIEWED Quarterly/Annual unaudited Financial Statements, focusing on any changes in accounting policies and practices, significant adjustments from audit, compliance with accounting standards, compliance with tax, legal and regulatory requirements, going concern assumptions, major judgmental areas and completeness of disclosures of material information including subsequent events and related party transactions

REVIEWED the results of IAG's examinations and evaluation of internal control process along with management's responses and timetable for the implementation of recommendations to improve the operations of the branches and head office units, including the information systems and security

EVALUATION of the process in assessing the significant risks and related – risk mitigation efforts of the Bank

REVIEWED the adequacy of resources, staff competencies, activities, and effectiveness of the IAG

REVIEWED the result of the BSP periodic quality assessment of IAG's conformance with the International Professional Practices Framework for Internal Auditing which includes the Definition of Internal Auditing, Code of Ethics, and the Standards. This includes Quality Assurance Review of Audit's function as concurred by SGV's year-end review

MONITORED AND ASSESSED the Bank's compliance with existing laws, rules and regulations

REVIEWED the results of external and internal audits, ensuring that management is taking appropriate corrective actions in a timely manner including addressing risk exposures, internal control and compliance issues

REVIEWED the results of validation on the ECL Models of the Bank

The Audit Committee continues to serve the depositors and stakeholders by ensuring adequate control measures in safeguarding the assets of the Bank.

Florante C. Del Mundo, SVP
Chief Audit Executive

09

Sustainability Report

Sustainability at Asia United Bank

Over the past year, AUB has embarked on a sustainability initiative—the end goal of which is for the Bank to be even more responsive to the needs of its key stakeholders: our depositors, our financial clients and our own people.

But this is just the start of our journey. There is a lot of learning to do, systems to build and sustainable goals to achieve. This would be one of our key driving factors for this year and the years to come.

Moving forward, we will aspire to be of service not only to our shareholders, employees and clients, but to the economy, the environment and the public as well. AUB will work hard to be the bank of choice—service-oriented, environmentally conscious and socially responsible.

*This report is in accordance with the GRI Standards.

ASIA UNITED BANK

Location of Operations

Philippines

Joy-Nostalg Center No. 17 ADB, Ortigas Center, Pasig City 1600

Products and Services

Deposit Account Products
Credit and Loan Facilities
Treasury Services
Cash Management Services
Trust and Investment Services
International Banking Services
Special Corporate Services
Auxiliary Services

Highest Ranking Person responsible for this report

Kristel G. Azucena
Corporate Planning and Investor Relations Officer / PSE and SEC Compliance Officer

Principal Products and Services and Their Markets

GRI 102-2

AUB provides, directly and through its subsidiaries, a wide range of banking and financial products and services, including corporate and consumer loans, deposit products, corporate banking, treasury and trust products, cash management solutions and other services. Such products are offered to a market that includes individual consumers, MSMEs and corporations.

1

In 2015, AUB launched the **AUB Easy MasterCard,** the only credit card in the market that gives you the freedom to choose when and how much you want to pay. AUB also launched the Foreign Currency Savings Account through all service channels. This is an interest-bearing third currency (Euro, Japanese Yen and Chinese Yuan/Renminbi) denominated passbook account which allows deposits and withdrawals anytime.

2

Considering the strong demand for infrastructure development and significant gains in manufacturing sector, AUB also launched financing programs in 2017 such as the **Truck Loan and Forklift Loan Program** to further address its customers' need for financing.

3

AUB also enhanced its ATM security features by aligning new global standards in card transactions through its **Europay MasterCard Visa (EMV)**. EMV ensures safer transactions by protecting all cardholders and merchants from counterfeit fraud or other card-present related attacks through a more sophisticated verification process supported by the EMV's unique transaction codes. AUB truly goes above and beyond by giving cardholders easy access and emphasizing the security of sensitive card information.

4

The **AUB PayMate App**, an all-in-one app for processing and accepting mobile payments using QR code technology, was also developed in 2017. With this app, the cashier's smartphone turns into a camera frame that can scan the QR code on a Chinese customer's mobile device or vice versa using the retail outlet's fixed QR code.

5

AUB also pioneered the payment acceptance of **WeChat Pay** in the Philippines in November 2017 to ride on the rising influx of tourists from China and the growing demand of mobile-payment users in the country.

With the expected robust economic growth in the country for the next three years fuelled by development in industries and consumer expenditure, AUB geared up for new products and service features that would be launched in 2018 to further challenge market trends and create a better banking experience to customers.

6

AUB's Marketing Group strengthened its framework for enhancing its "3Ps" —**People, Products, and Processes**—highlighting these three assets in their marketing plan and campaigns. This strengthened AUB's launch of the **AUB Institute** that was established in 2015. AUB Institute is a training framework that aims to regularly train and arm its people with updated product knowledge and behavioral skills. The processes are continually calibrated for better speed and accuracy. Various dynamic relationships are also created with Human Resources, Branch Banking, Remittance and other business units to craft and send a message of excellent operational capabilities, as well as to promote the comprehensive suite of product solutions that address the needs of the various customer segments we serve.

7

In the first quarter of 2018, AUB became the first local bank partner of mobile payment giant, **Alipay.** This was followed by a signed partnership agreement with China's

UnionPay in order to better serve UnionPay cardholders' cashless transactions in the Philippines. These partnerships allowed AUB to provide Chinese tourists with convenient and seamless payment methods using their electronic wallets while establishing and strengthening formidable relationships with accredited local merchants.

8

Moreover, the Credit Cards Business launched **eGift**. eGift is an electronic gift voucher which credit cardholders can conveniently order via the credit card's online banking system or through the mobile banking app for sending to their loved ones via SMS and email. Credit cardholders can choose from over 250 brands consisting of dining, shopping, travel and wellness and charge the e-gift to their AUB credit card.

9

2018 was also the year when AUB launched the CLINIC A.I.D. or **Clinic Acquisition and Improvement for Doctors** in order to tap on a new market segment—medical professionals who need a loan facility that will help them acquire or improve their clinics.

10

Another innovation introduced in 2018 was the **PDC Deposit** feature in the Virtual Teller Kiosk (VTK). With this feature, clients could deposit their postdated checks to an account or deposited as payments to loans, cards and other utilities.

11

As the demand in electronic banking transactions continuously increased, AUB adopted two (2) electronic fund transfer facilities in 2018 — **InstaPay** and **PESONet.** InstaPay allows clients to make real-time fund transfer transactions to other banks via the AUB Mobile App and AUB Preferred Online Banking while PESONet offers same-day fund transfers to other financial institutions via the AUB Preferred Online Banking.

In 2019, new innovations were introduced in the market.

12

HelloMoney, a prepaid account that allows account holders to access and manage their accounts via the HelloMoney mobile app, was introduced. Its primary purpose is to tap the unbanked and underserved market segments as well as reach the digital savvy market.

13

With the introduction of HelloMoney came the release of **Hello Pag-IBIG.** This prepaid account is primarily for Pag-IBIG Loyalty Card Plus holders. AUB became one of the accredited banks of Pag-IBIG Fund in the distribution of their loyalty card which also acted as a prepaid account where Pag-IBIG fund proceeds can be released.

On the consumer loans side, innovations were also introduced for customers to have easier access and made loans processing and payments more convenient.

14

CASHELP Salary Loans introduced a new mode of applying for the loan with the use of the AUB mobile app where employees of accredited companies can apply for and access salary loans.

15

Housing Loan customers were also provided a new feature called **Home Rate Protect** which as its name suggests, protects home loan borrowers from steep increase of interest rates.

16

The **AUB Mobile App** was also enhanced to enable fund transfers via PESOnet and the adoption of the national QR code for convenient fund transfers and payments across banks.

In 2019, the AUB credit card was enhanced to include the following features and benefits:

eGifting
Cardholders can choose from over 250 eGift brands for sending to loved ones and charge it to their AUB Credit card.

Linking of AUB Credit Card to Alipay
Cardholders can utilize cashless payment convenience when visiting China.

Credit Card Activation via SMS

Balance Transfer
Cardholders can transfer their other cards' balance to AUB credit cards and pay this off on monthly installment terms.

Post pay installment
Cardholders can convert their specific transaction/s done on straight charge payments to monthly installment payment terms.

Cashout Installment
Cardholders can withdraw cash from their credit card for payment of goods and services that are normally done in cash such as payments to contractors, dental procedures, etc. and pay for these in monthly installment terms.

Card Guard
This offers credit card protection and insurance coverage for life, accident, lost and stolen cards, unauthorized on-line transactions, purchase protection and travel insurance. Cardholders may opt in to avail of this program.

eKYC for website applications
Cardholders can upload their application document requirements such as ID and proof of income and can take a selfie shot and video.

To expand the business, the Bank rolled out partnerships with **GCash, GrabPay** and **AUB's Hello Money** to enable AUB PayMate merchants to accept QR payments from Filipino consumers.

A. Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements Held

On October 3, 1997, AUB obtained a Certificate of Registration and bank license from the Philippine SEC to operate under the corporate name "Asia United Bank Corporation."

AUB uses a variety of names and marks, including the names "Asia United Bank" and "AUB" and AUB's logo, in connection with its business. To date, only one trademark, "AUB GintongHatid Remittance Service," has been registered for intellectual property rights.

AUB lined up additional products and services for intellectual property protection and registration as soon as BSP approvals for such product offerings are obtained.

B. Need for any Government Approval of Principal Products or Services

AUB's products and services are offered to customers only upon receipt of the necessary regulatory approvals or upon submission of the required disclosures to the appropriate regulatory bodies.

Management's Discussion and Analysis

In 2016, AUB made headways in its retail products such as auto loans, mortgages, salary loans and remittances. The Bank continued to leverage on technology—making banking with AUB a seamless experience for customers regardless of the delivery channels they choose, whether they transact in the branches, ATMs or through mobile and internet banking.

In 2017, AUB intensified its consumer lending with the relaunch of its pioneer loan product AUB CASHelp (Corporate Auto Salary Housing Employee Loan Program), a one-stop consumer loan facility. The Bank also became the first Philippine partner bank of WeChat Pay, the second largest mobile payment app in China. The partnership enabled AUB to seize opportunities from the growing Chinese tourist arrivals in the country. Subsequently, AUB will achieve faster growth as it gains relationships with accredited Philippine merchants.

In 2018, AUB launched the CLINIC A.I.D. or Clinic Acquisition and Improvement for Doctors. Its goal was to tap on a new market segment—medical professionals who need a loan facility that will help them acquire or improve their clinics.

The same year, AUB has become one of the first few local banks to take on these innovations: PDC Deposit feature in the Virtual Teller Kiosk (VTK), InstaPay and PESONet. With PDC Deposit feature, clients can deposit their postdated checks to an account or as payments to loans, cards and other utilities. Moreover, as the demand in electronic banking transactions continuously increases, AUB also adopted two (2) electronic fund transfer facilities—InstaPay and PESONet. InstaPay allows clients to make real-time fund transfer transactions to other banks via the AUB Mobile App and AUB Preferred Online Banking while PESONet offers same-day fund transfers to other financial institutions via the AUB Preferred Online Banking.

Moving forward, AUB will continue to show strong growth in its core lending business to corporates and SMEs.

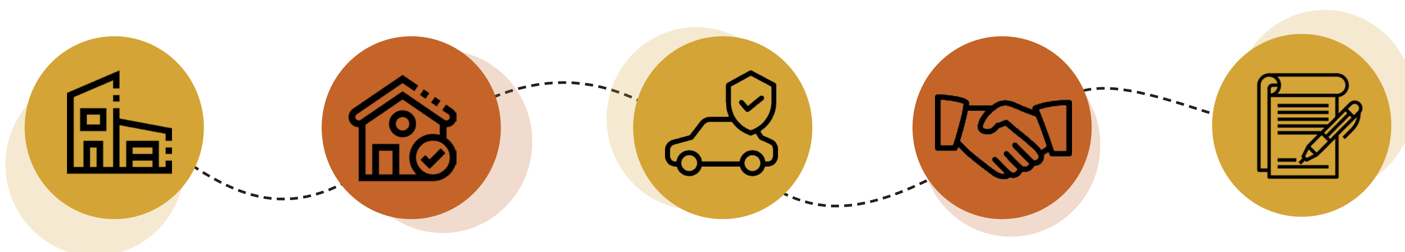
DEPOSIT ACCOUNT PRODUCTS	CREDIT AND LOAN FACILITIES		TREASURY SERVICES
• Preferred Peso Checking • Preferred Peso Savings • Preferred Savings Plus • Preferred Time Deposit • Preferred Dollar Savings • Preferred Dollar Time Deposit • Preferred Foreign Currency Savings (CNY, EURO, YEN) Starter Savings • Advantage Check	• Short-Term Working Capital Loans • Trade Financing Facilities • Domestic Letters of Credit with Trust Receipt Facility • Import Letters of Credit with Trust Receipt Facility • Packing Credit or Export Loans versus LCs or POs • Domestic Bills Purchase Line • Foreign Loan/ Financing Packages • Corporate Salary Loan Program • BSP US$/Peso Rediscounted Loans • Specialized Lending Facilities • AUB Easy MasterCard • AUB Classic MasterCard • AUB Gold MasterCard • AUB Platinum MasterCard	• Financing Program for Tourism • Hospital Financing Program • Financing Program for Educational Institutions • Housing Loan Program • Development Program • Syndicated Medium & Long-Term Loans • Documents Against Acceptance (DA) • Documents Against Payment (DP) • Open Account (TT) High-End Motorbike Loan • Truck Loan • Forklift Loan • PVAO Loan • Clinic A.I.D. Loan	• Fixed-Income Trading and Distribution • Local Currency Treasury Bills/ Treasury Notes/ Bonds • Fixed Floating Rate Corporate Notes • Short and Long-Term Commercial Papers • US$-denominated Certificates of Deposit • US$-denominated US Treasuries • US$-denominated Eurobonds/Notes Foreign Exchange Trading • Spot Trading • Currency Swaps and Forwards

CASH MANAGEMENT SERVICES	AUXILIARY SERVICES	TRUST AND INVESTMENT SERVICES	INTERNATIONAL BANKING SERVICES
• AUB • BizKitChecking Account • Payroll Organizer • CheckMaker • CheckBanker • e-Gov • BalanceChecker • Preferred Online Banking • Manager's Check Writing Facility	• Preferred ATM • AUB RediMoney • Preferred Mobile Banking • Preferred Online Banking • Safe Deposit Box • Deposit Pick-up Service • Manager's Check/ Gift Checks • Fund Transfer (TT/DD) • Electronic and Clearing Conduit Solutions • HelloMoney • Hello Pag-IBIG **SPECIAL CORPORATE SERVICES** • Escrow Agency • Custodianship Services • Mortgage Trust Indentures	• Employee Benefit Trust • Provident Fund Pension Fund • Fund Management Individual/ Corporate Portfolio Management • Unit Investment Trust Fund Management • AUB Peso Investment Fund • AUB Equity Investment Fund • AUB Gold Dollar Fund • Estate Planning Guardianship Living Trust • AUB Gold Chest Plan • Testimonial Trust	• Letters of Credit / Collection of Clean and Documentary Bill • Foreign and Domestic Remittance • Purchase and Sale of Foreign Exchange

Markets Served

GRI 102-6

AUB is a relatively young player in the local banking industry, so it has been our main goal to innovate from the start. We had to think of strategies to compete with more established banks and penetrate large-scale markets as well. We want to show that the Bank can deliver as good as—if not better than—other banks with bigger branch networks by serving at the level of personal service. With that in mind, we decided to play a niche market. The Bank currently has five products and each unit targets a different market.



Contracts to sell (CTS) receivables unit is a document between a real estate buyer and a developer. It targets **real estate developers.**

Housing loans target **potential homebuyers.**

Motor vehicle loans (auto loans, truck loans and big bike loans) targets **corporate accounts, SMEs** and **professional or self-employed individuals.**

Corporate salary loans target **seafarers** and **private companies** that want to outsource their benefit programs.

Salary government loans target **PVAO** and **SSS pensioners.**

These markets may be niche now but they can grow bigger in the future. In the meantime, we are open to exploring more niche sectors but the Bank is mainly focusing its efforts on growing volumes for corporate trust accounts and assisting high-network individuals. AUB is also looking more into the electronic transportation industry as it is on demand due to the new normal.

Currently, there is still a lot of potential to expand business in Metro Manila and Luzon. But we have already opened a total of 54 bank branches in Visayas and Mindanao (24 in Visayas and 30 in Mindanao) and we plan to open more in the future.

Memberships in Association

GRI 102-13

1. Banker Association of the Philippines (BAP)
2. Association of Bank Compliance Officers (ABCOMP)
3. Association of Bank Remittance Officers, Inc. (ABROI)
4. Credit Cards Association of the Philippines (CCAP)
5. Bank Marketing Association of the Philippines (BMAP)
6. Ads Standards Council Philippines (ASC Philippines)
7. Philippine Association of National Advertisers (PANA)
8. Bankers Institute of the Philippines (BAIPHIL)
9. Money Market Association of the Philippines
10. ACI Philippines

SR-01

Economic Performance

Direct Economic Value Generated and Distributed

GRI 102-15

DISCLOSURE	AMOUNT IN MIO	UNIT
Direct economic value generated (revenue)	**10,669.3**	Php
Direct economic value distributed:		
a. Operating costs	**5,699.0**	Php
b. Employee wages and benefits	**1,715.6**	Php
c. Payments to suppliers, other operating costs	**1,639.5**	Php
d. Dividends given to stockholders and interest payments to loan providers	**873.6**	Php
e. Taxes given to government	**1,691.0**	
f. Investments to community (e.g. donations, CSR)	**6.3**	Php

The Bank's Board of Directors has complete oversight of the strategic policies for economic performance. The Board of Directors and the Management of AUB are responsible for ensuring that the Bank has in place an integrated, active and dynamic Internal Capital Assessment and Adequacy Process, which involves the Parent Company and its subsidiaries. There is a performance monitoring process that ensures alignment with planning and budgeting. This includes building a business and financial plan, identifying resources and defining milestones to carry out the defined plans.

AUB is fully cognizant of the highly competitive industry within which it operates and takes a proactive management of the risks it faces in its day to day activities. This is achieved through the following:

1. Keeping our depositors' interest paramount and returns secondary
2. Adherence to approved policies and limits through continuous monitoring and mitigating risks inherent in existing businesses
3. Risks related to growth or new business initiatives will be identified, anticipated and monitored
4. Strict compliance to regulatory mandates and Capital Adequacy at all times

Proportion of spending on local suppliers

97%

Percentage of procurement budget used for significant locations of operations that is spent on local suppliers

Our supplies and services are sourced based on the locality of each branch and head office to ensure most efficient options in delivery, cost and manpower.

SR-02

Social Performance

AUB's principal stakeholders consist of its shareholders, depositors, employees and financial clientele.

In **2019**, AUB's depositor base grew by **9%** to **P210.2 billion.** This was made possible through the bank's focus on further enhancing its culture of service and product excellence.

Depositor growth

DEPOSITS (IN PHP BILLIONS)	2017	2018	2019
Demand	73.8	74.5	96.7
Savings	49.6	70.3	**76.2**
Time	35.1	47.4	37.3
Long Term Negotiable Certificate of Deposits	0.9	0.9	0.0
TOTAL DEPOSITS	**159.4**	**193.1**	**210.2**

Total loan portfolio for the year also grew by **11%** to **Php 172.5 billion.** Among the Bank's key strategies is its market-driven approach to developing new products, focusing on market niches that may otherwise be untapped by the industry. In so doing, the Bank has made an impact on niche communities that have been left unserved for so long.

Loan growth

LOAN VOLUME (IN PHP BILLIONS)	2017	2018	2019
Loans and receivables	**131.1**	**155.7**	**172.5**

The community of AUB employees has also grown in 2019 by **11%** to a total of **2,791 members.** It is a testament to the company's continuing efforts to make its portfolio of products and services appealing not just to the market but also to the people working behind the scenes.

Employee growth

HEADCOUNT	2017	2018	2019
Officers	944	1,277	1,130
Rank and File	1,310	1,246	1,661
TOTAL NUMBER OF EMPLOYEES	**2,254**	**2,523**	**2,791**

Employee Hiring and Benefits

GRI 102-8

Employee data

DISCLOSURE	QUANTITY	UNIT
Total number of employees	2,177	
a. Number of female employees	1,468	
b. Number of male employees	709	
Attrition rate	15	RATE
Ratio of lowest paid employee against minimum wage		RATIO

Employee benefits

LIST OF BENEFITS	YES/ NO	% OF FEMALE EMPLOYEES WHO AVAILED FOR THE YEAR	% OF MALE EMPLOYEES WHO AVAILED FOR THE YEAR
SSS	Y	**35** - Maternity and Sickness Reimbursement **217** - Loans	**6** - Sickness Reimbursement **91** - Loans
PHILHEALTH	Y	No data	No data
PAG-IBIG	Y	137	57
PARENTAL LEAVES	Y	112	33
VACATION LEAVES	Y	1,364	696
SICK LEAVES	Y	1,164	573
MEDICAL NEEDS (ASIDE FROM PHILHEALTH)	Y	4	4
HOUSING ASSISTANCE (ASIDE FROM PAG-IBIG)	Y	0	0
RETIREMENT FUND (ASIDE FROM SSS)	Y	2	3
FURTHER EDUCATION SUPPORT	Y	0	0
COMPANY STOCK OPTIONS	N		
TELECOMMUTING	N		
FLEXIBLE WORKING HOURS	N		
OTHERS	N		

On a continuing basis, the Bank undertakes a review of competitiveness of compensation and benefits and personnel policies to ensure that these are appropriate in the industry we are in.

As of December 2019, AUB has a total of 2,177 employees for its parent company and 67% are female while 33% are male.

Regular employees are covered by a comprehensive health care plan, on top of the standard group life insurance coverage. Eligible officers are entitled to avail of car plans.

Other standard benefits for eligible regular employees are the following: retirement plan and guaranteed bonuses.

In terms of Talent Acquisition, the Bank had expanded and sustained school partnerships as a major source of talents. With the regular launch of in-house development programs, new job sites/portals and steady stream of candidate referrals, the Bank was able to address manpower requirements. The Bank also plans to aggressively tap digital/online sourcing channels and launch Employee Referral Programs to help generate a steady source of candidates.

Employee Training and Development

GRI 102-15

DISCLOSURE	QUANTITY	UNITS
Total training hours provided to employees	40,040	
a. Female employees	29,296	Hours
b. Male employees	10,744	Hours
Average training hours provided to employees	19.50	
a. Female employees	20.67	Hours/ employee
b. Male employees	16.8	Hours/ employee

Aiming to be recognized as an employer of choice, AUB strives to engage our employees through various training and development programs, equipping them with the technical and behavioral skills required in their job. AUB believes in harnessing the potential of our in-house talents, and the launch of accelerated development programs for branch officers in the past year allowed us to keep up with the aggressive expansion of our branch network.

AUB takes care of its diverse talent pool and invest in them to ensure that people will have the learning and development support to realize and fulfill their potential. The training programs are designed to help the organization and our employees get ready for the future through a mixture of internal and external programs for both functional and behavioral development. These include the following programs:

- **Executive Development Program**
- **Branch Manager Development Program**
- **Service Manager Development program**
- **Relationship Manager Development Program**
- **Account Officer Development Program**
- **Management Trainee Development Program**
- **4 Disciplines of High Performance Leader**
- **Bank on Us; Leading the Service Team**
- **Practical Coaching Service Workshop**

Likewise, AUB also provides Onboarding Programs which includes corporate orientation, mock branch training and the BM/RO orientation program.

In 2019, AUB provided a total of 40,040 training hours for its 2,177 employees.

Diversity and Equal Opportunity

GRI 102-16

32.57%

Percentage of female workers in the workforce

Percentage of male workers in the workforce

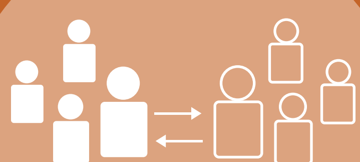
67.43%

▶▶▶

The Bank exercises fairness in its remuneration package. Employees' compensation is not determined by their gender. The employee's role in the organization, competency level, work performance, previous work experience, certifications and employment tenure are some of the factors that determine remuneration.

Labor Management Relations

GRI 103-2
GRI 102-21



Average of 50 consultations/ day for the whole HR

▶▶▶ Number of consultations conducted with employees concerning employee-related policies

In a year,

50 consultations per day

261 working days

13,050 consultations

Workplace Conditions, Labor Standards and Human Rights

GRI 102-15

Labor Laws and Human Rights

DISCLOSURE	QUANTITY	UNITS
No. of legal actions or employee grievances involving forced or child labor	0	

▶▶▶ Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

TOPIC	YES/NO	If Yes, cite reference in the company policy
Forced labor	NA	
Child labor	NA	
Human rights	Yes	**Article VII: Conduct and Behaviour of the Code of Conduct** **Anti-Sexual Harassment Policy** **Whistleblower Policy**

The Bank strives to provide a safe, secure and conducive working environment for our employees to continually safeguard their rights and provide equal opportunity for everyone. As the Bank gears itself to strengthen the AUB brand, an enhanced customer experience remains to be our ultimate goal. And nurturing our talents, who are our brand ambassadors, is our top priority.

Occupational Health and Safety

0	NO. OF WORK RELATED INJURIES
0	NO. OF WORK RELATED ILL-HEALTH
0	NO. OF WORK RELATED FATALITIES
2	NO. OF SAFETY DRILLS

Security and safety awareness is also a primary concern of AUB and shall be regularly assessed through annual fire drills and disaster preparedness activities in the Head Office.

SR-03

Ethics Monitoring System

Summary of Bank's Policies on Business Conduct or Ethics Affecting Directors, Senior Management and Employees

GRI 102-17

A. Conflict of Interest

Directors

To conduct fair business transactions with the Bank and to ensure that personal interest does not bias board decisions, directors should—whenever possible—avoid situations that would give rise to a conflict of interest. If transactions with the institution cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution than those offered to others. The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interest. He should avoid situations that would compromise his impartiality.

Senior Management

The policy defines when a conflict of interest arises, and when an employee benefits directly or indirectly from his position or employment with the Bank, or as a result of the performance of his functions, duties and responsibilities. The policy contains examples of what constitute conflict of interest such as: use of Bank's name, influence or goodwill for personal purposes; employees engaging directly or indirectly in the Bank's line of business; dealing or participating, directly or indirectly, in transactions involving any individual, corporation or business enterprise with which the Bank has a business relationship, for the employee's personal gain or benefit.

Employees

The policy defines when a conflict of interest arises, and when an employee benefits directly or indirectly from his position or employment with the Bank, or as a result of the performance of his functions, duties and responsibilities. The policy contains examples of what constitute conflict of interest such as: use of Bank's name, influence or goodwill for personal purposes; employees engaging directly or indirectly in the Bank's line of business; dealing or participating, directly or indirectly, in transactions involving any individual, corporation or business enterprise with which the Bank has a business relationship, for the employee's personal gain or benefit.

B. Conflict of Business and Fair Dealings

A director is expected to remain fit and proper for the position for the duration of his term. He should possess unquestionable credibility to make decisions objectively and resist undue influence. He shall treat board directorship as a profession and shall have a clear understanding of his duties and responsibilities as well as his role in promoting good governance. Hence, he shall maintain his professional integrity and continuously seek to enhance his skills, knowledge and understanding of the activities that the Bank is engaged in or intends to pursue as well as the

Fit and proper standards apply to members of the senior management. Integrity, technical expertise and experience in the institution's business, either current or planned, are expected of each member of the senior management. The actions of the senior management must at all times be consistent with the policies of the Bank.

Conduct and Behavior - Proper deportment of all employees is important to any institution, as it will reflect positively or negatively on its public image. It also has an effect on the morale and efficiency of the employees. The following acts are examples of violations of this section:

A. Failure to wear the Bank ID or the prescribed uniform or proper corporate attire

B. Engaging another employee/s in a fight, prodding another employee/s to engage in a fight, or challenging to

B. Conflict of Business and Fair Dealings

developments in the banking industry including regulatory changes through continuing education or training.

to a fight, threatening with bodily harm or actual assault causing injury to another employee during working hours or within Bank premises or disruption of company operations

C. Engaging in horseplay, using abusive, foul and profane language during working hours or within Bank premises

D. Committing theft within Bank premises

E. Planting evidence to cast aspersions on another employee or evading responsibility for the commission of a violation or offense under this Code

F. Deliberate destruction of property owned, held by or in custody of the Bank

G. Spreading intrigues or gossip about another employee which tends to discredit the latter

H. Gambling, betting, conducting lotteries or other similar acts within Bank premises

I. Immoral, indecent or scandalous acts committed within the Bank premises regardless of whether it was done before, during or after working hours (this includes distribution/use of immoral, indecent or scandalous literature and materials)

J. Unauthorized possession of explosives, firearms or other illegal items within Bank premises that are capable of inflicting bodily injuries

K. Writing, carving, etching, painting or posting writings/drawings/graffiti or other acts of defacement of Bank property

L. Acts of gross discourtesy or disrespect to any individual committed during working hours or within Bank premises

B. Conflict of Business and Fair Dealings

M. Drinking of intoxicating beverages during working hours or within Bank premises

N. Getting intoxicated within Bank premises or during company affairs or while representing the Bank in outside gatherings

O. Soliciting money/material objects or selling during working hours or within Bank premises without obtaining written permission from Human Resources

P. Possessing, using, selling, distributing or causing to be brought into or used any narcotics or prohibited drugs within Bank premises at any time and in any manner except when such drugs take the form of medicine prescribed by a physician items within Bank premises that are capable of inflicting bodily injuries

Q. Willfully holding back, slowing down, hindering or limiting work output

R. Falsely and maliciously representing oneself to be an officer, agent or representative of the Bank or performing an act or function pertaining to any employee of the Bank without being authorized to do so

S. Directly or indirectly borrowing or lending one's personal funds to customers, suppliers or other employees

T. Conduct that falls under sexual harassment shall be dealt with under the Anti-Sexual Harassment Code of Conduct and shall only be dealt with under this Code if the Anti-Sexual Harassment Code does not apply

Unless otherwise specified, the penalties for these acts range from WARNING to DISMISSAL depending upon the gravity of the offense.

C. Receipt of gifts from third parties

Same as (a) and (b)	Receipt of token gifts not more than P500 are not violations of the conflict of interest rule. Gifts amounting to more than P500 may be received without a consequent violation of the conflict of interest rule if the employee has duly notified Human Resources.	Receipt of token gifts not more than P500 are not violations of the conflict of interest rule. Gifts amounting to more than P500 may be received without a consequent violation of the conflict of interest rule if the employee has duly notified Human Resources.

D. Compliance with Laws & Regulations

To have a working knowledge of the statutory and regulatory requirements affecting the institution, including the content of its articles of incorporation and by-laws, the requirements of the BSP and where applicable, the requirements of other regulatory agencies. A director should also keep himself informed of the industry developments and business trends in order to safeguard the institution's competitiveness.	To have a working knowledge of the statutory and regulatory requirements affecting the institution, including the content of its articles of incorporation and by-laws, the requirements of the BSP and where applicable, the requirements of other regulatory agencies. A member of the senior management should also keep himself informed of the industry developments and business trends in order to safeguard the institution's competitiveness.	To have a working knowledge of the statutory and regulatory requirements affecting the institution, including the content of its articles of incorporation and by-laws, the requirements of the BSP and where applicable, the requirements of other regulatory agencies. A member of the senior management should also keep himself informed of the industry developments and business trends in order to safeguard the institution's competitiveness.

E. Respect for Trade Secrets/Use of Non-public Information

Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the Board.	The Code of Conduct requires the employee to safeguard the integrity of bank records and documents such as data stored in computer hard drives, computer/system passwords, diskettes, CD-ROM's, etc. The policy also cites what constitute violations of such: forgery/falsification of bank records and documents, unauthorized tampering, alteration, concealment and destruction of bank records, falsification of or misrepresentation on personnel records or employment application.	The Code of Conduct requires the employee to safeguard the integrity of bank records and documents such as data stored in computer hard drives, computer/system passwords, diskettes, CD-ROM's, etc. The policy also cites what constitute violations of such: forgery/falsification of bank records and documents, unauthorized tampering, alteration, concealment and destruction of bank records, falsification of or misrepresentation on personnel records or employment application.

F. Use of Company Funds, Assets and Information

Directors must observe the confidentiality of non-public information acquired by reason of their position as directors. They may not disclose said information to any other person without the authority of the Board.

In addition to item above, the Code of Conduct also provides for a policy requiring employees to keep confidential any data, passwords, information or records that they may come in contact with in the course of work.

In addition to item above, the Code of Conduct also provides for a policy requiring employees to keep confidential any data, passwords, information or records that they may come in contact with in the course of work.

G. Employment and Labor Laws & Policies

The position of a bank director is a position of trust. Generally, employment and labor laws and policies do not apply to directors. Under the Corporation Code, vacancies in the Board may be caused by removal, expiration of term and resignation, among others.

The Bank complies with all employment and labor laws and policies as prescribed. For employees who have been charged with violations of the code of conduct, due process is observed in dealing with violations, and the employee is properly informed.

The Bank complies with all employment labor laws and policies as prescribed. For employees who have been charged with violations of the code of Conduct, due process is observed in dealing with violations, and the employee is properly informed.

H. Disciplinary Actions

The position of a bank director is a position of trust. Under the Corporation Code, a director may be removed for cause upon the shareholders' initiative.

The Code of Conduct contains the penalties imposed in cases of successive and/or multiple violations. Penalties are categorized depending on the nature of the offense, and would range from light, less grave and grave offense.

The Code of Conduct contains the penalties imposed in cases of successive and/or multiple violations. Penalties are categorized depending on the nature of the offense, and would range from light, less grave and grave offense. This can result in sanctions ranging from reprimand, suspension or dismissal, depending on gravity of the offense committed.

I. Whistle Blower

N/A

The Bank provides employees with convenient confidential and reliable mechanisms for reporting incidents or raising concerns regarding possible improprieties or malpractices within the organization. Guidelines and procedures have been disseminated

The Bank provides employees with convenient confidential and reliable mechanisms for reporting incidents or raising concerns regarding possible improprieties or malpractices within the organization. Guidelines and procedures have been disseminated

I. Whistle Blower

to all employees to inform them how the concern will be addressed and who is tasked to evaluate and investigate the concern. After the investigation has been concluded, the appropriate sanction, if applicable, will be imposed.

to all employees to inform them how the concern will be addressed and who is tasked to evaluate and investigate the concern. After the investigation has been concluded, the appropriate sanction, if applicable, will be imposed.

J. Conflict Resolution

A director should view each problem/situation objectively. When a disagreement with others occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take a position even though it might be unpopular. Corollarily, he should support plans and ideas that he thinks will be beneficial to the institution.

Members of the senior management are allowed to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the Board of Directors or any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management as to and/or the Board itself.

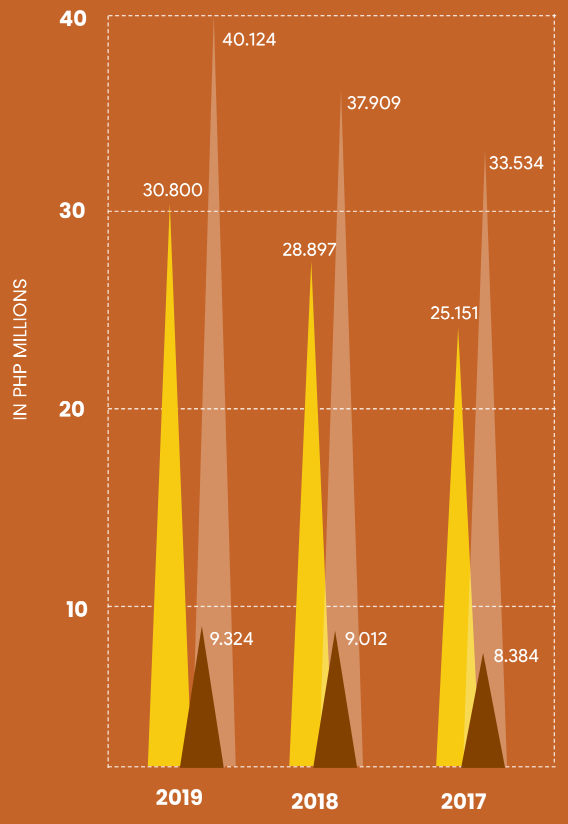
Employees are allowed to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the Board of Directors or any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management as to and/or the Board itself.

Remuneration Policies

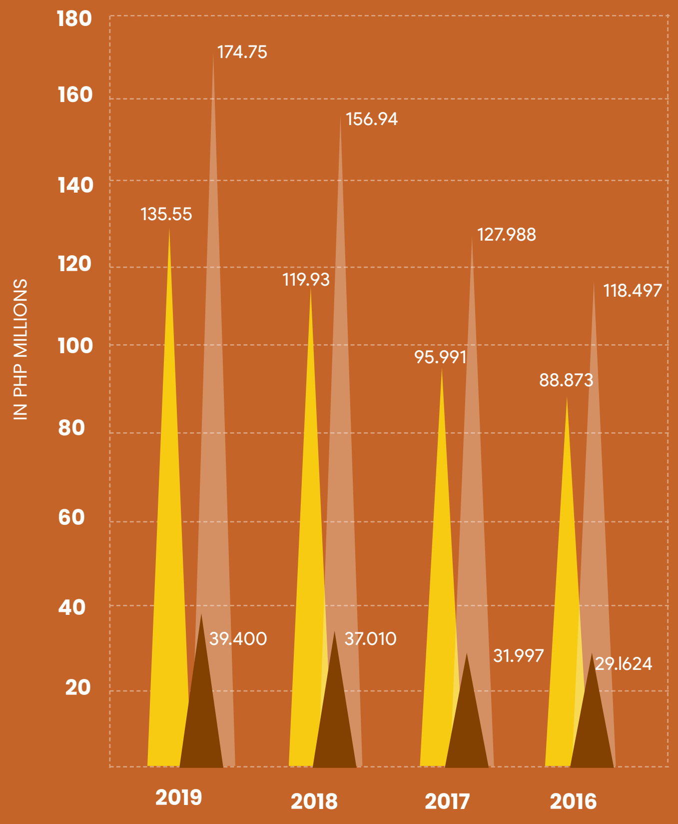
GRI 102-35

Summary Compensation Table

Total of CEO and the four most highly compensated executive officers



Aggregate compensation of all other officers and Directors as a group



Remuneration for governance body and senior executives

The previous tables identify and summarize the aggregate compensation of AUB's CEO and the most highly compensated executive officers of AUB compared to the aggregate compensation of all other officers and directors as a group for the years ended December 31, 2019, 2018 and 2017.

*2019 included Abraham T. Co, CEO, Antonio V. Agcaoili, Jr., Manuel A. Gomez, Wilfredo E. Rodriguez, Jr., and Ernesto Uy

*2018 included Abraham T. Co, CEO, Antonio V. Agcaoili, Jr., Manuel A. Gomez, Isabelita M. Papa and Wilfredo E. Rodriguez, Jr..

*2017 included Abraham T. Co, CEO, Antonio V. Agcaoili, Jr., Manuel A. Gomez, Isabelita M. Papa, and Andrew T. Yap

The Directors of AUB are entitled to a per diem of Php 60,000 for each meeting of the Board of Directors attended. The fee was last adjusted by the board in September, 2011.

Remunerations given to directors of the Group, which were approved by the Board Remuneration Committee, amounted to Php 4.19 million, Php 4.08 million and Php 3.66 million and in 2019, 2018, and 2017 respectively.

The Group has no fixed incentive program in place. The Group aims to attract, motivate, and retain employees through a competitive salary scheme which includes both direct (salary and cash-related) and indirect (non-cash benefits) compensation. It is the Group's policy to offer a compensation package that is fair and competitive with the current market rates of the industry.

As of December 31, 2019, there are no warrants or options held by the Bank's officers and directors.

SR-04

Risks and Opportunities

Risks and Opportunities

GRI 102-15

Asia United Bank constantly strives to improve its internal controls and risk management policies. However, this does not always guarantee that we can mitigate all the risks that can adversely impact our overall performance. Nevertheless, AUB strives to manage what can be foreseen, while preparing itself to be financially stable enough to survive what cannot be anticipated.

Employee Acquisition

As we are continuously expanding the business by opening more branches across the country, acquiring people who are fit for the job seems like a huge challenge right now—especially in provincial areas. AUB needs team players who not only talk but also listen—people who will drive the organization to success. And over the past year, we were able to hire a total number of 487 employees with 410 in Luzon, 24 in Visayas and 53 in Mindanao.

Since one of AUB's strategies involves the targeting of niche markets, we need a diversity of people who specialize in certain areas like real estate and housing, automotive, SMEs, etc. So although employee acquisition still remains a challenge for us, this can actually help in opening more job opportunities outside central business districts—particularly to those people who are affected by the new normal policies like limited transportation to and from the city.

Economic Recession

The economic disruption caused by the COVID-19 pandemic has negatively affected the GDP growth. Interest rates were dropping to all-time lows. If this continues, it can cause a sharp decline in the liquidity and volatility of local and global financial markets. This can also cause a slowdown in generating revenues and an imbalance in supply and demand chains.

But the Bank's significantly lower costs of operations is helping the business to survive and still grow amid the pandemic. We were able to generate good profits in 2019. This revenue growth will provide enough buffer that the Bank needs to tide the current crisis and endure 2020.

The New Normal

Due to the new normal, physical visits to the banks are expected to be less. Fortunately, AUB was able to transition to cheaper and more sustainable ways of doing business. We capitalized on improving our digital presence and went with paperless, virus-free application processes.

Furthermore, this opens up an opportunity to serve the unbanked and the underserved with technology as the most significant enabler. 2017 data shows that 77.4 percent of the country's total population or 52.8 million Filipinos have no bank accounts. Many of these unbanked people live in areas with no local bank branches.

Over the past year, we had talked with people who were still hesitant about online banking. But since we may or may not be transitioning to a cashless society, we will continue to plan out innovative digital banking services. These services will make banking convenient, affordable and secure—especially for the unbanked.

SR-05

GRI Content Index

GRI 102: General Disclosures (2016)

GRI NUMBER	GRI DISCLOSURE	PAGE NUMBER
GRI 102-2	GRI Disclosure 102-2: Activities, Brands, Products and Services	Page 58
GRI 102-6	GRI Disclosure 102-6: Markets Served	Page 62
GRI 102-8	GRI Disclosure 102-8: Information on Employees and Other Workers	Page 68
GRI 102-13	GRI Disclosure 102-13: Membership of Associations	Page 63
GRI 102-15	GRI Disclosure 102-15: Key Impacts, Risks and Opportunities	Page 65

GRI NUMBER	GRI DISCLOSURE	PAGE NUMBER
GRI 102-15	GRI Disclosure 102-15: Key Impacts, Risks and Opportunities	Page 69
GRI 102-15	GRI Disclosure 102-15: Key Impacts, Risks and Opportunities	Page 71
GRI 102-15	GRI Disclosure 102-15: Key Impacts, Risks and Opportunities	Page 82
GRI 102-16	GRI Disclosure 102-16: Values, Principles, Standards and Norms of Behavior	Page 70
GRI 102-17	GRI Disclosure 102-17: Mechanisms for Advice and Concerns About Ethics	Page 73
GRI 102-21	GRI Disclosure 102-21: Consulting Stakeholders on Economic, Environmental, and Social Topics	Page 70
GRI 102-35	GRI Disclosure 102-35: Remuneration Policies	Page 79

GRI 103: Management Approach (2016)

GRI NUMBER	GRI DISCLOSURE	PAGE NUMBER
GRI 103-2	GRI Disclosure 103-2: The Management Approach and Its Components	Page 70

10

Board of Directors

The information on the business affiliations and experiences of the following directors and officers are current and/or within the past five (5) years.

The following are the incumbent members of the Board of Directors who are also nominated herein for re-election as members of the Board of Directors for 2019-2020, as certified by the Corporate Governance Committee composed of Justice Adolfo S. Azcuna (Chairman), Atty. Maria Gracia M. Pulido Tan (Member), Mr. Ramon Y. Sy (Member), Mr George T. Chua (Member) and Atty. Lily K. Gruba (Member).

Jacinto L. Ng, Sr.
Chairman Emeritus

Mr. Jacinto L. Ng, Sr., 76, Filipino, was first elected as Chairman of the Board in 1997. He also served as Chairman and Director of Republic Biscuit Corporation (Rebisco) and Extraordinary Development Corporation. Mr. Ng holds a B.S. in Chemical Engineering from the Mapua Institute of Technology.

Mr. Jacinto L. Ng, Sr., retired as Chairman effective December 31, 2017 and will continue as Chairman Emeritus of the Bank.

Abraham T. Co
Chairman

Mr. Abraham T. Co, 71, Filipino, is the Chairman and Chief Executive Officer (Executive Director). He has been the President of the Bank since June 1997. He is currently the Chairman of Cavite United Rural Bank (CURB) and Director of the following AUB subsidiaries: Asia United Leasing and Finance (AULFC) and Rural Bank of Angeles (RBA). Mr. Co was formerly the President of First Malayan Leasing and Finance Corporation, Head of the Consumer and Operations Support Group at Rizal Commercial Banking Corporation, and the President of BA Finance Corporation.

Mr. Co holds a B.S. degree in Chemical Engineering from the University of the Philippines. He assumed the Chairmanship position last 1 January 2018.

Ramon Y. Sy
Vice Chairman

Mr. Ramon Y. Sy, 89, Filipino, is a Director and Vice-Chairman of the Board and was first elected to the Board in March 2012. He is currently the Chairman of Ramsy Corporation, Apex Mining Co, Inc. (Publicly-Listed) and Xcell Property Ventures, Inc. He holds directorship positions with Travelman, Inc., SPC Corporation (Publicly-Listed), Asian Alliance Holding and Development Corporation, Asian Alliance Investment Corporation, Phil Equity and Monte Oro Resources and Energy Inc. Mr. Sy also served as Chairman and President of the United Coconut Planter's Bank, United Coconut Planters Life Assurance Corporation, and UCPB General Insurance Co. Inc. He was once the president of the International Exchange Bank and was also Vice-Chairman of Metropolitan Bank and Trust Corporation.

Mr. Sy holds a Bachelor's degree in Commerce from Far Eastern University, an MBA from the University of the Philippines, Doctor of Public Administration (Honoris Causa) from Centro Escolar University; and Doctor of Humanities (Honoris Causa) from Far Eastern University.

Manuel A. Gomez
President

Mr. Manuel A. Gomez, 66, Filipino, joined AUB in 1997. He is currently the President of Asia United Bank. He was formerly the Executive Vice President and Head of Branch Banking until 31 December 2017. In addition, He was a director at Asia United Leasing and Finance Corporation (AULFC) and Rural Bank of Angeles (RBA) last 2015. Besides this, he was the former treasurer of the consumer banking group at Citytrust Banking Corporation. He also worked at Citibank, N.A. as the head of the Fund Management Division from 1986 to 1988 and as treasury director from 1993 to 1997. In the interim years (from 1988 to 1993), he worked at Citytrust as head of Consumer Banking, as well as the assistant vice president for the Money Market Group at BA Finance Corporation from 1975 to 1986.

Mr. Gomez holds a B.A. in General Studies from the Ateneo de Manila University.

Atty. Lily K. Gruba
Director

Atty. Lily K. Gruba, 70, Filipino, has been a Director of AUB since 2003. She is also a managing partner of Zambrano & Gruba Law Offices and a Director of ZG Global Advisors, Corp. Previously, she held various positions in the government, such as Director of the Philippine Economic Zone Authority, Director of Overseas Workers Welfare Administration, Undersecretary of the Department of Finance, etc. Atty. Gruba is also the Associate Dean for Continuing Legal Education and a Professor of the Ateneo de Manila Law School.

Atty. Gruba holds a B.S. degree in Psychology from the University of Santo Tomas. She also holds a law degree from Ateneo Law School and a Masters of Law degree from the Georgetown School of Law.

George T. Chua
Director

Mr. George T. Chua, 65, Filipino, was first elected Director of AUB in July 1998. He is also the Treasurer and Director of RBA, Director of CURB, which are AUB's subsidiaries and Chairman of the board of Quantuvis Resources Corp. Concurrently, he serves as the Director/President of Manila Bay Development Corporation, Manila Bay Venture Capital Corporation, and Ciudad Nuevo Realty Corporation as well as the President of Great Jubilee Development Corporation.

Mr. Chua holds a B.S. degree in Management Engineering from the Ateneo De Manila University.

Atty. Maria Gracia M. Pulido Tan

Independent Director

Atty. Maria Gracia M. Pulido Tan, 64, Filipino, was first elected as Independent Director of AUB and its subsidiary, Rural Bank of Angeles in July 2007 and served until 2011. She was re-elected as Independent Director of AUB last July 2016 after serving as Chairperson of the Commission on Audit from 2011 to 2015. She also served as an Independent Director of AULFC, RBA and CURB which are AUB's subsidiaries from 2016 to May 2019. She serves as a member of the Board of Trustees of International Budget Partnership in Washington D.C., USA. She is a Director of Trifels, Inc. and Galileo Software Services, Inc. She is also a Tax Consultant and Legal Adviser to various private clients. Furthermore, she is an arbitrator for the Construction Industry Arbitration Commission. Moreover, she is a professorial lecturer of the University of the Philippines College of Law. In addition, she was a former columnist in Manila Bulletin. Previously, she was a member of the United Nations Independent Audit Advisory Committee in New York, USA. Prior to joining AUB in 2007, she was a Director of United Coconut Planters Bank, a Founding and Senior Partner of Tan & Venturanza Law Offices, a Tax Specialist of KPMG Peat Warwick Main & Co., and an associate of Sycip Salazar Feliciano & Hernandez. She held various positions in Asian Development Bank from 2005 to January 2016, a Legal Consultant for the Canadian International Development Agency/Bearing Point Inc. Philippines from 2007 to 2008 as well as for the Ways and Means Committee of the Philippine Senate in 2006, an Undersecretary of the Department of Finance from 2003 to 2005, and a Commissioner for the Presidential Commission on Good Government from 2002 to 2003.

Atty. Pulido Tan holds a Bachelor's degree in Business Administration and Accountancy and a Bachelor of Laws from the University of the Philippines, and Masters of Laws from New York University.

Justice Adolfo S. Azcuna
Lead Independent Director

Justice Adolfo S. Azcuna, 81, Filipino, is an Independent Director of the Bank since August 2011. He also serves as an Independent Director in AULFC, RBA and CURB which are AUB's subsidiaries. Moreover, he holds the position of Chancellor of the Philippine Judicial Academy (PHILJA) of the Supreme Court of the Philippines. He was a former Partner of Azcuna, Yorac, Sarmiento, Arroyo, and Chua Law Firm. He served as an Associate Justice of the Supreme Court of the Philippines from 2002 to 2009. He was also the Chairperson of Philippine National Bank; Director of the Development Bank of the Philippines; and the Chief Presidential Legal Counsel, Press Secretary, and Spokesperson under President Corazon C. Aquino.

Justice Azcuna obtained his law degree from the Ateneo de Manila University and holds a post-graduate certificate from the Salzburg University.

Jacob C. Ng
Director

Mr. Jacob C. Ng, 43, Filipino, was elected as Director of AUB in July 2016. Moreover, he is the Senior Vice President, Chief Transformation Officer and Head of Branch Banking effective 1 January 2018. He was the former Head of Consumer Lending Group until 31 December 2017. In addition, he served as a Director and Treasurer of Rural Bank of Angeles (RBA). Mr. Ng was Program Manager for Citibank from 2005 to 2007, a Business Management Team Leader for Earth+Style Development Corporation from 2000 to 2002, and a Customer Management Officer for Extraordinary Development Corporation from 1998 to 2000.

Mr. Ng holds an A.B. degree in Development Studies from the Ateneo de Manila University, and an MBA in International Management from Thunderbird School International Management in Arizona, USA.

Atty. Jason C. Nalupta
Director

Atty. Jason C. Nalupta, Filipino, 48, is the Corporate Secretary of the Corporation. He is also currently the Corporate Secretary or Assistant Corporate Secretary of listed firms A. Brown Company, Inc., Pacific Online Systems Corporation, and Crown Asia Chemicals Corporation. He is also a Director and/or Corporate Secretary or Assistant Corporate Secretary of private companies Sino Cargoworks Agencies, Inc., Falcon Resources, Inc., Mercury Ventures, Inc., Total Gaming Technologies, Inc., Parallax Resources, Inc., SLW Development Corporation, Metropolitan Leisure & Tourism Corporation, Sagesoft Solutions, Inc., Radenta Technologies, Inc., Xirrus, Inc., Glypthstudios, Inc., Grabagility, Inc., Lucky Circle Corporation, Loto Pacific Leisure Corporation, Basic Leisure Networks, Inc., Stage Craft International, Inc. and Sta. Clara International Corporation. He is a Partner at Tan Venturanza Valdez Law Offices specializing on corporate, securities, and business laws.

Atty. Nalupta earned his Juris Doctor degree, as well as his Bachelor of Science degree in Management (major in Legal Management), from the Ateneo de Manila University in 1996 and 1992, respectively. Atty. Nalupta was admitted to the Philippine Bar in 1997.

11

Senior Management

From left to right

Manuel A. Gomez
President

Andrew A. Chua
Senior Vice President

Antonio V. Agcaoili
Executive Vice President

Wilfredo E. Rodriguez, Jr.
Executive Vice President

From left to right

Florante C. Del Mundo
Senior Vice President

Leonides F. Intalan
Senior Vice President

Joselito R. Jacob
Senior Vice President

Rosario M. Dayrit
Senior Vice President

From left to right

Maria Teresa C. Ogbinar
Senior Vice President

Herminia C. Musico
Senior Vice President

Jacob C. Ng
Senior Vice President

From left to right

Lela S. Quijano
Senior Vice President

Victorio C. Sison
Senior Vice President

Cynthia P. Santos
Senior Vice President

From left to right

Catherine C. Uy
Senior Vice President

Amelia S. Sison
Senior Vice President

Ernesto T. Uy
Senior Vice President

From left to right

Joselito R. Camagong
First Vice President

Jill Mae J. Ang
First Vice President

Maria Teresa M. Copo
First Vice President

Leah C. Co
First Vice President

From left to right

Eddie Abel C. Dorotan
First Vice President

Zita M. Los Baños
First Vice President

Zenaida S. Librea
First Vice President

Maria Isabel V. Antonio
First Vice President

From left to right

Annette R. Manapil
First Vice President

Ana Lina S. Palma
First Vice President

Rachelle D. Ng
First Vice President

Ma. Bernadette Y. Lozada
First Vice President

From left to right

Maria Magdalena V. Surtida
First Vice President

Joselinda Kittilu L. Vibar
Vice President

Albert T. Reyes
First Vice President

Soledad O. Reyes
First Vice President

12

List of Officers

List of Officers

Chairman
Abraham T. Co

President
Manuel A. Gomez

Executive Vice Presidents
Antonio V. Agcaoili
Wilfredo E. Rodriguez, Jr.

Senior Vice Presidents
Andrew A. Chua
Rosario M. Dayrit
Rainer T. Defante
Florante C. Del Mundo
John P. Go
Leonides F. Intalan
Joselito R. Jacob
Herminia C. Musico
Willy G. Ng
Jacob C. Ng
Maria Teresa C. Ogbinar
Lela S. Quijano
Cynthia P. Santos
Victorio C. Sison
Amelia S. Sison
Ernesto T. Uy
Catherine C. Uy
Amelin S. Yao

First Vice Presidents
Jill Mae J. Ang
Joselito R. Camagong
Leah C. Co
Maria Teresa M. Copo
Maria Isabel V. Digioia
Eddie Abel C. Dorotan
Zenaida S. Librea
Zita M. Los Banos
Ma. Bernadette Y. Lozada
Annette R. Manapil
Rachelle D. Ng
Ana Lina S. Palma
Mary Rose R. Pamaran
Soledad O. Reyes
Albert T. Reyes
Maria Magdalena V. Surtida

Vice Presidents
Ma. Theresa E. Abad
Edward T. Barretto
Anna Maria Carmencita L. Bautista
Techie M. Buenaventura
Emma Theresa M. Cabochan
Cindy C. Carreon
Eliel P. Curan
Laidy Claire C. Dela Rosa
Emily S. Go
Louie S. Landayan
Desiree Mae D. Lumanog
Alain A. Lustre
Jahil L. Macapagal
Orman O. Manansala
Raymund M. Mangahas
Ven V. Martelino
Marichie O. Nacion
Eileen C. Ng
Cristina O. Pama
Maritess V. Pascual
Kristeen Ella M. Reyes
Jerilee Mae C. Sanidad
Mimi T. Santos
Neil Allen A. Sen
Bienvenido Giancarlo A. Sioson
Ma. Trinidad O. Songco
Christine M. Tan
Gilda Del C. Tiongco
Joselinda Kittilu L. Vibar
Leslie W. Villegas
Maria Victoria B. Yee

Assistant Vice Presidents
Ma. Marilyn V. Ahorro
Ronald T. Alava
Lisette L. Araneta
Rachel Louise S. Arnaez
Elsa R. Banez
Virgilio S. Bordeos
Christine T. Chan
Irene T. Ching

Lily Ann M. Chua
Melissa C. Climaco
Dhyndo J. Coronacion
Joanna Patricia L. Crisostomo
Alvin Teodoro P. Dayauon
Fermin F. De Guzman
Nanette L. De Jesus
Lucita S. Dee
Gladioli C. Diesmos
Samuel S. Dogillo
Robert Frederick P. Dy
Ma. Theresa Lynn D. Egusquiza
Teresa Socorro S. Feraren
Raymond Joseph G. Fernandez
Reginald Neil P. Garcia
Ma. Gracia M. Gordo
Reynaldo D. Halasan, Jr.
Marilyn H. Inigo
Katherine F. Invina
Emelie C. Lao
Daisy V. Laude
Myra L. Lavandero
Riccon D. Leonardo
Celestina S. Lopez
Armando K. Milanes
Ilene P. Nieto
Liwayway D. Palaganas
Jefrey D. Pangilinan
Ruby M. Perez
Ma. Concepcion L. Piscasio
Ling Ling Ponce
Jacquelyn C. Pornel
Rhoderick M. Ratio
Rober Christian B. Rodriguez
Eduardo Arsenio C. Roldan
Melissa T. Sadang
Mary Genevieve C. Sia
Farley O. Silva
Reynaldo L. Subijano
Emil Gabriel L. Tan
Maribel V. Toriente
Baby Annie K. Torres
Rosalie S. Torres
Danica Mae Y. Treyes
Karla Andrea M. Ubalde
Ronaldo Y. Villanueva
Katherine R. Villareal
Francis Gregory E. Wong
Emily C. Wong
Stephany V. Yu

Senior Managers

Virginia A. Abrigo
Michael Thomas S. Acosta
Juliet P. Acuna
Carlito B. Alcantara
Reynaldo B. Alip
Sandra I. Alunan
Ma. Cristina P. Amar
Von Czar M. Amora
Ernesto C. Ancheta
Elaine Marie T. Ang
Denise Julienn S. Angeles
Marilou C. Angeles
Cristine P. Arejola
Vilma P. Arroyo
Jennifer P. Balingit
Editha N. Baronia
Noemi P. Bernardino
Maria Isabel P. Bolinas
Michael S. Bolisay
Filipinas L. Bonagua
Darlene P. Boonplook
Paul J. Bugayong
Hazel Lyra P. Cabrera
Januarie S. Calzado
Domingo S. Canlas
Emerson L. Capule
Dennis L. Carandang
Joel L. Castell
Christian Albert Q. Catajan
Julito I. Catapusan
Margaret Rose A. Chua
Gemma Cosmedine S. Chy
Ian Christian P. Colle
Ofelia C. Corpuz
Ursulina Gisela E. Cortez
Maria Loreli C. Crisostomo
Michelle L. Cua
Peter G. Cuntapay
Monette J. De Luna
Philip C. De Miguel
Ma. Alma Y. Dela Cruz
Jenelie M. Dimaano
Gerardino P. Eloriaga
Edward A. Escalante
Albert Antonio M. Estrellado
Maria Virginia R. Feliciano
Shellane V. Gabas
Errol Joe E. Gabe
Cynthia L. Gadia
Ana Maria N. Garcia
Mary Errlynd N. Garcia
Emilia Teresa C. Gatuslao
Lillibeth D. Go
Manuel Jesus L. Goli
Reyna May A. Guingand
Jonafel E. Infante
Anna Raymunda R. Jose
Marissa J. Joya
Catherine J. Ledesma
Roberto Cornelio R. Lim
Stanley Jason G. Lim
Jimpson R. Lim
Shella Marie E. Lipio
Paulo Angelo V. Mariano
Elmo C. Medina
Christine C. Mendoza
Patricio B. Mercado
Kristine Anne M. Navelgas
Melamor B. Odulio
Regienald P. Oquiza
Alfred Paul L. Paiso
Maricar P. Palban
Maria Del Carmen B. Palma
Ma. Morella R. Palmones
Alan G. Paraiso
Marianne Kriselle R. Parel
Rosalinda M. Paringit
Marife D. Paz
Rona P. Pena
Mutya V. Penaredondo
Orlando I. Peralta
Joanne A. Perez

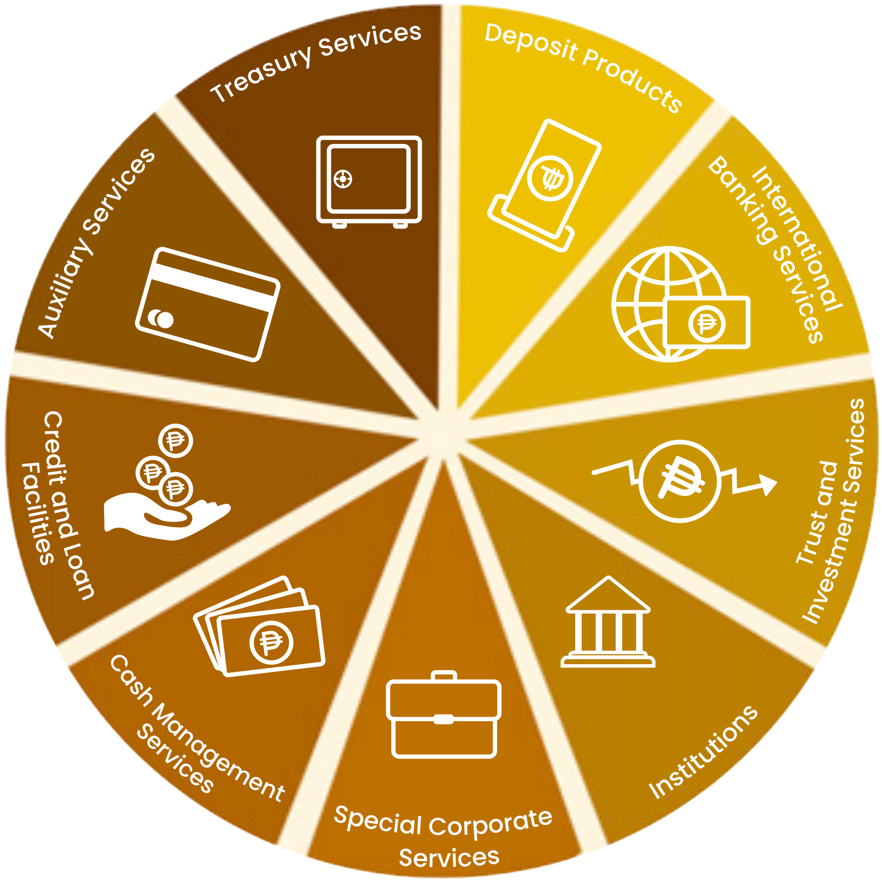
Jayson P. Pineda
Benjamin O. Pore
Rose Ann C. Ramos
Paulo C. Rivera
Jocelyn D. Rojas
Ma. Azucena P. Rubis
Maria Carmen B. Ruelos
Maria Gia S. Sabio
Maria Jolina J. Samson
Agnes M. Santos
Maricel G. Santos
Jennifer M. Santos
Enrique G. Santos
Jimmy John C. Santos
Rosalinda T. Sarreal
Rachelle M. Solis
Christine C. Soriano
Lennie M. Suarez
Imee M. Sy
Leia Vernnease O. Tan
Christine K. Tan
Bernadette T. Tiongson
Jocelyn Marie C. Uson
Cassandra Ira B. Uy
Gabriel Paulo P. Valero
Armando G. Velasquez
Cristina A. Vicente
Rosalia A. Villaflores
Alfredo S. Villanueva
Raul M. Villanueva II
Ma Patricia Rita N. Villegas
Rosette Marie M. Yambao
Sheila M. Yongque

Managers

Ma. Cynthia A. Aban
Curvy D. Abelinde
Michael Jade F. Aguilar
Tina Simcha L. Alcantara
Anna Larissa G. Andan
Donny B. Ang
Rhoderick D. Antipala
Grace C. Avila
Kristel G. Azucena
Henry Khan L. Bactol
Hazel M. Balaquiot
Maria Carmela A. Bayot
Marilene M. Bitancur
Marisol P. Bullecer
Jo Anne D. Bustos
Angelito G. Cabading
Yilin Cai
Marbee A. Cardenio
Joenell B. Carlos
Racquel C. Caro
Cristopher Greg P. Carzon
Nestor L. Castanares
Edielyn T. Catantan
Jhoanna V. Cenizal
Jan Alfred M. Chavez
Marirose V. Chavez
Digna P. Cheng
Bianca Monique T. Chua
Rhodora R. Cruz
Ricsan M. Daguio
Jennifer T. Daluz
Irene F. Dare
Fil Carlo Q. De Guzman
Rowena L. Dela Cruz
Elizabeth D. Diego
Elvie V. Dioso
Welma T. Donguines
Marie Novie P. Egipto
Annaliza O. Fajardo
Michelle Marie S. Fornesa
Jan Michael S. Gacer
Maricel T. Garcia Tan
Aubrey M. Gomera
Marvin I. Ibay
Cindy C. Iniego
Maria Celina N. Inigo
Jerome B. Israel
Aida S. Jimenez
Analyne M. Jose
Jeremy G. Joson
Lauren Cassandra U. Kho
Jinky W. Labastida
Michael M. Laurente
Mary Ann S. Lee
Richard O. Lee
Christopher U. Liao
Donna L. Lim
Claire Natividad C. Lorenzana
Ferdinand J. Magno
Maria Carla P. Manalo
Mavictoria S. Manalo
Ethel Villa B. Mangunay
Michelle R. Mendiola
Julius Caesar C. Mendiola
Ozelle T. Mendoza
Herminio S. Mercado
Cherry Fe C. Montano
Olivine O. Nastor
Marchito A. Nonato
Levi Boy D. Olamit
Russel E. Omampo
Carren Y. Palacios
Karmina Rosette C. Palmaria
Hazel D. Pantaleon
Erickson H. Perez
Lester A. Policarpio
Concepcion B. Redoble
Tropie L. Respicio
Ma. Clarissa D. Rodriguez
Anna Lissette Y. Rogato
Grace O. Royales
Jesus Chris O. Saez
Jhoanna L. Sanchez
Joie M. Santiago
Marichris G. Sing
Demi Marie C. Soriente
Ma. Aileen A. Sta. Ana
Anna Karina L. Tan
Alyana Erika M. Tan
Samuel T. Tarroquin
Geoffrey M. Tinimbang
Joan Kate B. Torres
Shiela P. Trinidad
Joselo S. Villaruz
Mariel Jances Nhayin D. Yamashita
Jayson Gerard L. Yu
Hannah Keith T. Zambrano
Abigail Sheryl T. Zamora

13

Products and Services



DEPOSIT PRODUCTS Preferred Peso Checking • Preferred Peso Savings • Preferred Savings Plus (SSA) • Preferred Time Deposit • Preferred 5 Year Time Deposit • Preferred Dollar Savings • Preferred Dollar Time Deposit • Preferred Foreign Currency Savings (CNY, EURO, YEN) • Starter Savings • Advantage Check

INTERNATIONAL BANKING SERVICES Letters of Credit/Collection of Clean and Documentary Bill • Foreign and Domestic Remittance • Purchase and Sale of Foreign Exchange

TRUST AND INVESTMENT SERVICES Employee Benefit Trust • Pension Fund • Fund Management • Individual/Corporate Portfolio Management • Unit Investment Trust Fund (AUB Peso Investment Fund, AUB Equity Investment Fund, AUB Gold Dollar Fund) • Estate Planning • Guardianship • Living Trust • AUB Gold Chest Plan • Testimonial Trust

INSTITUTIONS Housing Loan Program • Development Program • Syndicated Medium & Long-Term Loans • Documents Against Acceptance (DA) • Documents Against Payment (DP) • Open Account (TT) • AUB Credit Cards • AUB PayMate • Big Bike Loan • Forklift Loan • Truck Loan • PVAO Loan • Clinic A.I.D. Loan

SPECIAL CORPORATE SERVICES Escrow Agency • Custodian Services • Mortgage Trust Indentures

CASH MANAGEMENT SERVICES AUB BizKit Checking Account • Payroll Organizer • CheckMaker • CheckBanker • SSS Remitter • BalanceChecker • Preferred Online Banking • Manager's Check Writing Facility

CREDIT AND LOAN FACILITIES Short-Term Working Capital Loans • Trade Financing Facilities • Domestic Letters of Credit with Trust Receipt Facility • Import Letters of Credit with Trust Receipt Facility • Packing Credit or Export Loans versus LCs or POs • Domestic Bills Purchase Line • Foreign Loan/Financing Packages • Corporate Salary Loan Program • BSP US$/Peso Rediscounted Loans • Specialized Lending Facilities • Credit Program (EISCP I) • Financing Program for Tourism • Hospital Financing Program • Financing Program for Educational Institutions

AUXILIARY SERVICES Preferred ATM • AUB RediMoney • Preferred Mobile Banking • Preferred Online Banking • Safe Deposit Box • Deposit Pick-up Service • Manager's Check/Gift Checks • Fund Transfer (TT/DD) • Electronic and Clearing Conduit Solutions • HelloMoney • Hello Pag-IBIG

TREASURY SERVICES Fixed Income Trading and Distribution (Local Currency Treasury Bills/ Treasury Notes/ Bonds, Fixed/Floating Rate Corporate Notes, Short and Long-Term Commercial Papers, US$-denominated Certificates of Deposit, US$-denominated US Treasuries, US$-denominated Eurobonds/Notes)• Foreign Exchange Sale (Spot Trading, Currency Forwards)

14

List of Billers

A

Abacus Book Card Corporation*
AGVO HOAI (Antel Grand Village Homeowners Association, Inc.)**
AJ Kalinga Foundation Inc **
Alysons' Chemical Enterprises, Inc.**
Angeles City Cable Television Network, Inc. (ACCTN)**
Asia United Insurance Inc.**
Assumption Polytechnic College of Southern Mindanao**
Assumption College Davao, Inc.**
Ateneo De Zamboanga University**
AUB Credit Cards - Peso**
AUB Loans - Peso**
AUB Loans - US Dollar**

B

Balibago Waterworks System, Incorporated*
Bankard MC/VISA/JCB***
Bantay Bata***
BDO Credit Card***
Benedictine Institute of Learning, Inc.**
Bently Realty and Development***
BestLink College Of The Philippines, Inc**
Bria Homes, Inc.**
Brigada Healthline Corp.**
Bukidnon II Electric Cooperative, Inc. (BUSECO)**

C

Cable Link & Holdings Corporation**
Cagayan Electric Power and Light Company, Inc.*
Calapan Waterworks Corporation*
Cavite School of St. Mark, Inc.**
CDC Homes Development**
CEBUPAC***
Cebu CFI Community Cooperative**
Central Luzon Basic Homes, Inc.**
Central Luzon Cable Television Network, Inc.**
Chiang Kai Shek College Inc.*
Chiang Kai Shek College Inc. - Books*
Chinabank Credit Card***
Citi Financial Corporation***
Citibank Card Services***
Citibank Savings Loan***
Citibank VISA/MC***
Cignal TV., Inc.**
COL Financial**
ComClark Network & Technology Corporation**
Converge Information and Communications Technology Solutions, Inc.**
Cotabato Electric Cooperative**
Crystal Liquid Philippines, Inc.*
CTBC Bank Salary Stretch***
CTBC Bank Visa Cards***

D

DCCCO Multipurpose Cooperative**
Directories Phils. Corp.***
Divine Word College of Calapan**
DLSAU**
DMMA College of Southern Philippines**
Dragonpay Corporation**

E

Eagle Cement Corporation**
East West Card***
Eastern Securities Corporation***
Eastern Telecoms***
Easytrip***
Emilio Aguinaldo Educational Corporation**
Emilio Aguinaldo Educational Corporation (EAC-Dasmarinas)**
Equicom Savings***
Ernest Logistics Corporation**
Excellence Poultry Livestock**

F

FEBC Philippines***
Filinvest Land, Inc.**
Filipino-Chinese Bakery Association**
FTC Group of Companies Corp.**
Fundline Finance Corporation**

G

Globe Telecom***
Guiguinto Agro Industrial Development**

H

Hermano (San) Miguel Febres Cordero Med. Educ. Fdtn., Inc (DLS- HSI)**
HG-III Construction and Development Corporation**
Hiyas Water Resources**
Holy Child Catholic School Inc.**
HSBC Cards***
HSBC PL***

I

Immaculate Conception Academy, Inc. Dasmarinas, Cavite**
Immaculate Conception I-College of Arts And Technology Inc.**
Innove***
Isabela 1 Electric Cooperative**

J

Jopauen Realty Corporation - Antlers**
Jopauen Realty Corporation - Electric**
Jopauen Realty Corporation - Rent**

K

Kisan Lu Lands and Development*
Kisan Lu Lands Cagayan**
Knowledge Channel***

L

Laguna AAA Water Corporation**
Liberty Food Mart, Inc.**
Liceo De Cagayan University, Inc.**

M

Manila Memorial***
Manila Water Co., Inc.***
Masters Technological Inst.*
Maxicare Healthcare Corp.**
Maybank Credit Card***
Maynilad***
Meralco***
Metrobank/PSBank Card***
MTIM COOP (Masters Technological Institute of Mindanao Education Coop)**

N

National Book Store Inc.*
Negros Oriental II Electric Cooperative**
New Canaan Insurance Agency, Inc.**
Notre Dame of Dadiangas University**
NSO Helpline Plus***
Nu Skin Enterprises Phil., LLC**

O

O.B. Montessori Center, Inc.**
Our Lady of Eternal Peace, Inc.**
Our Lady of Fatima University**

P

Palawan Electric Cooperative, Inc.*
Paramount Life***
PhilhealthCare, Inc.**
Philippine Airlines, Inc. PHP**
Philippine Airlines, Inc. USD**
Philippine Cultural College, Inc. (PCC Annex)**
Philippine Cultural College, Inc. (PCC Main)**
Philippine Life Financial Assurance Corporation**
Philippine Pasay Chung Hua Academy Inc.**
Phoenix Petroleum Phils.**
Pioneer Life Inc.**
Piso Para sa Pasig***
Plaridel Surety and Insurance Company**
PLDT***
PNB Credit Cards***
Praxis Fides Mutual Benefit Association, Inc.**
Premier Davao Golden Orchard**
Prima Casa Land and Houses Inc.*
PSBank Loans***

Q

Quezon City Sports Club Inc**

R

Raemulan Lands, Inc.*
Resources for Blind***
Robinsons Bank Cards***
Royal Cablevision Corporation**
Rural Bank of Angeles, Inc.**

S

Saint Columban College**
San Dionisio Credit Cooperative**
San Jose City Electric Cooperative***
SBC Cash Card***
Security Bank Credit Card***
SFELAPCO, Inc.*
SFI Multimix Corporation*
Skycable/Home/ZPDEE***
Smart Communications, Inc*
South City Homes Academy**
Southlink Water Works, Inc.*
Southpoint School, Inc.**
Sprout Solutions Phils., Inc.**
Sta. Lucia Land, Inc.**
Standard Chartered EZ Loan***
Standard Chartered VISA/MC***
STI Education Services Group**
Subic Water***

T

Tagum Commercial and Realty Corporation**

U

Unioil Petroleum Philippines Inc.**
Union Bank Visa Credit Card***
University of Mindanao**
University of San Jose – Recoletos**

V

Visayan Electric Co., Inc.***

* Available only for OTC
** Available for OTC, Online Banking, Mobile Banking, and HelloMoney
*** Available only for Online Banking, Mobile Banking, and HelloMoney

15

Branch Directory

Metro Manila Branch Directory

HQ **JOY-NOSTALG CENTER**
17 ADB Ave., Ortigas Center Pasig City
635-0465 • 638-6888 • 738-3054 local 570, 571, 573

1 **168 MALL**
Units 622-623, 6/F, 168 Shopping Mall,
Soler St., Binondo, Manila
5310-1901 • 5310-1909 • 5310-1934 • 5310-1935

2 **999 MALL**
Units 3P-1 to 8, 3/F, 999 Mall, Soler St., Binondo, Manila
8243-2764 • 8243-4716 • 8708-0239

3 **6780 AYALA**
G/F, 6780 Ayala Ave. Bldg., 6780 Ayala Ave., Makati City
5310-2015 • 5310-2017 • 5310-2018

4 **ANNAPOLIS, GREENHILLS**
Unit 102, Intrawest Center, 33 Annapolis St.,
Greenhills, San Juan City
8722-9354 • 8725-3976 • 7744-3192

5 **ANTIPOLO**
Manuel L. Quezon St., Brgy. San Roque Antipolo City
661-2823 • 696-5403 • 661-2760 • 696-5402

6 **ARRANQUE**
692-694 T. Alonzo cor. Soler Sts., Sta. Cruz, Manila
5310-9353 • 8735-8013

7 **ASEANA CITY**
Macapagal Blvd., Brgy. Tambo, Parañaque City
53102550 • 53102551• 53102552

8 **AYALA**
G/F, Multinational Bancorporation Center,
6805 Ayala Ave., Makati City
8885-7030 • 8885-7039 • 5310-9538

9 **AYALA - ALABANG**
G/F, BMW Center, Commerce Ave.,
Madrigal Business Park,
Ayala-Alabang, Muntinlupa City
8809-6884 • 8809-1978

10 **BACLARAN**
Parka Mall, Park Ave. cor. Kapitan Ambo St., Pasay City
5310-5839 • 5310-5842 • 8851-0194

11 **BANAWE**
Unit 102 RBL Bldg., 549 Banawe St., Quezon City
8708-9354 • 7945-2614 • 3448-6590

12 **BANGKAL MAKATI**
1685 Evangelista St., Bangkal, Makati City
8478-7879 • 8478-7685 • 7720-5709

13 **BETTER LIVING PARAÑAQUE**
68 Doña Soledad Ave., Better Living, Parañaque City
8551-4527 • 8551-2855 • 7501-0609

14 **BF HOMES PARAÑAQUE**
G/F, M.A.Gonzy Bldg., 41 President's Ave.,
BF Homes, Parañaque City
8836-8792 • 8836-8793 • 8836-8266

15 **BGC PICADILLY**
Shop 2, G/F, Picadilly Star Bldg., 4th Ave. cor. 27th St.,
Bonifacio Global City, Taguig City
403-2562 • 8403-2560 • 8403-2558

16 **BGC PSE**
5F, PSE Bldg., 5th Ave. cor. 28th St.,
Bonifacio Global City, Taguig City
8851-5896 • 8851-5898 • 8851-5901

17 **BGC TAGUIG**
G/F, Net2 Square, 3rd Ave. cor. 28th St., Crescent Park
West, Bonifacio Global City, Taguig City
8856-0313 • 8856-0314 • 8856-4937

18 **BGC 32ND STREET**
G/F, Boni Stopover Bldg., 32nd St., 2nd Ave. cor. 31st St.,
Crescent Park West, Bonifacio Global City, Taguig City
7958-5783 • 7958-5775 • 7958-5770

19 **BGC 39TH STREET**
G/F, Inoza Tower, North Bonifacio,
39th St., Bonifacio Global City, Taguig City
8817-5893 • 8817-5892

20 **BINONDO**
564 Quintin Paredes St., Binondo, Manila
8243-9783 to 86 • 8242-2426 • 8242-2428

21 **BLUMENTRITT**
G/F, Medical Arts Bldg., 286 Blumentritt St.,
Sta. Cruz, Manila
8243-8526 • 8243-8571 • 8243-8747

22 **CAMARIN**
Residenza Homes, Camarin Road, Kaloocan City
8961-0897 • 8961-4551 • 8961-4550 • 7728-2148

23 **CHINO ROCES**
2176 Chino Roces Ave., Makati City
8845-0541 • 8823-8622

24 **CIVIC DRIVE ALABANG**
G/F, AA Corporate Plaza, Civic Drive,
Alabang, Muntinlupa City
8772-5068 to 70

25 **CONCEPCION MARIKINA**
Lot 3-P-4 and 3-S Bayanbayanan Ave.,
Concepcion I, Marikina City
T: 8948-5030 • 8948-3334 • 8948-5180

26 **CONGRESSIONAL**
177, Congressional Ave., Bahay Toro,
Diliman, Quezon City
T: 8920-4292 • 8929-7048 • 8920-9686

27 **CUBAO**
G/F, Harvester Corporate Center,
158 P. Tuazon Blvd. cor. 7th and 8th Ave.,
Cubao, Quezon City
8995-8681 to 82 • 7358-4228

28 **DALANDANAN**
G/F, Arca Bldg., 32 McArthur Highway,
Dalandanan, Valenzuela City
T: 8426-7628 • 8426-7627 • 8426-7603

29 **DEL MONTE**
269 Del Monte Ave., Brgy. Manresa, Quezon City
8365-6977 •3412-5010 • 8365-6943 • 8367-6306

30 **DIVISORIA**
567 M. De Santos St., Binondo, Manila
T: 8711-3238 • 8256-4630 • 5310-1263 • 7215-6496

31 **DON ANTONIO COMMONWEALTH**
Unit 1, Puregold Jr., Holy Spirit Ave.,
Don Antonio Heights, Brgy. Holy Spirit, Quezon City
3430-7229 • 3431-4347 •7728-5094 • 7728-5096

32 **EASTFIELD MACAPAGAL**
Units 4 &5, G/F, Eastfield Center,
Diosdado Macapagal Blvd., Pasay City
8824-6270 • 8845-4731 • 8845-4734

33 **ECHAGUE QUIAPO**
111-115 Carlos Palanca St., Brgy. 306
Echague, Quiapo, Manila
8257-0038 • 8257-0227 • 5310-2579

34 **EDSA BALINTAWAK**
Joxod Bldg., 1124 EDSA Ave. Brgy Apolonio, Samson
Balintawak, Quezon City
8928-0063 • 8423-6813 • 8426-9518

35 **EDSA - CALOOCAN**
500 E. Delos Santos Ave., Caloocan City
8367-8358 • 8367-8191 • 8367-8053

36 **ELCANO**
615-617 Elcano St., Binondo, Manila
8245-8139 • 5310-5314 • 5310-5312

37 **ERMITA**
G/F, Ermita Center, Roxas Blvd. cor.
Sta. Monica St., Ermita, Manila
8523-5138 • 5310-2989 • 8401-8176 • 8528-4393

38 **FAIRVIEW Q.C.**
31-G Lucky Fortune Bldg., Commonwealth Ave.,
Fairview, Quezon City
3430-2143 • 7239-3476

39 **G. ARANETA PALANZA**
124 G. Araneta Ave. cor Palanza St., Quezon City
3411-3938 • 3412-6272 • 3411-2188

40 **GIL PUYAT**
G/F, Morning Star Bldg., Gil Puyat Ave., Makati City
8899-3483 • 8899-4286 • 8899-4288

41 **GILMORE**
G/F, Gilmore I.T. Center Bldg., No. 8 Gilmore Ave.,
New Manila, Quezon City
8477-2198 • 8632-9591 • 8632-9586

42 **GREENFIELD**
SOHO Central Podium, Greenfield District,
Mandaluyong City
8234-0535 • 8631-1901 • 7955-6541

43 **GREENHILLS THEATER MALL**
Greenhills Theatre Mall, Greenhills Shopping Center,
Brgy. Greenhills, San Juan City
8570-9856 • 8571-1681 • 8650-3187

44 **HERRERA**
G/F, Cristina Condominium, Herrera St. cor. Sotto St.,
Legaspi Village, Makati City
8830-2059 • 8830-2061 • 5310-9539

45 **HV DELA COSTA**
G/F, M1 Tower, 141 HV dela Costa St.,
Salcedo Village, Makati City
8256-0092 • 8256-0097 • 8256-0102

46 **INTRAMUROS**
G/F, FEMII Bldg., A. Soriano Jr. Ave., Intramuros, Manila
5310-5238 • 5310-5239 • 8523-0954

47 **JOSE ABAD SANTOS**
Unit D, Dynasty Tower, J. Abad Santos Ave.
cor. Bambang, Manila
8253-8338 • 8253-8322 • 5310-4567

48 **KALAYAAN AVENUE**
G/F, Fersal Hotel, 130 Kalayaan Ave.,
Diliman, Quezon City
8930-2105 • 8930-1299

49 **KALOOKAN – 3RD AVENUE**
154-158 Rizal Ave. Ext., Grace Park, Caloocan City
8367-0530 • 8367-6070 • 8367-5520

50 **KALOOKAN – 6TH AVENUE**
G/F, Howard Towers, 6th St. cor.
Rizal Ext., Caloocan City
8359-6039 • 8359-6053 • 302-7314

51 **KALOOKAN – 7TH AVENUE**
249 YAO Bldg., Rizal Ave. Ext. cor.
7th Ave., Caloocan City
8365-2931 • 8364-2019 • 8364-2036 • 8364-2070

52 **KAMIAS ANONAS**
Units B, C & D, 135 Kamias Rd.,
Sikatuna Village, Quezon City
3435-4131 • 3435-4727 • 8288-1488

53 **LAGRO**
G/F, JB Crystal Bldg., Quirino Highway,
Lagro, Quezon City
3417-4935 • 3417-4405 • 369-3894

54 **LAS PIÑAS**
303 Real St., Pamplona 3, Alabang-Zapote Road,
Las Piñas City
8875-1265 • 8875-1269 • 8873-8171

55 **MAKATI AVENUE**
G/F & 2/F, Travellers Inn Condominium,
7880 Makati Ave., Makati City
8890-0694 • 8890-0695 • 8890-0822

56 **MALABON**
121 Governor Pascual Ave.,
Acacia, Malabon City
T: 8285-4469 • 8285-4597 • 8285-7301

57 **MALABON – GENERAL LUNA**
#5 Gen Luna St., San Agustin, Malabon City
3448-0419 • 3448-1349 • 3448-0693

58 **MALANDAY VALENZUELA**
KM 17 BREB Bldg., McArthur Highway,
Malanday, Valenzuela City
8292-5887 • 8292-5888 • 3445-0723

59 **MALINTA**
137 Paso de Blas, Valenzuela City
3444-1477 • 8292-6690 • 8292-6751

60 **MASANGKAY**
1046-50 G. Masangkay St., Binondo, Manila
8247-4841 • 8247-4479 • 8244-6837

61 **MASINAG**
Kingsville Arcade, Marcos Highway, Mayamot,
Antipolo City
646-5292 • 646-3538

62 **MAYHALIGUE**
G/F, One Miho Place Condominium,
1260 G. Masangkay St., Sta. Cruz, Manila
T: 8252-7174 • 8252-7501 • 7508-4216

63 **MAYON RETIRO**
175 Mayon St., Sta. Mesa Heights, Quezon City
8256-1269 • 8256-1268

64 **MINDANAO AVENUE**
G/F FRV Bldg., #13 Old Sauyo Road,
Mindanao Ave., Novaliches, Quezon City
8930-5073 • 8962-7005 • 8930-5074

65 **N. DOMINGO**
126 A&L Bldg., N. Domingo St.,
Brgy. Pedro Cruz, San Juan City
8727-2541 • 8726-4312

66 **NAVOTAS**
G/F Melandrea III Bldg., Virgo Drive
cor. Northbay Blvd., N.B.B.S., Navotas City
8351-7184 • 8282-7132 • 8351-7185

67 **NAVOTAS M. NAVAL**
911 M. Naval St., Almacen, Navotas City
8373-1195 • 8373-3073 • 8373-2657

68 **NEW DIVISORIA MALL**
3/F, Stall Unit #3N-25-31
New Divisoria Mall, Binondo, Manila
8230-3358 • 8242-9554 • 8242-9556

69 **NEW MANILA**
1235 G/F PGHI Bldg., E. Rodriguez Sr. Ave.,
cor. Alabama St., New Manila, Quezon City
8724-6455 • 8724-3968 • 8535-7770

70 **NOVALICHES**
847 Quirino Highway, Brgy. Gulod,
Novaliches, Quezon City
8930-9565 • 8930-9561 • 3417-4044

71 **NOVALICHES GEN LUIS**
No. 297 General Luis Bo., Kaybiga, Caloocan City
8426-3579 • 8426-2998 • 8426-4616

72 **NUVO CITY LIBIS**
G/F, Unit D Aspire Tower, 150 E. Rodriguez Jr. Ave. cor.
Calle Industria St., Bagumbayan, Quezon City
8294-6959 • 8294-2670 • 8287-5407

73 **OKADA**
E-01 & E-02 LG/F, Okada Manila, New Seaside Drive,
Entertainment City, Brgy. Tambo, Parañaque City
8478-4300 • 8478-4301

74 **ORTIGAS EMERALD**
Unit 3-A, Emerald Mansion, Emerald Ave.,
Ortigas Center, Pasig City
8636-6336 • 8636-6398 • 5310-4552

75 **ORTIGAS AVE. GREENHILLS**
BTTC Center, Unit G-01 G/F No. 288,
Ortigas Ave. cor. Roosevelt St., Greenhills,
San Juan City
8722-0667 • 8722-0192 • 7744 6027

76 **PACO**
1053 Pedro Gil St. cor. Pasaje Rosario St., Ermita, Manila
8527-5410 • 8528-1092 • 8527 -5185

77 **PADRE RADA**
586 Padre Rada St., cor. Ilaya St., Tondo, Manila
8232-1383 • 8232-1255 • 8232-1260

78 **PARC ROYALE**
G/F, Parc Royale Bldg., Doña Julia Vargas Ave.,
Ortigas Center, Pasig City
7914-5083 • 8584-3116 to 17

79 **PASAY BUENDIA**
157 Sen. Gil Puyat Ave., Pasay City
8805-1466 • 8805-1468 • 8805-1747

80 **PASAY - EDSA EXTENSION**
Double Dragon East Center, 2850
EDSA Ext. cor. Roxas Blvd., Pasay City
86386888 locals 691 and 693

81 **PASIG**
97 C. Raymundo Ave., Caniogan, Pasig City
8643-5613 • 7738-9403

82 **PASEO DE ROXAS**
G/F, 111 Paseo de Roxas Bldg.,
Paseo de Roxas St. cor. Legaspi Village, Makati City
7720-5786 • 5310-8898 • 8551-6675

83 **PASO DE BLAS**
L/G, Units 1 & 2, Paso de Blas cor. Gen. Luis St.,
Malinta Exit, Valenzuela City
8990-5669 • 8990-4292 • 3432-8062

84 **PASONG TAMO PONTE**
G/F, Lupacco Bldg., 1087 Chino Roces Ave.,
Brgy. Sta. Cruz, Makati City
8779-8598 to 99 • 8779-8601

85 PASONG TAMO EXTENSION
G/F, UPRC III Bldg., 2289
Chino Roces Ext., Makati City
8808-8050 • 8808-8107 • 7621-9242

86 PIONEER
8007 Cromagen Bldg., Pioneer St.,
Kapitolyo, Pasig City
5310-9439 • 5310-9441 • 7625-2127

87 PLAZA LORENZO RUIZ
401 Juan Luna St. cor. San Fernando St.,
Binondo, Manila
T: 8252-5538 • 8252-5539 • 8252-5540

88 PRITIL
1945-1947 Juan Luna St., Tondo, Manila
8351-7428 • 8354-6971 • 8292-7618

89 PUTATAN MUNTINLUPA
Joval 1 Bldg., 52 National Road,
Putatan, Muntinlupa City
8842-4205 • 8842-4220

90 QUEZON AVENUE
G/F SPMI Centre, 358 Quezon Ave.,
Brgy Dona Josefa, Quezon City
8708-5020 • 3411-1430

91 QUEZON AVENUE SOUTH TRIANGLE
UG/F, DN Corporate Center,
1388 Brgy. South Triangle,
Quezon Ave., Quezon City
5310-5357 • 5310-5359

92 QUIRINO AVE. - PARAÑAQUE
Anflocor Building, 411 Quirino Ave.,
cor. NAIA-Road, Tambo, Parañaque City
8810-0554 • 8810-0540 • 8810-0543

93 RAON QUIAPO
618 Sales St., Raon, Quiapo, Manila
5310-5187 • 5310-5615 • 8733-2126

94 REGALADO
31 Mova Square Bldg., Regalado Ave.,
West Fairview, Quezon City
8927-9206 • 8426-8916 • 8426-1761

95 ROOSEVELT - FRISCO
232-A G/F Ger-Con Bldg., Roosevelt Ave.,
SFDM, Quezon City
3413-5082 • 3414-7570 • 3414-0769

96 ROOSEVELT – GEN. LIM
31-35 Roosevelt Ave. cor. Gen. Lim St.,
Brgy. Sta. Cruz, Quezon City
3412-7838 • 3413-1569 • 3410-5545

97 ROXAS BOULEVARD VITO CRUZ
3001 Traders Hotel, Vito Cruz cor.
Roxas Blvd., Pasay City
5310-1908 • 8255-1505 • 8255-1504

98 RUFINO
G/F, Feliza Bldg., 108 V.A. Rufino St.,
Legaspi Village, Makati City
8840-2640 • 7752-0441

99 SALCEDO VILLAGE
G/F, Grand Soho Bldg., HV dela Costa St.,
Salcedo Village, Makati City
5310-5352 • 5310-5354 • 5310-7018

100 SAMSON ROAD
No. 149 - C, D, E Samson Road, Caloocan City
T: 5310-3142 • 8367-4966 • 8367-4940

101 SAN JUAN
450 P. Guevarra St. cor. Wilson St., San Juan City
8705-0106 • 8239-1490 • 7705-0104

102 SHAW JRU
G/F SCT Bldg. 3, 142 Shaw Blvd.,
Mandaluyong City
7239-3357 • 8656-3537 • 8656-4150

103 STA. CRUZ MANILA
369-373 Oversea Mansion I, Plaza Sta. Cruz, Manila
3488-2530 • 5310-5714 • 5310-5716

104 ST. IGNATIUS
145 Katipunan Ave., Brgy. St. Ignatius, Quezon City
8442-8204 • 8442-6916 • 3437-6154

105 SOLIS TONDO
2498 Juan Luna St., cor. Solis St.,
Gagalangin, Tondo, Manila
8230-4426 • 8230-4427 • 8254-9161

106 SOUTH SUPER HIGHWAY
G/F, Sayoc Bldg., 100 Gil Puyat Ave.,
Palanan, Makati City
8847-2521 • 8847-2532

107 SUCAT
G/F LT Bldg., 8281 Dr. A. Santos Ave.,
Sucat, Parañaque City
8478-4673 • 8478-5597 • 7621-2770

108 TEKTITE
G/F West Tower, Philippine Stock Exchange Center
Condominium, Exchange Road,
Ortigas Center, Pasig City
7949-7137 • 5310-7269 • 5310-4267

109 TIMOG AVENUE
Unit 102 Toyoma Bldg. 22 Timog Ave.,
Brgy. Laging Handa , Quezon City
7501-2094 • 8441-2087 • 8441-2077

110 TIMOG YBARDOLAZA
#77 Ushio Plaza II, Timog Ave., Quezon City
8709-4647 • 8352-2992 • 8351-8295

111 TORDESILLAS
G/F, Two Lafayette Square Condominium, 105
Tordesillas St., Salcedo Village, Makati City
T: 8823-9893 • 8824-1877

112 TUTUBAN CENTER MALL
PNR Tutuban Station, Tutuban Center Mall,
C.M. Recto, Manila
8230-4041 • 8230-4035

Provincial ATM Directory
On-Site

1 **ANGELES**
1276 Miranda St.,
Angeles City, Pampanga

2 **ANTIQUE**
RMU 2 T.A. Fornier St.,
San Jose, Antique

3 **BACOLOD BURGOS**
G/F Units 101,102 and 103 ESJ Center,
Burgos St., Brgy. Villamonte,
Bacolod City

4 **BACOLOD LACSON**
JS Bldg., Lacson St. Corner Galo St.,
Bacolod City

5 **BACOOR**
286 Rotonda Highway, Panapaan 5,
Bacoor, Cavite

6 **BAGUIO**
Governor Pack Road, Baguio City

7 **BALIBAGO**
101-102 Springfront Bldg., Mc Arthur
Highway, Balibago, Angeles City

8 **BALIUAG**
Li Bldg., #282 DRT Highway, Bagong
Nayon, Baliuag, Bulacan

9 **BATANGAS**
CHSI Building, P. Burgos St.,
Batangas City

10 **BIÑAN**
E+S Biñan Sales Center Building, Old
National Highway, Bo. San Antonio,
Binan, Laguna

11 **BOCAUE**
107 Mc Arthur Highway, Wakas,
Bocaue, Bulacan

12 **BUTUAN**
A.D. Curato cor. P. Burgos Street,
Butuan City

13 **CABANATUAN**
G/F JRS Building, Maharlika Highway,
Cabanatuan City

14 **CAGAYAN DE ORO**
Lapasan National Highway, cor Camp
Alagar Road, Cagayan de Oro City

15 **CALAMBA**
National Highway corner Jasmin St.,
Brgy. Uno, Crossing, Calamba City

16 **CALAPAN**
Luna 4 Bldg., Juan Luna corner
Sales Street, Calapang City
Oriental Mindoro

17 **CALBAYOG**
J.D. Avelino St. cor. Gomez EXT.,
Calbayog City, Samar besides Shell
Gas Station/ across Rosales bridge,
Maharlika highway

18 **CANDON**
National Highway corner Abaya St.,
Candon City, Ilocos Sur

19 **CATARMAN**
390 J. Rizal St., Brgy. Lapulapu,
Catarman, Northern Samar

20 **CATBALOGAN**
San Francisco St. corner Rizal Ave.,
Catbalogan, Samar

21 **CAUAYAN ISABELA**
Maharlika National Highway,
District 1, Cauayan City, Isabela

22 **CAVITE - PEZA**
GF Red Ribbon Bldg.,
Brgy. Bacao, Diversion Road,
General Trias, Cavite

23 **CDO CARMEN**
Unit 101, 102, 103, Max - Suniel St.,
Cagayan de Oro City

24 **CDO COGON**
Osmena St. corner Hayes St.,
Cogon, Cagayan de Oro City

25 **CDO VELEZ**
Don Apolinar Velez St.
corner General A. Luna St.,
Cagayan de Oro City

26 **CEBU A.S. FORTUNA**
853 TW & Co. Bldg., A.S. Fortuna St.,
Mandaue City

27 **CEBU AYALA (BUSINESS PARK)**
#3 Archbishop Reyes Ave.,
Kamputhaw, Lahug, Cebu City

28 **CEBU IT PARK**
GF FGU Building ,
CBD Bajada Cebu City

29 **CEBU JONES**
Units 3, 4, 5, 6 Harrison Place,
Osmena Blvd., Cor. Urgello St.,
Cebu City

30 **CEBU MANDAUE**
AWPM Realty Dev. Corp. Bldg., MC
Briones St., Nat'l Highway
Mandaue City

31 **CEBU MANGO**
Manrose Plaza, General Maxilom
Ave., Cebu City

32 **CEBU SALINAS**
MIT Building, 117 Gorordo Ave.,
Lahug, Cebu City

33 **CLARK GLOBAL**
G/F Unit 1W-102 West Aero Park
Building, Clark Global City, Clark
Freeport Zone

34 **CLARKFIELD**
Pavilion 11, Berthaphil III, Clark Freeport
Zone, Clark Field, Pampanga

35 **COTABATO**
Stall Nos. 4, 5, & 6, G/F Bldg. 4, Alnor
Commercial Complex, Sinsuat Ave.,
Cotabato City

36 **DASMARINAS CAVITE**
Congressional Road, Burol Main,
Dasmarinas, Cavite

37 **DAVAO AGDAO**
127 Lapu-lapu cor. Dacudao St,
Agdao, Davao City

38 **DAVAO BUHANGIN**
Buhangin Road, Buhangin
District, Davao City

39 **DAVAO DAMOSA**
Doors 1 and 2, Angliongto
Building, Angliongto Road,
Damosa, Lanang, Davao City

40 **DAVAO DIGOS**
Lot 3, Blk 3, Rizal Ave.,
Brgy. Poblacion, Digos City,
Davao del Sur

41 **DAVAO JP LAUREL**
Central Plaza I, J.P. Laurel Ave., Davao

42 **DAVAO MATINA**
G/F Karpentrade Bldg., Mc Arthur
Highway, Matina, Davao City

43 **DAVAO RIZAL**
G/F DGGG Building, C. Bangoy St.
corner JP Rizal St., Davao City

44 **DAVAO TORIL**
J Commercial Hotel Bldg.,
Saavedra St. corner
Guardians St., Toril, Davao City

45 **DIPOLOG**
Quezon Ave., Dipolog City

46 **DONATO PISON**
Donato Pison Ave., Brgy. San Rafael,
Mandurriao, Iloilo City

47 **DUMAGUETE**
Dr. V. Locsin St., Dumaguete City

48 **GAPAN NUEVA ECIJA**
KLB Building, General Tinio St., San
Lorenzo, Gapan City

49 **GENERAL SANTOS**
G/F Belinda Enterprises, Ireneo
Santiago Blvd., General Santos City,
South Cotabato

50 **GENSAN APARENTE AVENUE**
One Roma Square, Aparente Ave.,
Brgy. Heights, General Santos City

51 **GUIGUINTO**
La Aldea Subdivision, McArthur Highway, Brgy. Ilang-ilang, Guiguinto, Bulacan

52 **ILIGAN**
Roxas Ave. cor Zamora St., Iligan

53 **ILOILO**
Ong Bun Bldg., Ledesma St., near cor. Quezon St. Iloilo City

54 **IMUS**
Km. 21 Gen Aguinaldo Highway, Bayan Luma, Imus, Cavite

55 **KALIBO**
Casa Isidra Bldg., XIX Martyrs St., Poblacion, Kalibo, Aklan

56 **KIDAPAWAN**
JT Lim Building, Daang Maharlika, Lanao, Kidapawan City

57 **KORONADAL**
Units 1 & 2 G/F CSA Bldg., 11 Alunan Ave. corner Abad Santos, Koronadal City

58 **LA UNION**
G/F Kenny Plaza, Quezon Ave., Brgy. Catbangen, San Fernando City

59 **LAOAG**
Unit D, Ave. Square, Rizal St. Laoag City, Ilocos Norte

60 **LEGASPI**
G/F Enterprise Bldg., Circumferential Road corner Governor Imperial St., Legaspi City, Albay

61 **LEMERY BATANGAS**
G/F LEC Building, Ilustre Ave., Lemery, Batangas

62 **LINAO TALISAY**
South Pacific Coast Development, Brgy. Linao, Talisay City, Cebu

63 **LIPA**
Upper Ground Lot 757, AB Moranda Road, Lipa Ctiy

64 **LUCENA**
Magallanes cor. Enriques St., Lucena City

65 **MALAYBALAY**
Syre, National Highway, Malaybalay City

66 **MALOLOS BULACAN**
Kilometers 44/45 Mac Arthur Highway, Brgy. Longos, Malolos City, Bulacan

67 **MARASBARAS**
Marasbaras Corner PC Village, Brgy. 77, Tacloban City

113 **UN AVENUE**
G/F, The Pearl Manila Hotel, Taft Ave.
cor. UN Avenue, Ermita, Manila
8516-0613 • 8516-4442 • 5310-9998

114 **UN ALHAMBRA**
YKM Center, UN Ave. cor. Alhambra St.
Ermita, Manila
8452-4869 • 8452-4857 • 8452-4902

115 **UPS EAST SERVICE ROAD**
G/F, WOW Centre, East Service Rd. cor. Marian Rd. 2,
South Super Highway, Sucat, Parañaque City
8541-9178 • 8541-9177

116 **VALENZUELA**
209-211 MacArthur Highway,
Karuhatan, Valenzuela City
8291-3297 • 3432-5003 • 8291-3311

117 **VISAYAS AVENUE**
43 Visayas Ave., Brgy. Vasra, Quezon City
8990-4707 •3453-3061 • 3453-7712

118 **WACK WACK**
SCT Bldg. I, 584 Shaw Blvd.,
Mandaluyong City
7954-2282 • 8531-1389 • 8451-0886

119 **WEST TRIANGLE**
G/F Hexagon Corporate Center,
1471 Quezon Avenue, West Triangle,
Quezon City
8374-0192 • 8374-3077 • 8374-3074

120 **WEST AVENUE**
Unit 201 G/F, Westria Residences,
77 West Ave., Quezon City
3412-51-09 • 8332-5397 • 7738-6354

121 **XAVIER SAN JUAN**
81 Xavier Residences, #81 Xavier St.,
San Juan City, Metro Manila
8571-2201 • 8571-3007

122 **ZABARTE**
Lot 8 Block 4, Zabarte Rd.,
Brgy. Kaligayahan,
Novaliches, Quezon City
w8283-4165 to 66 • 8283-4169

Provincial Branch Directory

1 **ANGELES**
No. 351 Miranda St, Angeles City
(045) 625-9337 • (045) 887-2710 • (045) 625-9331

2 **BACOLOD**
JS Bldg., Lacson St. cor. Galo St., Bacolod City
(034) 708-9356 • (034) 433-9956 • (034) 434-7121

3 **BACOLOD - BURGOS**
ESJ Center, Burgos St., Bacolod City
(034) 431-1310 • (034) 431-1314

4 **BACOOR**
286 Rotonda Highway, Panapaan 5, Bacoor, Cavite
(046) 970-0249 • (046) 970-0254 •
(046) 417-0269 • (02) 8668-0721

5 **BAGUIO**
G/F, YMCA Bldg., Post Office Loop, Baguio City
(074) 422-6709 • (074) 422-7279 • 422-8318

6 **BALIBAGO, ANGELES**
#192 Diamond Hotel Bldg. Mc Arthur Highway,
Balibago, Angeles City
(045) 598-0341 • (045) 598-0274 • (02) 8330-2471

7 **BALIUAG**
Li Bldg., #282 DRT Highway,
Bagong Nayon, Baliuag, Bulacan
(044) 308-0057 to 58 • (044) 308-0062

8 **BATANGAS**
G/F, CHI- Caritas Health Shield Inc.,
Padre Burgos St., Batangas City
(043) 980-0027 to 28 • (043) 702-2434

9 **BIÑAN**
E-S Biñan Sales Center Bldg., Old National Highway,
Bo. San Antonio, Biñan, Laguna
(049) 511-4310 • (049) 511-8251

10 **BOCAUE BULACAN**
107 Mc Arthur Highway, Wakas, Bocaue, Bulacan
(044) 769-1093 • (044) 769-0260 • 769-1440 •
(02) 8330-4569

11 **BUSTOS BULACAN**
Gen. Alejo G. Santos Highway,
Malamig, Bustos, 3007 Bulacan
(044) 760 0306 • (044) 760 0393 • (044) 760 0564

12 **BUTUAN**
J.C. Aquino Ave. cor. DAR Subdivision,
Butuan City, Agusan del Norte 8600
(085) 815-0433 • (085) 342-8288 • (085) 815-0288

13 **CABANATUAN**
G/F, JRS Bldg., Maharlika Highway, Cabanatuan City
(044) 940-1087 • (044) 940-0698 • (044) 329-2049

14 **CAGAYAN DE ORO**
Puregold Bldg., C.M. Recto Ave.,
Lapasan, Cagayan De Oro City
(088) 856-8893 • (088) 729-678

15 **CALAMBA**
G/F, Calamba Executive Center, National Highway
cor. Jasmine St., Brgy. Uno, Calamba City, Laguna
(049) 545-0568 • (049) 545-0338

16 **CDO CARMEN**
Units 101, 102 & 103, Gaisano Bldg., Max Suniel St.,
Carmen, Cagayan de Oro City
(088) 880-2687 • (088) 880-2691

17 **CDO COGON**
G/F Trendline Bldg., Osmeña cor.
Hayes Sts., Cogon, Cagayan De Oro
(088) 323-1605 to 06

18 **CDO VELEZ**
Don Apolinar Velez St., cor. Gen A. Luna St.,
Cagayan de Oro
(088) 880-2107 • (088) 880-2106 • (088) 745-980

19 **CALAPAN MINDORO**
Luna Bldg. I, Juan Luna St., San Vicente,
Calapan City, Oriental Mindoro
(043) 288-8954 • (043) 288-1077 • 288-1970

20 **CALBAYOG**
J.D. Avelino St. cor. Gomez Ext., Calbayog City
(055) 533-8882 • (055) 209-4605 • (055) 209-4603

21 **CANDON**
G/F, BHF Pawnshop Bldg., National Highway,
San Isidro, Candon City
(077) 674-0892 • (077) 674-0895 • (077) 674-0894

22 **CATARMAN**
390 J. Rizal St.,Brgy. Lapu-Lapu,
Catarman, Northern Samar
(055) 251-8419 • (055) 251-8467 • (055) 251-8809

23 **CATBALOGAN**
San Francisco St. cor. Rizal Ave., Catbalogan, Samar
(055) 251-4003 • (055) 251-4004 • (055) 543-8253

24 **CAUAYAN ISABELA**
Maharlika Highway, Cauayan City, Isabela
(078) 652-0436 • (078) 652-0437

25 **CAVITE - PEZA**
G/F, Red Ribbon Bldg., General Trias, Cavite
(046) 437-2871 • (046) 437-0066

26 **CEBU AYALA BUSINESS PARK**
Cebu Ayala Business Park, # 3 Archbishop Reyes Ave.
cor. Tojong St., Camputhaw, Lahug, Cebu City
(032) 268-9272 • (032) 505-2172 • (032) 268-9341

27 **CEBU IT PARK**
G/F Unit 14, TGU Tower, J.M del Mar Ave.,
Cebu IT Park, Lahug, Cebu City 6000
(032) 253 2212 • (032) 253 8258 • (032) 253 0883

28 **CEBU - JONES**
Units 3,4,5,6 Harrison Place,
Osmeña Blvd. cor. Urgello St., Cebu City
(032) 239-1100 • (032) 239-1099 • (032) 412-9246

29 **CEBU - MANDAUE**
AWPM Realty Dev. Corp. Bldg., MC Briones St.,
Nat'l Highway, Mandaue City
(032) 420-5877 • (032) 344-0808 • (032) 420-6260

30 **CEBU - MANGO**
Manrose Plaza, General Maxilom Avenue, Cebu City
(032) 254-3106 • (032) 401-0501 •
(032) 255-8290 • 412-9400

31 **CEBU - SALINAS**
MIT Bldg.,117 Gorordo Ave., Lahug, Cebu City
(032) 231-5065 • (032) 231-5026 • (032) 414-7035

32 **CEBU AS FORTUNA**
TW & Co. Bldg., A.S. Fortuna St., Banilad, Mandaue City
(032) 418-1479 • (032) 505-2680 • (032) 505-4435

33 **CLARK FIELD**
Pavillion 12, Berthaphil Clark Center,
Clark Freeport Zone, Pampanga
(045) 499-4344 to 46

34 **CLARK GLOBAL CITY**
G/F 1W-102, One West Aeropark Building 1,
Clark Global City, Clark Freeport Zone,
Clarkfield, Pampanga
(045) 5998473

35 **COTABATO**
Stall Nos. 4, 5 & 6, GF Building 4, Alnor Commercial
Complex, Sinsuat Ave. Cotobato City
(064) 421-1027 • (064) 421-1036 • (064) 421-1022

36 **DAGUPAN**
G/F One Pacific Place, Arellano St., Dagupan City
(075) 522-7621 • (075) 523-6293

37 **DASMARIÑAS CAVITE**
Congressional Rd., Burol Main Dasmariñas, Cavite
(046) 416-5765 • (046) 973-1590 • (046) 416-7030

38 **DAVAO - AGDAO**
127 Lapu-Lapu St. cor. Dacudao Ave.,
Agdao District, Davao City
(082) 221-7630 • (082) 285-9765

39 **DAVAO BUHANGIN**
Buhangin Rd., Buhangin Dist., Davao City, Davao del Sur
(082) 305-7674 • (082) 285-8252 to 53 • (02) 8985-2853

40 **DAVAO DAMOSA**
Doors 1 and 2 Angliongto Bldg.,
Angliongto Rd., Damosa, Lanang, Davao City
(082) 234-7067 • (082) 234-2506 • (082) 234-6919 •
(082) 234-7269 • (082) 305-1181 • (02) 8542-5413

41 **DAVAO DIGOS**
F.S De Leon Bldg. Rizal Avenue, Digos, Davao Del Sur
(082) 272-1594 • (082) 272-0326 •
(082) 272-1375

42 **DAVAO JP LAUREL**
Central Plaza I, J.P. Laurel Ave., Davao City
(082) 221-9651 • (082) 221-9757 • (082) 300-2088

43 **DAVAO MATINA**
G/F, Karpentrade Bldg., Mc Arthur Highway,
Matina, Davao City
(082) 285-3663 • (082) 300-2755 • (082) 285-8558

44 **DAVAO - MONTEVERDE**
G/F, Lao Bldg., Suazo
cor. Monteverde St., Davao City
(082) 222-6431 • (082) 305-4007

45 **DAVAO V. MAPA**
G/F, The Coral Quays Bldg., V. Mapa St.
cor. Panganiban St., Davao City
(082) 224-0724 • (082) 224-0719

46 **DAVAO TORIL**
Saavedra St., Toril, Davao City
(082) 327-0129 • (082) 285-7128 •
(082) 285-7132

47 **DIPOLOG**
Quezon Ave., Dipolog City
(065) 212-1340 to 41 • (065) 908-0278

48 **DUMAGUETE**
Dr. V. Locsin St., Dumaguete City,
Negros Oriental
(035) 420-9086 • (035) 420-9097

49 **GAPAN NUEVA ECIJA**
G/F, KL Bldg., Gen. Tinio St.
San Vicente, Gapan City, Nueva Ecija
(044) 333-0070 • (044) 958-3492 • (044) 958-3398

50 **GENERAL SANTOS**
G/F, Belinda Enterprises,
Ireneo Santiago Blvd., General Santos City
(083) 552-8801 • (083) 552-8803

51 **GENSAN NATIONAL HIGHWAY**
AH26 Pan Philippine National Highway,
Villa Consuelo Subd., Brgy. City Heights,
General Santos City 9500
(083) 552-1363 to 65

52 **GUIGUINTO**
La Aldea Subdivision, Mc Arthur Highway,
Bgy. Ilang-Ilang, Guiguinto, Bulacan
(044) 794-9401 • (044) 794-9402

53 **ILIGAN**
Roxas Ave. cor. Zamora St., Iligan City
(063) 221-0085 • (063) 221-0118 • (063) 302-0135

54 **ILOILO**
Ong Bun Bldg., Ledesma St.
tcor. Quezon St., Iloilo City,
T: (033) 509-7008 • (033) 335-1687 to 88

55 **ILOILO – DONATO PISON**
G/F, Greenzone Bldg., Donato Pison Ave.,
San Rafael, Mandurriao, Iloilo City
(033) 331-2209 • (033) 331-2698 • (033) 331-2697

56 **IMUS**
KM. 21, Gen. Aguinaldo Highway, Bayan Luma, Imus,
Cavite
(046) 571-1576 • (046) 471-8219 • (046) 471-8250

57 **KALIBO AKLAN**
G/F, Mabasa Bldg., Archbishop Gabriel M. Reyes St.,
Kalibo, Aklan 5600
(036) 262-8842 • (036) 268-3510 • (036) 500-7334

58 **KIDAPAWAN**
JT Lim Bldg., Daang Maharlika,
Barangay Sudapin, National Highway, Kidapawan City
(064) 577-3394 to 95

59 **KORONADAL**
Agreda Bldg., Rafael Alunan Ave., Koronadal City
(083) 228-7962 • (083) 228-2002 • (083) 520-0859

60 **LAOAG**
Unit D, Ave. Square, Rizal St., Laoag City, Ilocos Norte
(077) 670-7815 • (077) 670-7571

61 **LA UNION, SAN FERNANDO**
G/F, Kenny Plaza, Quezon Avenue,
Brgy. Catbangen, City of San Fernando, La Union
(072) 205-0038 • (072) 607-1887 •
(072) 607-1913

62 **LEGAZPI**
G/F, Enterprise Bldg., Circumferential Rd.
cor. Gov. Imperial St., Legaspi City
(052) 480-2736 • (052) 480-2734

63 **LEMERY BATANGAS**
G/F,Miranda's Bldg., Illustre Ave. cor.
P. De Joya St., Lemery, Batangas
(043) 740-0587 • (043) 740-0705 •
(043) 740-0752 • (02) 8785-0962

64 **LINAO TALISAY**
Unit A101-A104, Bldg. A, South Coast,
Linao, Talisay City, Cebu
(032) 517-0802 • (032) 505-8435

65 **LIPA**
UG/F, Lot 757-A, B. Morada Rd., Lipa City, Batangas
(043) 756-1150 • (043) 702-2033 •
(043) 981-0154

66 **LUCENA**
Magallanes cor. Enriquez Sts., Lucena City
(042) 373-5781 • (042) 373-5782 •
(042) 797-1783

67 **MALAYBALAY**
Sayre (National), Malaybalay City, Bukidnon
(088) 813-5009 • (088) 813-5008 •
(02) 8871-6625

68 **MALOLOS**
Kilometers 44-45, Mac Arthur Highway,
Brgy. Longos, Malolos City
(044) 760-0069 • (044) 760-0415 • (02) 8475-7936

69 **MARASBARAS TACLOBAN**
883 Marasbaras cor. PC Village,
Brgy. 77, Tacloban City
(053) 888-2950 • (053) 888-2945

70 **MARILAO**
VAG Complex, NLEX Northbound
Service Rd., Brgy. Patubig, Marilao, Bulacan
(02) 8359-1659

71 **MEYCAUAYAN**
Ma. Fe Building, El Camino Rd., Las Villas de Sto. Nino,
Camalig, Meycauayan, Bulacan
(044) 815-1148 • (044) 815-2851 •
(044) 815-2835 • (044) 695-2199 •
(02) 8400-4009

72 **MEYCAUAYAN II**
DSG Bldg., Malhacan Rd., Barangay Malhacan,
Meycauayan, Bulacan
(044) 769-2087 • (044) 769-0168

73 **NAGA**
Nagaland Hotel Bldg., Elias Angeles St., Naga City,
(054) 473-9833 • (054) 472-0098

74 **NAGA CENTRO**
G/F Naga City People's Mall,
CBD I, General Luna St., Naga City
(054) 473-9834 • (054) 473-6884

75 **ORMOC**
HSSC Main Bldg., 379 Real St., Ormoc City
(053) 255-5539 • (053) 561-2320

76 **OZAMIS**
JP Rizal Ave. cor. Juan Luna St., Ozamis City
(088) 319-0246 • (088) 521-0816 • (088) 521-2880

77 **PAGADIAN**
Rizal Ave., Santiago District, Pagadian City
(062) 215-4676 • (062) 925-0486 • (062) 925-0510

78 **PLARIDEL**
544 Old Cagayan Valley Rd., Banga 1st, Plaridel, Bulacan
(044) 795-5768 to 69

79 **PUERTO PRINCESA**
Centro de Benito Y Aliva Complex, Rizal Ave.,
Brgy. Manginig, City of Puerto Princesa
(048) 433-0360 • (048) 433-0275 • (048) 433-0237

80 **ROXAS**
Kingdom Bldg. Lot 370-B, Brgy. IX, Roxas Ave., Roxas City
(036) 520-3122 to 23 • (036) 620-0529 • (02) 8404-8670

81 **SAN FERNANDO**
Unit 2 Lot 14 & 15 Block, Dolores,
City of San Fernando, Pampanga
(045) 963-7988 • (045) 861-4781 • (045) 963-7998

82 **SAN FRANCISCO**
Amelda Bldg., Barangay 5, Rutonda Nat'l Highway,
San Francisco, Agusan Del Sur
(085) 839-5360 • (085) 839-5297

83 **SAN JOSE ANTIQUE**
RMU 2 Bldg., T.A. Fornier St., San Jose, Antique
(036) 540-7360 to 61

84 **SAN JOSE DEL MONTE**
G/F, Giron Bldg., Quirino Highway, Tungkong Mangga,
San Jose del Monte City, Bulacan
(02) 8359-1950 • (044) 913-3839

85 **SAN JOSE NUEVA ECIJA**
Maharlika Highway, Brgy. Malasin, San Jose City, Nueva Ecija
(044) 958-3677 to 78 • (044) 958-3456

86 **SAN MIGUEL BULACAN**
Doña Amelia Bldg., National Highway,
Kamias, San Miguel, 3011 Bulacan
(044) 896-4610 • (044) 896-4611 •
(044) 896-4612• 0917-081-9190

87 **SAN PABLO**
M. Paulino St., San Pablo City, Laguna
(049) 805-1024 • (049) 805-1948

88 **SANTIAGO ISABELA**
CTC Bldg., Victory Norte,
Maharlika Highway, Santiago City
(078) 305-2655 • (078) 305-1443 • (02) 8400-3872

89 **STA. CRUZ LAGUNA**
G/F, JBR Bldg., P. Guevara St., Poblacion,
Sta. Cruz, Laguna
(049) 523-1134 • (049) 523-1123

90 **STA. MARIA**
#44 Corazon de Jesus St., Poblacion,
Sta. Maria, Bulacan
(044) 815-7767 • (044) 815-7977 •
(044) 815-4599

91 **STA. ROSA**
G03 San Jose Bldg., Santarosa Estates 2 Subd.,
Brgy. Sto. Domingo, Sta. Rosa, Laguna
(049) 544-0465 to 66

92 **SUBIC**
Rizal Highway cor. Arganaut Rd.,
Subic Gateway, Subic Bay, Freeport Zone
(047) 251-3121 • (047) 251-3115

93 **SURIGAO**
#00014 Rizal St., Zatisplace,
Washington, Surigao City
(86) 826-9432 to 33

94 **TACLOBAN**
ROQSON Bldg., Brgy. 41, Rizal Ave.
cor. P. Burgos St., Tacloban City, Leyte
(053) 321-1228 • (053) 523-0901

95 **TAGAYTAY**
Plaza San Nicolas de Tolentino,
Silang Crossing Rotonda, Tagaytay City
(046) 413-3330 to 31 • (046) 413-0787

96 **TAGBILARAN**
M.H. Del Pilar St., Tagbilaran City 6300 Bohol
(038) 411-2574 • (038) 411-0528 • (038) 411 -2471

97 **TAGUM BRIZ DISTRICT**
Gaisano Mall of Tagum Briz Dist.,
National Highway, Magugpo East, Tagum City
(084) 308-0090 • (084) 655-0157 to 58

98 **TARLAC**
U.S. Bldg., McArthur Highway, Tarlac City
(045) 491-0896 • (045) 491-0701 to 02

99 **TELEBASTAGAN**
G/F, Rojul Bldg., McArthur Highway,
Telabastagan, City of San Fernando, Pampanga
(045) 981-8747 • (045) 981-8749

100 **TRECE MARTIREZ**
M.E. Magno Arcade, 9061 RT Governor's Drive,
Brgy. San Agustin, Trece Martirez City, Cavite
(046) 419-0327 • (046) 443-9300 to 01

101 **TUGUEGARAO**
MYL Bldg., Luna St. cor. Del Rosario St.,
Tuguegarao City, Cagayan
(078) 844-0653 • (078) 844-1223 •
(078) 304-0260

102 **URDANETA**
G/F, DBO Bldg., MacArthur Highway,
Urdaneta City, Pangasinan
(075) 529-9360 • (075) 529-6409 •
(075) 529-6450

103 **VALENCIA BUKIDNON**
Sayre Highway, Poblacion Valencia, Valencia City
(088) 828-5989 • (088) 828-5974 •
(088) 315-0256

104 **VIGAN**
G/F Luisa Bldg. No. 74-78 Quezon Ave.,
Vigan, Ilocos Sur
(077) 674-0925 • (077) 674-0883 •
(077) 674-0605

105 **ZAMBOANGA JALDON**
G/F, Astoria Printing Press Bldg.,
Mayor Jaldon St., Zamboanga City
(062) 991-6934 • (062) 991-8801

106 **ZAMBOANGA VETERANS**
G/F Door 3 And 4, WLK Bldg,
Veterans Avenue, Zamboanga City
(062) 955-3741 • (062) 955-3742 •
(062) 310-0076

16

ATM Directory

Metro Manila ATM Directory

On-Site

1 **168 MALL BRANCH**
Unit #622-623, 6/F 168 Shopping Mall, Soler St., Binondo, Manila

2 **32ND BGC**
G/F Bonifacio Stopover Corporate 32nd St., Bonifacio Global City, Taguig City

3 **ALABANG**
G/F BMW Center, Commerce Ave., Madrigal Business Park, Alabang, Muntinlupa City

4 **ANTIPOLO**
M.L. Quezon Street, Antipolo City

5 **ASEANA BUSINES PARK**
AUB Aseana Business Park, Kenny Rogers Bldg., Aseana City, Macapagal, Ave., Parañaque City

6 **AYALA**
G/F Unit 1D, Multinational Bancorporation, 6805 Ayala Ave., Makati City

7 **BANGKAL MAKATI**
1685 Evangelista St., Bangkal, Makati City

8 **BF HOMES**
Gonzy Bldg., 41 President's Ave., BF Homes, Parañaque City

9 **CAMARIN**
Beside Residenza Homes, in front of Villa Magdalena, #111 Camarin Road, Caloocan City

10 **CHINO ROCES**
2176 Chino Roces Ave., Makati City

11 **CIVIC DRIVE**
AUB Civic Drive Branch, G/F AA Corporate Plaza, Civic Drive, Alabang, Muntinlupa

12 **CONCEPCION MARIKINA**
Lot 3-P and 3-S Bayanbayanan Ave., Concepcion I, Marikina City

13 **DEL MONTE**
269 Del Monte Ave., Brgy. Manresa, Quezon City

14 **DON ANTONIO PUREGOLD**
Holy Spirit Ave., Don Antonio Heights, Brgy. Holy Spirit, Quezon City

15 **EASTFIELD MACAPAGAL**
Unit 4 & 5 G/F Eastfield Center, Diosdado Macapagal Blvd. Pasay City

16 **ECHAGUE QUIAPO**
Carlos Palanca St. cor Gomez St., Quiapo, Manila

17 **EDSA BALINTAWAK**
1124 EDSA Balintawak, Quezon City

18 **EDSA CALOOCAN**
500 E Delos Santos Ave., Caloocan City

19 **ERMITA**
G/F Ermita Center, Roxas Boulevard, corner Sta. Monica St., Ermita, Manila

20 **FAIRVIEW Q.C.**
3 1-G Lucky Fortune Bldg., Fairview Ave., Quezon City

21 **G. ARANETA PALANZA**
124 G. Araneta Ave. corner Palanza Street, Q.C.

22 **GENERAL LUIS**
Gen. Luis G/F Guilmar Building, 297 Gen. Luis St., Brgy. Kaybiga, Caloocan City

23 **HERRERA**
G/F Cristina Condominium, Herrera St. corner Sotto St., Legaspi Village, Makati City

24 **HV DELA COSTA**
G/F M1 Tower - 141 H.V. Dela Costa St., Salcedo Village, Makati City

25 **INTRAMUROS**
G/F of FEMII Bldg., A. Soriano Ave., Intramuros, Manila

26 **JN TOWER ONSITE 1**
Joy-Nostalg Center #17 ADB Ave., Ortigas Center, Pasig City

27 **JN TOWER ONSITE 2**
Joy-Nostalg Center #17 ADB Ave., Ortigas Center, Pasig City

28 **JRU SHAW**
Room 101 G/F SCT Building 3, 142 Shaw Boulevard, Mandaluyong City

29 **KAMIAS - ANONAS**
Units 1B, 1C & 1D, 135 Kamias Road, Brgy. Sikatuna, Quezon City

30 **LAGRO**
G/F JB Crystal Building, Quirino Highway, Lagro, Quezon City

31 **LAS PINAS**
303 Real St., Pamplona 3, Alabang Zapote Road, Las Pinas City

32 **MALABON GENERAL LUNA**
#5 Gen. Luna St., San Agustin, Malabon City

33 **MALINTA**
177 Paso De Blas St., Valenzuela City

34 **MASINAG**
Kingville Arcade, Marcos Highway, Mayamot, Antipolo City

35 **MAYHALIGUE**
Units A, B, C G/F One Miho Place, 1260 G. Masangkay St., Sta. Cruz, Manila

36 **MAYON**
G/F 175 Mayon Street, Sta. Mesa Heights, Quezon City

37 **NAVOTAS**
911 M. Naval St., Almacen, Navotas City

38 **OKADA ONSITE 1**
Entertainment City 1701, New Seaside DR, Parañaque, Metro Manila

39 **PACO**
Pedro Gil St. corner Benitez St., Malate, Manila

40 **PADRE RADA**
Padre Rada St. corner Ylaya St., Tondo, Manila

41 **PASAY EDSA EXTENSION**
EDSA Extension corner Meridian Ave., Mall of Asia Complex, Pasay City

42 **PASEO DE ROXAS**
G/F 111 Paseo de Roxas Building, Paseo de Roxas corner Legaspi St., Makati City

43 **PASO DE BLAS**
L/G Units 1 & 2 Paso de Blas corner Gen. Luis St. Malinta Exit, Valenzuela

44 **PASO DE BLAS ONSITE 2**
L/G Units 1 & 2 Paso de Blas corner Gen. Luis St. Malinta Exit, Valenzuela

45 **PASONG TAMO - PONTE**
G/F 1087 Lupacco Bldg., Chino Roces Ave., Makati City

46 **PASONG TAMO EXTENSION**
G/F UPRC3 Bldg., 2289 Chino Roces Extension, Makati City

47 **PUTATAN, MUNTINLUPA**
G/F Joval Bldg., National Road, Putatan, Muntinlupa

48 **QUEZON AVENUE, SOUTH TRIANGLE**
Unit 6-A DN Steel Center, 1372 Quezon Ave., Brgy. South Triangle, Quezon City

49 **QUIRINO**
411 Quirino Ave. cor. NAIA Road, Parañaque City

50 **REGALADO**
Nova Square Bldg., No. 31 Regalado Ave., West Fairview, Quezon City

51 **ROOSEVELT FRISCO**
Ger-Con Bldg., Roosevelt Ave., SFDM, Quezon City

52 **ROXAS BLVD VITO CRUZ**
3001 Traders Hotel , Vito Cruz cor. Roxas Blvd., Pasay City

53 **SAN JUAN**
450 P. Guevarra St. corner Wilson St., San Juan City

54 **SOLIS TONDO**
2498 Juan Luna St., Solis St., Tondo Manila

55 **ST. IGNATIUS**
145 Katipunan Ave., Brgy. St. Ignatius, Quezon City

56 **STA. CRUZ, MANILA**
369-373 Oversea Mansion I,
Plaza Sta. Cruz, Manila

57 **SUCAT**
G/F LT Bldg. 8281 Dr. A. Santos Ave.,
Sucat, Parañaque City

58 **TAGUIG**
G/F Net2 Square Bldg., 3rd Ave.
cor. 28th St., Crescent Park West,
Bonifacio Global City, Taguig City

59 **TEKTITE**
Unit 1 & 2 of G06, G/F West Tower,
Philippine Stock Exchange Center
Condominium, Exchange Road, Ortigas
Center, Pasig City

60 **TIMOG YBARDOLAZA**
No.77 Ushio Plaza II, Timog Ave.,
Quezon City

61 **U.N. AVENUE**
G/F The Pearl Manila Hotel,
1122 Gen. Luna St., Ermita, Manila

62 **UPS EAST SERVICE ROAD**
East Service Road corner Marian Road 2,
South Superhighway, Sucat, Parañaque

63 **VALENZUELA**
209 - 211 MacArthur Highway,
Karuhatan, Valenzuela

64 **VISAYAS AVENUE**
No. 43 Visayas Ave., Brgy. Vasra,
Quezon City

65 **WEST AVENUE**
G/F Westria Residences, 77 West Ave.,
Quezon City

66 **WEST TRIANGLE (HEXAGON)**
G/F Hexagon Corporate Center,
#1471 Quezon Ave., West Triangle,
Quezon City

67 **XAVIER SAN JUAN**
81 Xavier Residences,
No.81 Xavier St.,
San Juan Metro Manila

68 **ZABARTE**
Lot 8 BLK 4 Zabarte Rd., Brgy.,
Kaligayahan., Novaliches

Off-Site

69 **999 Mall Offsite 2 - Glee Mart**
#57 P. Paterno St., Parang, Marikina City

70 **Chiang Kai Shek College**
Chiang Kai Shek College, 1274 Padre Algue St.,
Tondo Manila

71 **Chinese General Hospital 1**
Chinese General Hospital, 286 Blumentritt St.,
Sta. Cruz, Manila

72 **Club Tropicana - Las Pinas (Eiffel)**
Club Tropicana, G/F Eurotel Building, Alabang
Zapote Road, Las Pinas City

73 **Club Tropicana - Sta Mesa**
Club Tropicana, #4166 Ramon Magsaysay
Boulevard, Sta Mesa

74 **Gregorio Araneta**
Gregorio Araneta University - La Salle,
Victoria Ave., Caloocan City

75 **JN Tower Offsite**
Joy-Nostalg Center #17 ADB Ave.,
Ortigas Center, Pasig City

76 **Manila Doctors Hospital**
667 United Nations Ave., Ermita, Manila

77 **Meycauayan II Offsite - Canumay**
#6 San Diego St., Canumay,
Valenzuela City

78 **Okada 1**
Entertainment City 1701, New Seaside DR,
Parañaque, Metro Manila

79 **Okada 2**
Entertainment City 1701, New Seaside DR,
Parañaque, Metro Manila

80 **Okada 3**
Entertainment City 1701, New Seaside DR,
Parañaque, Metro Manila

81 **Okada 4**
Entertainment City 1701, New Seaside DR,
Parañaque, Metro Manila

82 **Okada 5**
Entertainment City 1701, New Seaside DR,
Parañaque, Metro Manila

83 **Pioneer**
8007 Cromagen Bldg., Pioneer St., Brgy.
Kapitolyo, Pasig City

84 **Rebisco**
Rebisco Rd., Novaliches, Quezon City

85 **Theater Mall**
Greenhills Theater Mall, G/F Greenhills
Shopping Center, Ortigas Ave.,
Greenhills San Juan

68 **MARILAO**
G/F VAG Complex, NLEX North Bound Service Road, Brgy. Patubig, Marilao, Bulacan

69 **MARILAO 2**
G/F VAG Complex, NLEX North Bound Service Road, Brgy. Patubig, Marilao, Bulacan

70 **MEYCAUAYAN**
Fe Building, El Camino Road, Las Villas de Sto. Nino, Camalig, Meycauayan City

71 **MEYCAUAYAN II**
DSG Bldg., Malhacan Road, Meycauayan, Bulacan

72 **MEYCAUAYAN ONSITE 2**
Fe Building, El Camino Road, Las Villas de Sto. Nino, Camalig, Meycauayan City

73 **NAGA**
Naga Land Hotel Bldg., Elias Angeles St., Naga City, Camarines Sur

74 **NAGA CENTRO**
G/F Naga City People's Mall CBD I, Naga City

75 **ORMOC**
HSSC Bldg., 379 Real St., Ormoc City

76 **OZAMIS**
JP Rizal Ave. cor. Juan Luna St., Ozamis City

77 **PAGADIAN**
Rizal Ave., Pagadian City

78 **PUERTO PRINCESA**
Centro de Benito Y Aliva Complex, Rizal Ave., Manginig, Puerto Princesa

79 **ROXAS**
Kingdom Bldg., Lot 370-B, Brgy. IX, Roxas Ave., Roxas City

80 **SAN FERNANDO**
Mc Arthur Highway, Dolores City, San Fernando, Pampanga

81 **SAN FRANCISCO**
Amelda Bldg., Brgy. 5, Rutonda, National Highway

82 **SAN JOSE DEL MONTE**
G/F Giron Building along Quirino Highway, Tungkong Mangga, San Jose del Monte City, Bulacan

83 **SAN JOSE NUEVA ECIJA**
Maharlika Highway, Brgy. Malasin, San Jose City

84 **SAN MIGUEL BULACAN**
G/F Dona Amelia Bldg. Salacot, San Miguel, Bulacan

85 **SAN PABLO**
M. Paulino St., San Pablo, Laguna

86 **SANTIAGO**
Victory Norte Maharlikha Highway, Santiago City

87 **STA. CRUZ LAGUNA**
Poblacion, Sta. Cruz, Laguna

88 **STA. MARIA 1**
No. 44 Corazon De Jesus St., Poblacion, Sta. Maria, Province of Bulacan

89 **STA. MARIA 2**
No. 44 Corazon De Jesus St., Poblacion, Sta. Maria, Province of Bulacan

90 **STA. ROSA**
LVC Bldg., Laguna Blvd., Brgy. Don Jose, Sta. Rosa, Laguna

91 **SUBIC**
Lot B Rizal Highway cor. Argonaut Road, Subic Gateway, Subic Bay Freeport Zone

92 **SURIGAO**
#00014 Rizal St., Zatisplace, Washington, Surigao City

93 **TACLOBAN**
Lucky Hardware Bldg., along Burgos St. near cor. Rizal Ave., Tacloban City

94 **TAGAYTAY**
Plaza San Nicolas de Tolentino Silang Crossing Rotonda, Tagaytay City

95 **TAGBILARAN**
M.H. del Pilar St., Tagbilaran City, Bohol

96 **TAGUM**
Tagum Briz District, National Highway, Magugpo East, Tagum City

97 **TARLAC**
U.S. Building, McArthur Highway, Tarlac City

98 **TELEBASTAGAN**
G/F Rojul Building, Mac Arthur Highway, Telebastagan

99 **TRECE MARTIRES**
Governor's Drive, Brgy. San Agustin, Trece Martires City

100 **TUGUEGARAO**
Gomez St., Tuguegarao City

101 **URDANETA PANGASINAN**
G/F DBO Building, McArthur Highway, Urdaneta City, Pangasinan

102 **VALENCIA BUKIDNON**
Sayre Highway, Poblacion Valencia, Valencia City, Valencia City

103 **VIGAN**
No. 74-78 Quezon Ave., Vigan, Ilocos Sur

104 **ZAMBOANGA**
AUB Bldg., Nunez ave. Extension, Camino Nuevo, Zamboanga City

Off-site

105
ANGELES OFFSITE - FONTANA 1
Fontana Resort, Clarkfield, Pampanga

106
BIÑAN OFFSITE - BIÑAN DOCTORS
Biñan Doctor's Hospital Inc., Old National Highway, Brgy. Platero, Biñan, Laguna

107
CAGAYAN DE ORO OFFSITE
Rebisco Compound, Zone 4 Batingtingan, Alae, Manolo Fortich, Bukidnon, Cagayan de Oro City

108
CDO REBISCO 2
Rebisco Compound, Zone 4 Batingtingan, Alae, Manolo Fortich, Bukidnon, Cagayan de Oro City

109
ECCO HARDWARE
ECCO Hardware Pioneer Ave., Gen. Santos City

110
FLORES MARKET
Flores Market, Panganiban St., Public Market, Santiago Isabela

111
GAISANO MALL - GENSAN
Gaisano Compound, Jose Catolico Ave., General Santos City

112
IMUS MEDICAL CENTER
Medical City Imus, Diversion Road, Palico IV, Imus, Cavite

113
LCC MALL - LEGASPI
LCC Mall Building, Penaranda St. Legaspi City

114
LEE SUPER PLAZA
Gov. M. Paredes St. cor San Jose St., Dumaguete City, Negros Oriental

115
LICEO DE CAGAYAN
Liceo de Cagayan University Rodolfo, N. Pelaez Blvd. Kauswagan, Cagayan de Oro City

116
MARRIOTT HOTEL
5400 M.A. Roxas Clarkfield, Pampanga

117
MIDORI HOTEL AND CASINO
Midori Casino, CM Recto Highway, Clarkfield, Pampanga City

118
NOTRE DAME OF DADIANGAS UNIVERSITY
Notre Dame of Dadiangas University, National Highway, General Santos City, South Cotabato

119
PEDRO CALUNGSOD
3141 C. Kalayaan Ave., Brgy. Magdalo, Kawit, Philippines

120
PHIL SOFTWOOD
PSPI - Phil Softwood Products Inc., Cuenca Ave., Brgy Marcos, Magallanes, Agusan del Norte

121
REBISCO TANZA
Cesa Road, Brgy. Sahud Ulan, Tanza, Cavite

122
SILANG SPECIALIST
Silang Medical Center, Aguinaldo Highway, Brgy. San Vicente II, Silang, Cavite

123
ST. DOMINIC HOSPITAL
St. Dominic Hospital, Talaba IV, Aguinaldo Highway, Bacoor, Cavite

124
THE MANSION
The Mansion, 101 General Luna Street, Iloilo City

125
WIDUS HOTEL 2
Bldg. 5400 MA Roxas Highway, Clark Freeport Zone, Pampanga

126
WIDUS HOTEL 3
Bldg. 5400 MA Roxas Highway, Clark Freeport Zone, Pampanga

17

Audited Financial Statements

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Asia United Bank Corporation (the Bank) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Abraham T. Co
Chairman of the Board

Manuel A. Gomez
President

Soledad O. Reyes
Chief Financial Officer

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Asia United Bank Corporation
Joy-Nostalg Center
17 ADB Avenue, Ortigas Center, Pasig City

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Asia United Bank Corporation and its subsidiaries (the Group) and the parent company financial statements of Asia United Bank Corporation (the Parent Company), which comprise the consolidated and parent company statements of condition as at December 31, 2019 and 2018, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2019 and 2018, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and parent company financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and parent company financial statements.

Applicable to the Audit of the Consolidated and Parent Company Financial Statements

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

Refer to Notes 4 and 16 of the financial statements for the disclosures on the details of the allowance for credit losses using the ECL model.

Audit response
We obtained an understanding of the board approved methodologies and models used for the Group's and the Parent Company's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments* to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

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

Further, we checked the data used in the ECL models by reconciling data from source system reports to the data warehouse and from the data warehouse to the loss allowance 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.

Recoverability of goodwill and branch licenses
Under PFRS, the Group and the Parent Company perform testing of goodwill and intangible assets with indefinite useful life (i.e. branch licenses) for impairment annually or more frequently if events or changes in circumstances indicate that the carrying values may be impaired. The Group's and the Parent Company's impairment assessment requires significant judgement and is based on management's assumptions, specifically on revenue growth rate, discount rate and long-term growth rate.

The disclosures in relation to the cash-generating units (CGUs) to which the goodwill and branch licenses are allocated, and the Group's and the Parent Company's impairment assessment are included in Notes 3, 13 and 14 to financial statements.

Audit response
We obtained an understanding of the Group's and the Parent Company's impairment assessment process. We involved our internal specialist in evaluating the methodologies and the assumptions used in calculating the value-in-use (VIU) of the CGU. We compared the key assumptions used such as revenue growth rate against the historical financial performance and the specific plans for the CGU. We compared the long-term growth rate against the industry and market outlook and other relevant external data. We also tested the parameters used in the determination of the discount rate against market data. We reviewed the required disclosures to the financial statements.

Adoption of PFRS 16, Leases
Effective January 1, 2019, the Group and the Parent Company adopted PFRS 16, *Leases*, under the modified retrospective approach which resulted in significant changes in the Group's and Parent Company's accounting policy for leases. The Group's and the Parent Company's adoption of PFRS 16 is significant to our audit because the Group and the Parent Company have high volume of lease agreements; the recorded amounts are material to the consolidated and parent company financial statements; and the adoption involves application of significant estimation in determining the incremental borrowing rate.

The disclosures related to the adoption of PFRS 16 applied by the Group and the Parent Company are included in Note 2 to the financial statements.

Audit response
We obtained an understanding of the Group's and the Parent Company's process in implementing the new standard on leases, including the determination of the population of the lease contracts covered by PFRS 16, the application of the short-term and low value assets exemption, the selection of the transition approach and any election of available practical expedients.

We tested the population of lease agreements in the lease calculation prepared by management by comparing the number of leases against lease contract database. On a test basis, we inspected lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements), identified their contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management, which covers the calculation of financial impact of PFRS 16, including the transition adjustments. We tested the parameters used in the determination of the incremental borrowing rate by reference to market data.

We test computed the lease calculation prepared by management on a sample basis, including the transition adjustments.

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

Other Information

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

Our opinion on the consolidated and parent company 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 consolidated and parent company financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and parent company financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

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

Those charged with governance are responsible for overseeing the Group's and Parent Company financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required Under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 and Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 37 and Revenue Regulations 15-2010 in Note 38 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of Asia United Bank Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Janet A. Paraiso.

SYCIP GORRES VELAYO & CO.

Janet A. Paraiso
Partner
CPA Certificate No. 92305
SEC Accreditation No. 0778-AR-3 (Group A),
June 19, 2018, valid until June 18, 2021
Tax Identification No. 193-975-241
BIR Accreditation No. 08-001998-62-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125203, January 7, 2020, Makati City

May 22, 2020

ASIA UNITED BANK CORPORATION AND SUBSIDIARIES

STATEMENTS OF CONDITION

(In Thousands)

	Consolidated		Parent	
	December 31			
	2019	2018	**2019**	2018
ASSETS				
Cash and Other Cash Items	**₱4,050,052**	₱3,764,798	**₱4,018,694**	₱3,720,202
Due from Bangko Sentral ng Pilipinas (Note 17)	**39,089,525**	29,011,848	**39,003,212**	28,949,346
Due from Other Banks	**3,662,395**	3,551,322	**3,364,310**	3,400,480
Interbank Loans Receivable and Securities Purchased Under Repurchase Agreements (Note 7)	**3,541,226**	2,808,893	**3,541,226**	2,808,893
Financial Assets at Fair Value Through Profit or Loss (Note 8)	**884,998**	878,095	**857,802**	850,923
Investment Securities at Fair Value Through Other Comprehensive Income (Note 8)	**18,163,589**	20,904,786	**18,163,589**	20,618,461
Investment Securities at Amortized Cost (Note 8)	**16,951,550**	15,117,415	**16,292,345**	15,117,415
Loans and Receivables (Notes 9 and 30)	**172,539,286**	155,701,605	**168,789,906**	152,405,479
Investments in Subsidiaries (Note 10)	**–**	–	**1,029,137**	1,208,633
Property and Equipment (Note 11)	**2,104,345**	1,077,009	**1,895,966**	851,214
Investment Properties (Note 12)	**439,573**	420,330	**278,759**	275,125
Deferred Tax Assets (Note 28)	**71,298**	14,539	**150,627**	132,642
Goodwill (Note 13)	**1,961,446**	1,961,446	**1,577,081**	1,577,081
Intangible Assets (Note 14)	**2,003,674**	1,977,677	**2,002,564**	1,976,590
Other Assets (Note 15)	**531,210**	452,820	**485,379**	268,209
	₱265,994,167	₱237,642,583	**₱261,450,597**	₱234,160,693
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 17 and 30)				
Demand	**₱96,699,883**	₱74,482,376	**₱96,691,460**	₱74,510,431
Savings	**76,201,181**	70,290,548	**75,756,695**	69,858,542
Time	**37,324,805**	47,410,944	**35,296,483**	46,080,156
Long term negotiable certificate of deposits	**–**	900,000	**–**	900,000
	210,225,869	193,083,868	**207,744,638**	191,349,129
Bills Payable and Securities Sold Under Repurchase Agreements (Note 18)	**3,207,991**	4,922,286	**2,222,080**	4,004,768
Bonds Payable (Note 19)	**6,932,424**	–	**6,932,424**	–
Subordinated Debt (Note 19)	**4,974,730**	4,971,427	**4,974,730**	4,971,427
Manager's Checks	**717,310**	319,387	**717,310**	319,387
Income Tax Payable	**21,169**	46,889	**–**	41,184
Accrued Taxes, Interest and Other Expenses (Note 20)	**1,257,955**	1,393,977	**1,169,173**	1,324,515
Other Liabilities (Note 21)	**5,497,632**	3,688,489	**4,674,968**	3,078,830
	232,835,080	208,426,323	**228,435,323**	205,089,240
EQUITY				
Equity Attributable to Equity Holders of the Parent Company				
Capital stock (Note 23)	**4,853,105**	4,853,105	**4,853,105**	4,853,105
Additional paid-in capital (Note 23)	**6,622,819**	6,622,819	**6,622,819**	6,622,819
Surplus reserves (Note 29)	**1,202,151**	1,034,312	**1,202,151**	1,034,312
Surplus (Note 23)	**20,106,705**	16,955,885	**20,106,705**	16,955,885
Fair value reserves on investment securities at fair value through other comprehensive income (Note 8)	**170,719**	(491,308)	**170,719**	(491,308)
Cumulative translation adjustment	**59,775**	96,640	**59,775**	96,640
	33,015,274	29,071,453	**33,015,274**	29,071,453
Non-controlling Interest	**143,813**	144,807	**–**	–
	33,159,087	29,216,260	**33,015,274**	29,071,453
	₱265,994,167	₱237,642,583	**₱261,450,597**	₱234,160,693

See accompanying Notes to Financial Statements.

ASIA UNITED BANK CORPORATION AND SUBSIDIARIES
STATEMENTS OF INCOME
(In Thousands, Except Earnings per Share)

	Years Ended December 31					
	Consolidated			Parent		
	2019	2018	2017	**2019**	2018	2017
INTEREST INCOME						
Loans and receivables (Notes 9 and 30)	**₱11,694,452**	₱9,177,691	₱6,791,518	**₱11,095,142**	₱8,649,713	₱6,396,355
Investment securities at fair value through other comprehensive income and at amortized cost (Note 8)	**1,624,955**	1,108,444	1,079,788	**1,604,094**	1,099,586	1,068,623
Deposit with banks and others	**269,913**	63,641	380,095	**262,731**	53,655	373,110
Interbank loans receivable and securities purchased under resale agreements (Note 7)	**132,871**	95,475	45,112	**132,871**	95,475	45,112
Financial assets at fair value through profit or loss (Note 8)	**89,904**	159,884	79,391	**89,904**	159,884	79,391
Others (Note 21)	**86,572**	78,188	70,616	**86,572**	78,188	70,616
	13,898,667	10,683,323	8,446,520	**13,271,314**	10,136,501	8,033,207
INTEREST EXPENSE						
Deposit liabilities (Notes 17 and 30)	**3,821,538**	2,477,772	1,504,957	**3,738,965**	2,434,149	1,474,560
Bills payable, subordinated debt and other borrowings (Notes 18, 19 and 24)	**660,297**	442,903	428,336	**583,465**	402,555	389,514
	4,481,835	2,920,675	1,933,293	**4,322,430**	2,836,704	1,864,074
NET INTEREST INCOME	**9,416,832**	7,762,648	6,513,227	**8,948,884**	7,299,797	6,169,133
Service charges, fees and commissions (Note 26)	**878,736**	825,514	761,770	**839,516**	806,508	708,989
Trading and securities gain - net (Note 8)	**1,161,153**	269,232	615,136	**1,161,706**	269,232	615,562
Foreign exchange gain - net	**244,677**	197,555	140,683	**236,898**	186,095	125,743
Trust income (Note 29)	**71,497**	47,051	54,784	**71,497**	47,051	54,784
Miscellaneous (Note 27)	**374,071**	464,037	349,771	**172,346**	281,187	106,468
TOTAL OPERATING INCOME	**12,146,966**	9,566,037	8,435,371	**11,430,847**	8,889,870	7,780,679
Compensation and fringe benefits (Notes 25 and 30)	**1,715,635**	1,509,685	1,347,157	**1,531,882**	1,368,297	1,238,097
Provision for credit and impairment losses (Note 16)	**1,138,565**	796,825	823,309	**703,664**	608,691	774,352
Taxes and licenses	**1,023,807**	658,042	485,055	**941,564**	607,021	450,502
Depreciation and amortization (Notes 11, 12 and 15)	**663,375**	410,149	504,609	**569,180**	322,289	365,144
Insurance	**509,251**	430,985	342,584	**484,417**	411,456	323,423
Security, messengerial and janitorial	**147,551**	136,631	122,825	**133,375**	126,578	115,116
Postage, telephone, cables and telegrams	**127,087**	105,743	87,352	**115,414**	98,094	78,595
Transportation and travel	**117,114**	112,001	115,697	**114,561**	110,560	113,764
Rent (Note 24)	**107,806**	398,259	374,225	**98,930**	380,910	358,330
Repairs and maintenance	**106,390**	91,387	80,979	**102,311**	88,504	78,428
Freight expenses	**69,360**	88,610	108,158	**67,308**	85,999	105,063
Power, light and water	**69,321**	69,780	60,795	**63,843**	65,144	56,971
Amortization of intangibles (Note 14)	**44,498**	40,541	36,946	**44,414**	39,474	36,946
Management and other professional fees	**31,033**	125,692	35,838	**26,499**	123,240	30,553
Miscellaneous (Note 27)	**870,101**	583,651	515,955	**844,412**	554,069	480,534
TOTAL OPERATING EXPENSES	**6,740,894**	5,557,981	5,041,484	**5,841,774**	4,990,326	4,605,818

(Forward)

	Years Ended December 31					
	Consolidated			Parent		
	2019	2018	2017	**2019**	2018	2017
INCOME BEFORE SHARE IN NET INCOME FROM SUBSIDIARIES	**₱5,406,072**	₱4,008,056	₱3,393,887	**₱5,589,073**	₱3,899,544	₱3,174,861
SHARE IN NET INCOME (LOSS) OF SUBSIDIARIES (Note 10)	**–**	–	–	**(174,280)**	119,215	153,294
INCOME BEFORE INCOME TAX	**5,406,072**	4,008,056	3,393,887	**5,414,793**	4,018,759	3,328,155
PROVISION FOR INCOME TAX (Note 28)	**965,252**	720,591	567,770	**968,021**	705,418	527,400
NET INCOME	**₱4,440,820**	₱3,287,465	₱2,826,117	**₱4,446,772**	₱3,313,341	₱2,800,755

Attributable to:			
Equity holders of the Parent Company	**₱4,446,772**	₱3,313,341	₱2,800,755
Non-controlling Interest	**(5,952)**	(25,876)	25,362
	₱4,440,820	₱3,287,465	₱2,826,117
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company (Note 32)	**₱9.16**	₱6.83	₱5.57

See accompanying Notes to Financial Statements.

ASIA UNITED BANK CORPORATION AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2019	2018	2017	**2019**	2018	2017
NET INCOME	**₱4,440,820**	₱3,287,465	₱2,826,117	**₱4,446,772**	₱3,313,341	₱2,800,755
OTHER COMPREHENSIVE INCOME (LOSS)						
Other comprehensive income (loss), net of income tax, to be reclassified in profit or loss in subsequent periods:						
Changes in net unrealized gain (loss) on investment in debt securities at fair value through other comprehensive income (Note 8)	**667,015**	(1,080,652)	–	**658,838**	(1,080,652)	–
Change in net unrealized gain on available-for-sale investments (Note 8)	–	–	950,551	–	–	958,728
Cumulative translation adjustment	**(36,865)**	2,407	(14,389)	**(35,615)**	(1,433)	(16,436)
Share in the change in net unrealized gain on investment on debt securities at fair value through other comprehensive income of subsidiaries (Note 10)	–	–	–	**3,189**	–	–
Share in the change in net unrealized loss on available-for-sale investments of subsidiaries (Note 10)	–	–	–	–	–	(3,189)
Share in the cumulative translation adjustment of a subsidiary (Note 10)	–	–	–	**(1,250)**	3,840	2,047
Other comprehensive income (loss), net of income tax, not to be reclassified in profit or loss in subsequent periods:						
Gain (loss) on remeasurement of retirement obligation (Note 25)	**(254,584)**	23,016	35,105	**(247,399)**	21,485	36,111
Share in the gain (loss) on remeasurement of retirement obligation of subsidiaries (Note 25)	–	–	–	**(7,155)**	1,522	(1,001)
	375,566	(1,055,229)	971,267	**370,608**	(1,055,238)	976,260
TOTAL COMPREHENSIVE INCOME	**₱4,816,386**	₱2,232,236	₱3,797,384	**₱4,817,380**	₱2,258,103	₱3,777,015

Attributable to:			
Equity holders of the Parent Company	**₱4,817,380**	₱2,258,103	₱3,777,015
Non-controlling interest	**(994)**	(25,867)	20,369
	₱4,816,386	₱2,232,236	₱3,797,384

See accompanying Notes to Financial Statements.

ASIA UNITED BANK CORPORATION AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

	Consolidated										
	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Note 22)	**Additional Paid-in Capital** (Note 28)	**Surplus Reserves** (Note 28)	**Surplus** (Notes 28)	**Fair value reserves on Financial Assets at Fair Value through Other Comprehensive Income** (Note 9)	**Fair value reserves on Available-for-Sale Financial Assets** (Note 9)	**Remeasurement of Retirement Obligation** (Note 24)	**Cumulative Translation Adjustment**	**Total**	**Non-Controlling Interest** (Note 11)	**Total Equity**
Balance at January 1, 2019	**₱4,853,105**	**₱6,622,819**	**₱1,034,312**	**₱16,955,885**	**(₱491,308)**	**₱–**	**₱–**	**₱96,640**	**₱29,071,453**	**₱144,807**	**₱29,216,260**
Net income for the year	–	–	–	**4,446,772**	–	–	–	–	**4,446,772**	**(5,952)**	**4,440,820**
Other comprehensive income (loss) for the year	–	–	–	–	**662,027**	–	**(254,554)**	**(36,865)**	**370,608**	**4,958**	**375,566**
Total comprehensive income (loss) for the year	–	–	–	**4,446,772**	**662,027**	–	**(254,554)**	**(36,865)**	**4,817,380**	**(994)**	**4,816,386**
Transfer to surplus reserves (Notes 8 and 29)	–	–	**167,839**	**(167,839)**	–	–	–	–	–	–	–
Loss on remeasurement of retirement obligation transferred to surplus	–	–	–	**(254,554)**	–	–	**254,554**	–	–	–	–
Cash dividends paid (Note 23)	–	–	–	**(873,559)**	–	–	–	–	**(873,559)**	–	**(873,559)**
Balance at December 31, 2019	**₱4,853,105**	**₱6,622,819**	**₱1,202,151**	**₱20,106,705**	**₱170,719**	**₱–**	**₱–**	**₱59,775**	**₱33,015,274**	**₱143,813**	**₱33,159,087**
Balance at January 1, 2018	₱4,853,105	₱6,622,819	₱54,321	₱15,407,164	₱–	(₱376,239)	₱–	₱94,233	₱26,655,403	₱183,773	₱26,839,176
Effect of adoption of PFRS 9	–	–	–	(31,139)	589,344	376,239	–	–	934,444	(13,099)	921,345
Balance at January 1, 2018, as restated	4,853,105	6,622,819	54,321	15,376,025	589,344	–	–	94,233	27,589,847	170,674	27,760,521
Net income for the year	–	–	–	3,313,341	–	–	–	–	3,313,341	(25,876)	3,287,465
Other comprehensive income (loss) for the year	–	–	–	–	(1,080,652)	–	23,007	2,407	(1,055,238)	9	(1,055,229)
Total comprehensive income (loss) for the year	–	–	–	3,313,341	(1,080,652)	–	23,007	2,407	2,258,103	(25,867)	2,232,236
Transfer to surplus reserves (Notes 8 and 29)	–	–	979,991	(979,991)	–	–	–	–	–	–	–
Gain on remeasurement of retirement obligation transferred to surplus	–	–	–	23,007	–	–	(23,007)	–	–	–	–
Cash dividends paid (Note 23)	–	–	–	(776,497)	–	–	–	–	(776,497)	–	(776,497)
Balance at December 31, 2018	₱4,853,105	₱6,622,819	₱1,034,312	₱16,955,885	(₱491,308)	₱–	₱–	₱96,640	₱29,071,453	₱144,807	₱29,216,260
Balances at January 1, 2017	₱4,853,105	₱6,622,819	₱52,196	₱13,301,391	₱–	(₱1,331,777)	₱–	₱108,621	₱23,606,355	₱163,404	₱23,769,759
Net income for the year	–	–	–	2,800,755	–	–	–		2,800,755	25,362	2,826,117
Other comprehensive income (loss) for the year	–	–	–		–	955,538	35,110	(14,388)	976,260	(4,993)	971,267
Total comprehensive income (loss) for the year	–	–	–	2,800,755	–	955,538	35,110	(14,388)	3,777,015	20,369	3,797,384
Transfer to surplus reserves (Note 29)	–	–	2,125	(2,125)	–	–	–	–	–	–	–
Gain on remeasurement of retirement obligation transferred to surplus	–	–	–	35,110	–	–	(35,110)	–	–	–	–
Cash dividends paid (Note 23)	–	–	–	(727,967)	–	–	–	–	(727,967)	–	(727,967)
Balance at December 31, 2017	₱4,853,105	₱6,622,819	₱54,321	₱15,407,164	₱–	(₱376,239)	₱–	₱94,233	₱26,655,403	₱183,773	₱26,839,176

See accompanying Notes to Financial Statements.

	Parent								
	Capital Stock (Note 22)	**Additional Paid-in Capital** (Note 28)	**Surplus Reserves** (Note 28)	**Surplus** (Notes 28)	**Fair value reserves on Financial Assets at Fair Value through Other Comprehensive Income** (Note 9)	**Fair value reserves on Available-for-Sale Financial Assets** (Note 9)	**Remeasurement of Retirement Obligation** (Note 24)	**Cumulative Translation Adjustment**	**Total**
Balance at January 1, 2019	**₱4,853,105**	**₱6,622,819**	**₱1,034,31**	**₱16,955,885**	**(₱491,308)**	**₱–**	**₱–**	**₱96,640**	**₱29,071,453**
Net income for the year	–	–	–	**4,446,772**	–	–	–	–	**4,446,772**
Other comprehensive income (loss) for the year	–	–	–		**662,027**	–	**(254,554)**	**(36,865)**	**370,608**
Total comprehensive income (loss) for the year	–	–	–	**4,446,772**	**662,027**	–	**(254,554)**	**(36,865)**	**4,817,380**
Transfer to surplus reserves (Notes 8 and 29)	–	–	**167,839**	**(167,839)**	–	–	–	–	–
Loss on remeasurement of retirement obligation transferred to surplus	–	–	–	**(254,554)**	–	–	**254,554**	–	–
Cash dividends paid (Note 23)	–	–	–	**(873,559)**	–	–	–	–	**(873,559)**
Balance at December 31, 2019	**₱4,853,105**	**₱6,622,819**	**₱1,202,151**	**₱20,106,705**	**₱170,719**	**₱–**	**₱–**	**₱59,775**	**₱33,015,274**
Balance at January 1, 2018	₱4,853,105	₱6,622,819	₱54,321	₱15,407,164	₱–	(₱376,239)	₱–	₱94,233	₱26,655,403
Effect of adoption of PFRS 9	–	–	–	(31,139)	589,344	376,239	–		934,444
Balance at January 1, 2018, as restated	4,853,105	6,622,819	54,321	15,376,025	589,344	–	–	94,233	27,589,847
Net income for the year	–	–	–	3,313,341	–	–	–	–	3,313,341
Other comprehensive income (loss) for the year	–	–	–		(1,080,652)	–	23,007	2,407	(1,055,238)
Total comprehensive income (loss) for the year	–	–	–	3,313,341	(1,080,652)	–	23,007	2,407	2,258,103
Transfer to surplus reserves (Notes 8 and 29)	–	–	979,991	(979,991)	–	–	–	–	–
Gain on remeasurement of retirement obligation transferred to surplus	–	–	–	23,007	–	–	(23,007)	–	–
Cash dividends paid (Note 23)	–	–	–	(776,497)	–	–	–	–	(776,497)
Balance at December 31, 2018	₱4,853,105	₱6,622,819	₱1,034,312	₱16,955,885	(₱491,308)	₱–	₱–	₱96,640	₱29,071,453
Balances at January 1, 2017	₱4,853,105	₱6,622,819	₱52,196	₱13,301,391	₱–	(₱1,331,777)	₱–	₱108,621	₱23,606,355
Net income for the year	–	–	–	2,800,755	–	–	–		2,800,755
Other comprehensive income (loss) for the year	–	–	–		–	955,538	35,110	(14,388)	976,260
Total comprehensive income (loss) for the year	–	–	–	2,800,755	–	955,538	35,110	(14,388)	3,777,015
Transfer to surplus reserves (Note 29)	–	–	2,125	(2,125)	–	–	–	–	(727,967)
Gain on remeasurement of retirement obligation transferred to surplus	–	–	–	35,110	–	–	(35,110)	–	–
Cash dividends paid (Note 23)	–	–	–	(727,967)	–	–	–	–	–
Balance at December 31, 2017	₱4,853,105	₱6,622,819	₱54,321	₱15,407,164	₱–	(₱376,239)	₱–	₱94,233	₱26,655,403

See accompanying Notes to Financial Statements.

ASIA UNITED BANK CORPORATION AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
(In Thousands)

	Consolidated			Parent Company		
	Years Ended December 31					
	2019	2018	2017	**2019**	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱5,406,072**	₱4,008,057	₱3,393,887	**₱5,414,793**	₱4,018,759	₱3,328,155
Adjustments for:						
Provision for credit and impairment losses (Note 16)	**1,138,565**	796,825	823,309	**703,664**	608,691	774,352
Gain on sale of investment securities at FVOCI (Note 8)	**(1,019,507)**	(339,523)	–	**(1,019,507)**	(339,523)	–
Depreciation and amortization (Notes 11, 12 and 15)	**663,375**	410,149	504,364	**569,180**	322,289	365,144
Interest expense on lease liabilities	**81,884**	–	–	**78,926**	–	–
Gain on foreclosure and dacion transactions (Note 12)	**(49,397)**	(7,084)	(13,948)	**(30,517)**	(7,084)	(11,489)
Gain on disposal of property and equipment (Note 11)	**(44,950)**	(9,749)	(54,082)	**(9,187)**	(9,749)	(6,098)
Amortization of intangible assets (Note 14)	**44,498**	39,494	37,191	**44,414**	39,474	36,946
Gain on sale of investment properties and chattels (Note 12)	**(42,668)**	(89,571)	(26,779)	**(16,749)**	(52,745)	(1,778)
Amortization of transaction costs of subordinated debt and bonds payable	**7,010**	3,305	3,302	**7,010**	3,305	3,302
Dividend income	**(3,242)**	(4,422)	(8,166)	**(1,622)**	(2,801)	(4,066)
Amortization of unrealized losses on AFS securities reclassified to HTM (Note 8)	**–**	–	21,181	**–**	–	21,181
Gain on sale of available-for-sale investments (Note 8)	**–**	–	(585,348)	**–**	–	(585,348)
Share in net loss (income) of subsidiaries (Note 10)	**–**	–	–	**174,280**	(119,215)	(153,294)
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Financial assets at fair value through profit or loss	**(6,904)**	7,655,153	(7,378,062)	**(6,879)**	7,655,153	(7,378,488)
Loans and receivables	**(18,031,273)**	(24,649,637)	(33,724,061)	**(17,129,443)**	(23,756,819)	(32,948,782)
Interbank loans and receivables	**750**	30,424	(2,324)	**750**	30,424	(2,324)
Other assets	**(135,883)**	(124,360)	26,383	**(262,198)**	(44,491)	(11,575)
Increase (decrease) in the amounts of:						
Deposit liabilities	**18,042,002**	33,697,883	29,681,177	**17,295,510**	33,396,882	28,906,183
Manager's checks	**397,922**	(309,840)	286,408	**397,922**	(309,840)	286,408
Accrued taxes, interest and other expenses	**(88,681)**	384,940	249,666	**(108,002)**	360,081	233,385
Other liabilities	**279,706**	595,853	371,379	**134,047**	484,668	294,760
Net cash generated from (used in) operations	**6,639,279**	22,087,897	(6,394,523)	**6,236,392**	22,277,459	(6,853,426)
Income taxes paid	**(936,689)**	(705,511)	(471,423)	**(921,162)**	(693,139)	(412,649)
Dividends received	**3,242**	4,422	8,166	**1,622**	2,801	4,066
Net cash provided by (used in) operating activities	**5,705,832**	21,386,808	(6,857,780)	**5,316,852**	21,587,121	(7,262,009)
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Investment securities at fair value through OCI	**(107,273,035)**	(17,155,172)	–	**(107,273,035)**	(17,107,404)	–
Investment securities at amortized cost	**(2,738,054)**	(15,460,882)	–	**(2,129,899)**	(15,460,882)	–
Property and equipment (Note 11)	**(348,258)**	(322,223)	(316,001)	**(282,440)**	(260,906)	(232,909)
Software costs (Note 14)	**(70,162)**	(29,881)	(49,349)	**(70,137)**	(29,660)	(49,253)
Available-for-sale investments	**–**	–	(14,806,214)	–	–	(14,451,624)
Held-to-maturity investments	**–**	–	(4,298,839)	**–**	–	(4,298,839)
Branch licenses (Note 14)	**–**	–	(200)	–	–	(200)
Proceeds from maturities/sale of						
Investment securities at fair value through OCI	**111,673,447**	4,460,938	–	**111,378,977**	4,413,908	–
Investment securities at amortized cost	**903,919**	10,059,122	–	**954,969**	10,059,122	–
Investment properties and chattels	**169,469**	230,957	179,970	**119,152**	220,527	120,482
Property and equipment	**108,264**	66,981	186,174	**13,775**	12,754	8,457
Available-for-sale investments	**–**	–	19,031,117	–	–	18,970,293
Software	**–**	296	–	–	296	–
Net cash provided by (used in) investing activities	**2,425,590**	(18,149,864)	(73,342)	**2,711,362**	(18,152,245)	66,407
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments of bills payable	**(31,503,770)**	(1,939,666)	(11,444,198)	**(25,482,997)**	(906,601)	(8,662,648)
Proceeds from bills payable	**29,702,903**	2,932,662	12,175,431	**23,613,738**	2,043,650	9,411,598
Proceeds from bonds payable issuance	**6,928,718**	–	–	**6,928,718**	–	–
Payments of LTNCD	**(900,000)**	–	–	**(900,000)**	–	–
Payments of principal portion of lease liabilities	**(241,762)**	–	–	**(229,229)**	–	–
Payments of cash dividends	**(873,559)**	(776,497)	(727,966)	**(873,559)**	(776,497)	(727,967)
Net cash provided by financing activities	**3,112,530**	216,499	3,267	**3,056,671**	360,552	20,983

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2019	2018	2017	**2019**	2018	2017
EFFECT OF FOREIGN CURRENCY DIFFERENCES	**(₱36,865)**	₱2,407	(₱9,403)	**(₱35,614)**	(₱1,433)	(₱11,450)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**11,207,087**	3,455,850	(₱6,937,258)	**₱11,049,271**	₱3,793,996	(₱7,186,069)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**3,764,798**	4,323,324	4,123,074	**3,720,202**	4,294,228	4,109,845
Due from Bangko Sentral ng Pilipinas	**29,011,848**	26,562,142	32,854,963	**28,949,346**	26,512,281	32,829,279
Due from other banks	**3,551,322**	1,290,303	1,037,497	**3,400,480**	773,174	729,135
Interbank loans receivable and securities purchased under resale agreements	**2,806,822**	3,503,171	4,600,664	**2,806,822**	3,503,171	4,600,664
	39,134,790	35,678,940	42,616,198	**₱38,876,850**	35,082,854	42,268,923
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**4,050,052**	3,764,798	4,323,324	**4,018,694**	3,720,202	4,294,228
Due from Bangko Sentral ng Pilipinas	**39,089,525**	29,011,848	26,562,142	**39,003,212**	28,949,346	26,512,281
Due from other banks	**3,662,395**	3,551,322	1,290,303	**3,364,310**	3,400,480	773,174
Interbank loans receivable and securities purchased under resale agreements	**3,539,905**	2,806,822	3,503,171	**3,539,905**	2,806,822	3,503,171
	₱50,341,877	₱39,134,790	₱35,678,940	**₱49,926,121**	₱38,876,850	₱35,082,854

OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest received	**₱14,045,478**	₱9,381,310	₱8,058,532	**₱13,721,751**	₱9,590,310	₱7,852,866
Interest paid	**4,614,915**	2,704,332	1,796,541	**4,466,346**	2,622,501	1,735,897
Dividends received	**3,242**	4,422	8,166	**1,622**	2,801	4,066

ASIA UNITED BANK CORPORATION AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

1. General Information

Asia United Bank Corporation (the Parent Company) was granted authority as a commercial bank under the Monetary Board (MB) Resolution No. 1149 dated September 3, 1997 and commenced operations on October 31, 1997.

The Parent Company is a domestic corporation registered with the Securities and Exchange Commission (SEC) on October 3, 1997. The Parent Company provides commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange and trust services. In addition, the Parent Company is licensed to enter into regular financial derivatives as a means of reducing and managing the Parent Company's and its customers' foreign exchange exposure.

On February 28, 2013, the MB approved the Parent Company's application for a universal banking license, which authorizes the Parent Company, in addition to its general powers as a commercial bank, to exercise the following:(i) the power of an investment house, including securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity securities, project finance and direct equity investment; and (ii) the power to invest in allied and non-allied enterprises, subject to regulatory caps on the amount of investment relative to the Parent Company's capital and ownership percentage.

The Parent Company's common shares were listed at the main board of the Philippine Stock Exchange (PSE) on May 17, 2013.

The Parent Company's principal place of business is located at Joy-Nostalg Center, 17 ADB Avenue, Ortigas Center, Pasig City. The Parent Company operates through its 226 and 228 domestic branches as at December 31, 2019 and 2018, respectively.

2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
The accompanying financial statements include the consolidated financial statements of the Parent Company and its subsidiaries (collectively referred to as "the Group") as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and of the Parent Company as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019.

The accompanying financial statements have been prepared on a historical cost basis except for financial instruments at fair value through profit or loss (FVTPL) and investment securities at fair value through other comprehensive income (FVOCI) that have been measured at fair value. The financial statements are presented in Philippine peso, and all values are rounded to the nearest thousand except when otherwise indicated.

The accompanying financial statements of the Parent Company reflect the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The books of accounts of the RBU are maintained in Philippine peso, the RBU's functional currency, while those of the FCDU are maintained in United States dollars (USD), the FCDU's functional currency. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the

RBU are translated into their equivalents in Philippine peso (see policy on the Foreign Currency Translation). The financial statements individually prepared for these units are combined after eliminating inter- unit accounts.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the subsidiaries is the Philippine peso except for RediMoney Express Pte. Ltd. in which the functional currency is Singapore Dollar (SGD).

Statement of Compliance
The financial statements of the Group and of the Parent Company have been prepared in compliance with Philippines Financial Reporting Standards (PFRS).

Presentation of Financial Statements
The Group and the Parent Company present their statement of condition broadly in the order of liquidity. An analysis regarding recovery or settlement within 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 22.

The Group 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 insolvency or bankruptcy of the Group and all of the counterparties. Income and expense are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group and of the Parent Company. This is not generally the case with master-netting agreements, where the related assets and liabilities are presented gross in the statement of financial position.

Basis of Consolidation
The Group's consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries:

Subsidiary	Principal Activities	Country of Incorporation	Effective Percentage of Ownership
Cavite United Rural Bank (CURB)	Rural banking	Philippines	100.00%
RediMoney Express Pte Ltd. (formerly Pinoy Express Pte Ltd.) (REPL)	Remittance services	Singapore	100.00%
Rural Bank of Angeles (RBA)	Rural banking	Philippines	99.54%
Asia United Leasing and Finance Corporation (AULFC)	Leasing and financing business	- do -	39.00%
Asia United Fleet Management Services, Inc.	Operating lease business	- do -	39.00%

The Group controls the investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements

- The Group's voting rights and potential voting rights

The financial policies and operations of AULFC is controlled by the Parent Company by virtue of the irrevocable voting trust agreement that has the effect of transferring the voting rights of the individual shareholders of the subsidiaries to the Parent Company.

The Group reassesses whether or not it has control over an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statements of condition and statements of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared on the same reporting period as the Parent Company using consistent accounting policies. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary
- derecognizes the carrying amount of any non-controlling interest
- derecognizes the cumulative translation differences recorded in equity
- recognizes the fair value of the consideration received
- recognizes the fair value of any investment retained
- recognizes any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognized in OCI to profit or loss or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Non-controlling Interests

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Parent Company.

Non-controlling interests are presented separately in the consolidated statements of income, consolidated statement of comprehensive income, and within equity in the consolidated statements of condition, separately from Parent Company's shareholders' equity. Any losses applicable to the non- controlling interests are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests that do not result in a loss of control are accounted for as equity transactions, whereby any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the Parent Company.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amended standards, which became effective beginning January 1, 2019. Unless otherwise indicated, adoption of these amended standards did not have material impact to the Group.

- *New and Amended Standards*
  - Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*
  - Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*
  - Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement*

- *Annual Improvements to PFRSs (2015-2017 Cycle)*
  - PFRS 3, *Business Combinations and PFRS 11, Joint Arrangements - Previously held interest in a joint operation*
  - PAS 12, *Income Taxes - Income tax consequence of payments on financial instruments classified as equity*
  - PAS 23, *Borrowing Costs - Borrowing costs eligible for capitalization*

Standard that has been adopted and that is deemed to have an impact on the financial statements or performance of the Group is described below:

PFRS 16, Leases

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

Lessor accounting under PFRS 16 is substantially unchanged under PAS 17. Lessors will continue to classify leases as either operating leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

The Group has lease contracts for various office spaces used as branch offices and parking lots. Prior to the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to page 30 for the accounting policy beginning January 1, 2019.

The Group adopted PFRS 16 using the modified retrospective method approach and applied certain transition reliefs with the date of initial application on January 1, 2019. The Group elected to use the practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying the old standards at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that have lease term of 12 months or less and do not contain a purchase option (‘short-term leases’), and for which the underlying assets are of low value (‘low-value assets’).

Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate (IBR) at the date of initial application. The right of use (ROU) assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized.

The Group has also applied the following practical expedients, apart from those already mentioned above, as permitted by the standard, wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded the initial direct costs from the measurement of the ROU asset at the date of initial application

As of January 1, 2019, the effect of adopting PFRS 16 is an increase (decrease) in the following accounts in the Group's and the Parent Company's statement of financial position:

	Consolidated	**Parent Company**
Assets		
Right of use asset under 'Property and equipment'	₱1,028,023	₱992,389
Prepaid rent under 'Other assets'	(14,868)	(14,868)
	₱1,013,155	₱977,521
Liabilities		
Lease liabilities	₱1,060,495	₱1,024,861
Accrued taxes, interest, and other expenses	(47,340)	(47,340)
	₱1,013,155	₱977,521

A reconciliation of the opening lease liabilities recognized at January 1, 2019 and the total operating lease commitments determined under PAS 17 as at December 31, 2018 is shown below.

	Consolidated	**Parent Company**
Operating lease commitments, December 31, 2018 (PAS 17)	₱1,497,885	₱1,445,377
Short-term and low value assets recognition exemption	(80,107)	(70,075)
Operating lease liabilities before discounting	1,417,778	1,375,302
Discount using incremental borrowing rates	(357,283)	(350,441)
Weighted average incremental borrowing rate as at January 1, 2019	7.51% to 7.74%	7.51%
Lease liabilities, January 1, 2019	₱1,060,495	₱1,024,861

The adoption of PFRS 16 did not have an impact on equity as at January 1, 2019, since the Group elected to measure the ROU assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of condition immediately before the date of initial application.

Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatment*
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether the Group considers uncertain tax treatments separately;

- the assumptions the Group makes about the examination of tax treatments by taxation authorities;
- how the Group determines taxable income (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how the Group considers changes in facts and circumstances

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

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position and applies significant judgment in identifying uncertainties over its income tax treatments. Since the Group operates in a complex and regulated environment, it assessed whether the Interpretation had an impact on its financial statements. Based on its assessment, the Group determined that it is probable that its income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

Accordingly, the Interpretation did not have an impact on the Group and Parent Company's financial statements.

Significant Accounting Policies

Foreign Currency Translation

The financial statements are presented in Philippine peso, which is the Group and Parent Company's functional currency. The books of accounts of the RBU and its subsidiaries, except REPL, are maintained in Philippine peso, while those of the FCDU and REPL are maintained in US dollar and Singapore dollar, respectively.

RBU

As at reporting date, foreign currency monetary assets and liabilities of the RBU are translated to Philippine peso based on the Banker's Association of the Philippines (BAP) closing rate (for 2019 and 2018) and the Philippine Dealing System (PDS) closing rate (for 2017) prevailing at end of the year, and foreign currency-denominated income and expenses, at the exchange rates as at the date of the transaction. Foreign exchange differences arising from translations 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 and Foreign subsidiary

As at the reporting date, the assets and liabilities of the FCDU and the foreign subsidiary are translated to the Parent Company's presentation currency (the Philippine peso) at BAP for 2019 and 2018 (PDS for 2017) closing rate prevailing at the statement of condition date, and its income and expenses are translated at BAP weighted average rate for 2019 and 2018 while in 2017, the basis was the PDS monthly weighted average rate for the year. Exchange differences arising on translation to the presentation currency are taken to the statement of comprehensive income under

'Cumulative translation adjustment.' Upon disposal of the FCDU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statements of income.

Fair Value Measurement

The Group measures financial instruments such as financial assets at FVTPL, investment securities at FVOCI and derivative financial instruments at fair value at each reporting date. Also, fair value of financial assets and liabilities carried at amortized cost and investment properties are disclosed in Note 5.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If an asset or a liability measured at fair value has a bid price and an ask price, the price within 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.

For assets and liabilities not listed in an active market, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable either directly or indirectly
- Level 3 - inputs are unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group determines the policies and procedures for both recurring fair value measurement such as financial assets and liabilities at FVTPL and for non-recurring measurement, such as investment properties.

External appraisers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

The Group recognizes financial instruments when, and only when, the Group becomes a party to the contractual terms of the financial instruments. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace, are recognized on settlement date - the date that an asset is delivered to by the Group.

Securities transactions are also recognized on settlement date basis. Deposits, amounts due to or from banks and customers and loans are recognized when cash is received by the Group or advanced to the borrowers.

'Day 1' difference

Where the transaction price is different from the fair value or 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 Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statements of income in unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statements of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Initial recognition of financial instruments

Financial instruments are initially measured at their fair value; except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described above.

Classification and subsequent measurement

Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing financial assets. The Group classifies its financial assets into financial assets into the following categories: financial assets at FVTPL, investment securities at FVOCI and at amortized cost (AC). The Group classifies and measures its derivative and trading portfolio at FVTPL. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Contractual cash flows characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

‘Principal’ for the purpose of the SPPI test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g. if there are repayments of principal or amortization of the premium or discount). In making the assessment of ‘interest’, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

Instruments with cash flows that do not represent as such are classified as at FVTPL.

Business model
The Group’s business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group’s business model does not depend on management’s intentions for an individual instrument, rather it refers to how it manages its financial assets in order to generate cash flows.

The Group’s business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include:
- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group’s key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed;
- how managers of the business are compensated; and
- the expected frequency, value and timing of sales are also important aspects of the Group’s assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case’ scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Group’s measurement categories are described below:

Investment securities at amortized cost
A debt financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the Effective Interest Rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are integral part of the EIR. The amortization is included in ‘Interest Income’ in the profit or loss and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in ‘Provision for credit and impairment losses’ in profit or loss.

The Group's financial assets at amortized costs comprised of Due from BSP, Due from other banks, IBLR, SPURA, Investment securities at amortized cost, Loans and receivables and certain financial assets under 'Other assets'.

Investment securities at fair value through other comprehensive income (FVOCI) Debt financial assets
A debt financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on the specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Impairment losses or reversals are based on ECL and recognized in 'Provision for credit and impairment losses' in profit or loss, with corresponding credit to other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss under 'Trading and securities gain – net'.

Equity instruments
The Group may also make an irrevocable election to measure at FVOCI on initial recognition with investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 9. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity upon adoption date. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:
- the Group's right to receive payment of the dividend is established
- it is probable that the economic benefits associated with the dividend will flow to the Group; and
- the amount of the dividend can be measured reliably.

Financial assets at fair value through profit or loss (FVTPL)
Financial assets are measured at FVTPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity and debt investments held for trading and debt instruments with contractual terms that do not represent SPPI.

A financial asset is considered as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or,
- it is a derivative that is not designated as a hedging instrument or financial guarantee.

Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized under 'Trading and securities gain – net' in profit or loss.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Interest earned on these investments is measured using the modified effective interest rate method, where premiums and discounts, excluding origination fees and transaction costs are considered in the effective interest rate, and is reported under 'Interest income' in profit or loss while dividend income is reported under 'Miscellaneous income' in profit or loss when the right of payment has been established.

Furthermore, the Group is a counterparty to derivative contracts, such as currency forwards and swaps and warrants. These derivatives are entered into as a service to customers and as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes. Such 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 accounting hedges) are taken directly to the statements of income and are included in 'Trading and securities gain - net' for warrants, and in 'Foreign exchange gain (loss) - net' for currency forwards and swaps. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Bank retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 13, *Business Combinations*.

Financial liabilities measured at amortized costs
Issued financial instruments or their components, which are not designated at FVTPL, are classified as liabilities under 'Deposit liabilities,' 'Bills payable', 'Subordinated debt', 'Bonds payable', or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Group 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.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest 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.

Financial guarantees, letters of credit and undrawn loan commitments
The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognized in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the statement of income and an ECL provision.

The premium received is recognized in the statement of income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer.
Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of condition.

Reclassifications of financial instruments
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated.

Policy applicable prior to January 1, 2018
Initial recognition of financial instruments
All financial instruments are initially measured at fair value. Except for financial assets and liabilities valued at FVPL, the initial measurement of financial assets and liabilities includes transaction costs. The Group categorizes its financial assets in the following categories: financial assets at FVPL, AFS investments, HTM investments and loans and receivables, while financial liabilities are classified as financial liabilities at FVPL and other financial liabilities carried at amortized cost. The classification depends on the purpose for which the financial instruments were acquired, its characteristics, and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Derivatives recorded at FVPL
The Group is a counterparty to derivative contracts, such as currency forwards and swapswarrants, and embedded call, put and equity conversion options. These derivatives are entered into as a service to customers and as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes. Such 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 accounting hedges) are taken directly to the statements of income and are included in 'Trading and securities gain - net' for embedded derivatives and warrants, and in 'Foreign exchange gain (loss) - net' for currency forwards and swaps. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group has certain derivatives that are embedded in host financial contracts which consist of call and put options and equity conversion features.

Embedded derivatives are bifurcated from their host contracts and carried at fair value, with fair value changes being reported in the statements of income, when the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets at FVPL, when their economic risks and characteristics are not closely related to those of their respective host contract and when a separate instrument with the same terms as the embedded derivatives would meet the definition of a derivative.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group determines whether a modification to the cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative and the host contract have changed, and whether the change is significant relative to the previously expected cash flows on the contract.

Financial assets held-for-trading
Financial assets held-for-trading are recorded in the statement of condition at fair value. Changes in fair value relating to the held-for-trading positions are recognized in 'Trading and securities gain - net'. Interest earned is recorded in 'Interest income', while dividend income is recorded in 'Miscellaneous income' when the right to receive payment has been established.

Included in this classification are debt securities which have been acquired principally for the purpose of selling on the near term.

Financial assets or financial liabilities designated as FVPL
Upon initial recognition, financial assets or financial liabilities may be designated by management on an instrument-by-instrument basis, when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- the assets and liabilities are part of the Group's of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Designated financial assets and financial liabilities at FVPL are recorded in the statement of condition at fair value. Changes in fair value are recorded in 'Trading and securities gain - net'. Interest earned or incurred is recorded in 'Interest income' or 'Interest expense', respectively, while dividend income is recorded in 'Miscellaneous income' according to the terms of the contract, or when the right of payment has been established.

The Group has designated the equity securities under an investment management agreement at FVPL. The financial assets are managed and their performance is being evaluated on a fair value basis, in accordance with the Group's investment strategy.

Loans and receivables, amounts due from BSP and other banks, interbank loans receivable (IBLR) and securities purchased under resale agreements (SPURA)
These are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and as such are not categorized as financial assets held for trading, designated as AFS investments or financial assets designated at FVPL. They also do not include those for which the Group may not recover substantially all its initial investments, other than because of credit deterioration.

Loans and receivables also include finance lease receivables and loans and receivables financed. Unearned lease and finance income is shown under ‘Unearned lease/finance income’ account as a deduction from ‘Loans and receivables’.

After initial measurement, Loans and receivables, Due from BSP, Due from other banks, IBLR and SPURA are subsequently carried at amortized cost using the effective interest method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in ‘Interest income’ in the statements of income. The losses arising from impairment are recognized in ‘Provision for credit and impairment losses’ in the statements of income.

Whenever there are revisions on estimates of receipts, the Group adjusts the carrying amount of the financial asset (or group of financial instruments) to reflect actual and revised estimated cash flows. The Group recalculates the carrying amount by computing the present value of estimated future cash flows using the financial instrument's original effective interest rate. The adjustment is recognized in the profit or loss and is included in ‘Interest income’.

AFS investments
AFS investments are those which are designated as such or do not qualify to be classified as designated at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. This category includes debt and equity instruments.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of translation of foreign currency-denominated AFS debt securities, is reported in the statements of income. The unrealized gains and losses, net of tax, arising from the fair valuation of AFS investments are excluded from reported earnings and are reported as ‘Net unrealized gain (loss) on AFS investments’ in other comprehensive income (‘OCI’).

When the AFS investment is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized as ‘Trading and securities gain - net’ in the statements of income. Interest earned on holding AFS debt investments is reported as ‘Interest income’ using the effective interest method. Dividends earned on holding AFS equity investments are recognized in the statements of income as ‘Miscellaneous income’ when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as ‘Provision for credit and impairment losses’ in the statements of income.

HTM investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group’s management has the positive intention and ability to hold to maturity. After initial measurement, these investments are subsequently carried 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 the statements of income when the HTM investments are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statements of income under ‘Provision for credit and impairment losses’. The effects of translation of foreign currency-denominated HTM investments are recognized in the statements of income.

Reclassification of financial assets
A financial asset is reclassified out of the FVPL category only when the following conditions are met:
- the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and
- there is a rare circumstance.

A financial asset that is reclassified out of the FVPL category is measured at its fair value on the date of reclassification. Any gain or loss already recognized in the consolidated statements of income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

For a financial asset reclassified out of the AFS category to loans and receivables or HTM investments, any previous gain or loss on that asset that has been recognized in OCI is amortized to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in OCI is realized to the statements of income.

If the Group sells other than an insignificant amount of HTM investments (other than in specific circumstances), the entire category would be tainted and reclassified as AFS investments. Further, the Group would be prohibited to classify any financial assets as HTM investments during the year current year and two succeeding years thereafter unless for sales or reclassifications that:
- are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or
- are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

Upon reclassification from HTM investment to AFS category, the financial asset should be remeasured to fair value and any associated gain or loss is recognized in other comprehensive income.

Reclassification is at the election of management, and is determined on an instrument by instrument basis.

<u>Impairment of Financial Assets</u>

<u>Policies applicable beginning January 1, 2018</u>
PFRS 9 requires the Group 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. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL. 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 and are computed for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition and for those financial assets which have indications of objective evidence of impairment.

Assessment of Significant Increase in Credit Risk/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 Group recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Group 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. These include those classified as non-performing loans and restructured accounts. The ECL model requires that lifetime ECL be recognized for these impaired financial assets.

Definition of "default"
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes over 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate objective evidence of impairment, which include but not limited to, financial difficulty of the borrowers and significant problems in the operations of the counterparties. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e., to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record, i.e. consistent no missed payments for a consecutive period of six (6) months for non-restructured accounts and twelve (12) month for restructured accounts.

Credit risk at initial recognition
The Group uses internal borrower rating assessment and approvals at various levels to determine the credit risk of exposures at initial recognition.

Significant increase in credit risk
The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PD, and qualitative factors, including downgrade in risk ratings and a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's risk rating process, the borrowers' risk rating deteriorated by certain notches or the PD increased relatively by certain percentage as of the reporting date. For exposures without internal credit risk rating, the credit risk is deemed to have increased significantly, if based on aging information, the borrower becomes past due on the contractual payments for over a certain number of days. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.

Restructuring
In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and

amount of periodic payments and accrual of interest and charges. Restructured impaired accounts are purchased or originated credit impaired accounts where lifetime ECL is provided.

ECL calculation
ECL is a function of the PD, LGD and EAD, with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD represents the likelihood that a credit exposure will be in default either in the next 12 months for Stage 1 or during its lifetime for Stage 2. The PD for each individual financial asset is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its credit exposures based on homogenous risk characteristics (i.e. loan product basis) and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

EAD is modelled on historic data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts, EAD includes an estimate of any further amounts 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.

The Group incorporates overlays in its measurement of ECL. These overlays are based on broad range of macro-economic variables, which based on management's expert credit judgment and available and supportable information, reflect the reasonable expectation of future credit losses.

Collateral valuation
To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, real estates, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's statement of condition.

Write-offs
Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to 'Provision for credit and impairment loss' in the profit or loss.

<u>Policy Applicable Prior to January 1, 2018</u>
The Group assesses at each statement of condition date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Investment securities carried at amortized cost

For investment securities at amortized cost which includes due from BSP, due from banks, IBLR, SPURA HTM investments and loans and receivables, the Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows are discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as to total resources, industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in payment status, or other factors that are indicative of incurred losses and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in the statements of income. Interest income continues to be recognized based on the original EIR of the asset. Financial assets together with the associated allowance accounts are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is credited to 'Provision for credit and impairment losses' in the statements of income and the allowance account is reduced. If a written-off account is later recovered, the recovery is recognized as 'Miscellaneous income' in the statements of income.

Restructured loans
Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. These loans continue to be subjected to individual or collective impairment assessment, calculated using the loan's original EIR.

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

In the case of debt instruments categorized as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statements of income. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purposes of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the statements of income.

If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to the actual improvement in the credit quality of the instrument and to an event occurring after the impairment loss was recognized in the statements of income, the impairment loss is reversed through the statements of income. If there is no improvement in the credit quality of the instrument, the Group recognizes the increase in fair value in other comprehensive income.

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 derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group 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; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

Where the Group 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 transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. 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 Group could be required to pay.

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

Repurchase and Reverse repurchase agreements
Securities sold under repurchase agreements (SSURA) at a specified future date ('repos') are not derecognized from the statement of condition as the Group retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognized in the statement of condition as an asset with a corresponding obligation to return it, including accrued interest as a liability, reflecting the transaction's economic substance as a loan to the Group.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of condition. The corresponding cash paid, including accrued interest, is recognized in the statement 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 method.

Offsetting of financial instruments
Financial assets and liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statements of condition when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks, and IBLR and SPURA with maturities of three months or less from original dates of placements and that are subject to insignificant risk of changes in value.

Revenue Recognition
Prior to January 1, 2018, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Beginning January 1, 2018, revenue from contracts with customers (scoped in under PFRS 15) is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The following specific recognition criteria must also be met before revenue is recognized:

Revenues within the scope of PFRS 9
Interest income on investment securities at amortized cost and FVOCI
For all investment securities measured at amortized cost and FVOCI, interest income is based on EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR used to discount future cash flows. Beginning January 1, 2018, interest income on Stage 1 and 2 accounts are recognized based on their gross carrying amounts while interest income on Stage 3 accounts are recognized on their net carrying amounts.

Interest income on financial assets at FVTPL
Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognized using the modified EIR method which considers amortization of premium and discount and is included under "Interest income on financial assets at FVTPL".

Trading and securities gain - net
This results from trading activities including all gains and losses from changes in fair value of financial assets and financial liabilities at FVTPL and gains and losses from the disposal of financial assets at fair value through other comprehensive income. Cost of investment securities sold is determined using the specific identification method.

Gain or loss from disposals of investment securities at amortized costs are presented separately in the profit or loss.

Fees and commissions
Loan commitment fees for loans that are likely to be drawn are deferred (together with any incremental costs) and recognized as an adjustment to EIR on the loan.

Dividend income
Dividend income is recognized when the Group's right to receive the payment is established.

Penalty income
Penalty income on past due accounts are recognized only upon collection or accrued when there is reasonable certainty as to its collectibility. Penalty income is presented under "Miscellaneous income".

Recoveries from charged-off loan accounts
Recoveries are recognized upon collection of previously written-off accounts. Recoveries are presented under "Miscellaneous income".

Revenues within the scope of PFRS 15
The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Fees and commissions
The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services. Fee income can be divided into the following two categories:

a. *Fee income earned from services that are provided over a certain period of time*
   Fees earned for the provision of services over a period of time are accrued over that period. Loan commitment fees in which it is unlikely that the borrower will draw down the loan, are recognized as earned on a time proportionate basis over the commitment period where there is a reasonable degree of certainty as to their collectibility. Loan commitment fees for loans that are likely to be drawn are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan.

b. *Fee income from providing transaction services*
   Fees arising from negotiating or participating in the negotiation of a transaction for a third party such as fees for the arrangement of the loans are recognized on completion of the underlying transaction. Loan syndication fees are recognized in the statements of income when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same EIR as for the other participants.

Service charges, fees and commissions
Service charges, fees and commissions charged on loans- and deposits-related transactions are generally recognized when the services are rendered.

Income from sale of properties
Income from sale of properties (i.e. property and equipment, investment properties and chattels) is recognized upon transfer of control of the non-financial assets to the customers and the collectability of the sales price is reasonably assured.

Income from trust operations
Trust fees related to investment funds are recognized in reference to the net asset value of the funds. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over a period of time.

Revenues outside the scope of PFRSs 9 and 15
Leasing income

a. Finance lease
   The excess of aggregate lease rentals plus the estimated residual value (gross finance lease receivables) over the cost of the leased asset (present value of the lease receivables) constitutes the unearned lease income. The unearned lease income is amortized over the term of the lease, commencing on the month the lease is executed, using the effective interest rate method. Leasing income on finance lease receivables is included in 'Interest income'.

b. Operating lease
   Rent income under operating lease is recognized on a straight-line basis over the lease terms on ongoing leases. These are recorded in statements of income under 'Miscellaneous income'.

<u>Expense Recognition</u>
Expenses are recognized when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Operating expenses arises in the normal business operations. These expenses are recognized when incurred.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization, and any accumulated impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance are normally charged to operations 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 an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the assets. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any accumulated impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against statements of income.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives (EUL) of the respective assets. EUL of property and equipment are as follows:

Building	20 years
Furniture, fixtures and equipment	3 and 5 years
Transportation equipment	5 years
Leasehold improvements	5 years or the terms of the related leases, whichever is shorter
Equipment for lease	5 years

The EUL and the depreciation and amortization method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Effective January 1, 2019, it is the Group's policy to classify right-of-use assets as part of property and equipment. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the statement of financial position. Refer to accounting policy for Leases below.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.

Investment Properties
Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at 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 asset given up. Foreclosed properties are classified under investment properties from foreclosure date.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gain or loss on derecognition of an investment property is recognized in the statements of income in the year of derecognition.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged against income in the year in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties. Buildings are depreciated over maximum useful life of ten (10) years.

Transfers are made to investment properties when, and only when, there is a change in use as 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 as evidenced by commencement of owner occupation or commencement of development with a view to sale.

Other Assets - Chattels

Other assets – chattel acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such asset cannot be determined, in which case, it is measured at the carrying amount of the asset given up.

Subsequent to initial recognition, repossessed chattels are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the chattels. The useful lives of repossessed chattels are estimated to be ranging from 3 to 25 years.

Investments in Subsidiaries

Investments in subsidiaries in the Parent Company's separate financial statements are accounted for under the equity method.

Under the equity method, an investment in subsidiary is carried in the statement of financial position at cost plus post-acquisition changes in the Parent Company's share of the net assets of the subsidiary. Post-acquisition changes in the share of net assets of the subsidiaries include the share in the: (a) income or losses; and (b) other comprehensive income (i.e. net unrealized gains/losses in AFS investments, cumulative translation adjustments and remeasurement gains/losses on retirement obligations). Dividends received are treated as a reduction in the carrying amount of the investments. The statement of income reflects the share of the results of operations of the subsidiary. Where there has been a change recognized directly in the equity of the subsidiary, the Parent Company recognizes its share of any changes and thus, when applicable, discloses in the statement of changes in equity. If the Parent Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Parent Company discontinues recognizing its share in further losses.

Goodwill

Goodwill is initially measured at cost being the excess of the acquisition cost over the net fair value of the acquired identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment testing is done by comparing the recoverable amount of each CGU (i.e., the higher between the fair value less costs to sell and value in use) with its carrying amount. For the purpose of impairment testing, goodwill acquired is allocated to each of the cash generating units 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.

Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit (or group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit (or group of cash generating units) is less than the carrying amount of the cash generating unit (or group of cash generating units) 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.

Where goodwill forms part of a cash generating unit 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 cash generating unit retained.

<u>Intangibles</u>
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.

The useful lives of intangible assets are assessed as 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 asset 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 are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statements of income.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or more frequently, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from 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.

Software cost
Software costs are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These are being amortized using straight line basis over three and five years. Costs associated with maintaining the computer software programs are recognized as expense when incurred.

Branch licenses
Branch licenses are recognized based on the cost incurred to acquire and bring to use in operation. Branch licenses acquired through business combination, including the branch licenses granted by the BSP, are recognized at fair value at the date of acquisition. Branch licenses are determined to have

indefinite useful lives. These are tested for impairment annually either individually or at the cash-generating unit level.

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through statements of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in statements of income or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of fair value of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the statements of income as gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment of Nonfinancial Assets

Property and equipment, investment properties, investments in subsidiaries, software costs and right-of-use assets

The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less cost of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the financial statements.

Goodwill and branch licenses
Goodwill and branch licenses (arising from business combination) with no indefinite useful life are 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 cash generating unit (CGU) (or group of CGUs) to which the goodwill and branch licenses relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill and branch licenses have been allocated, an impairment loss is recognized immediately in the statement of income. The Group uses the higher of fair value less cost to sell and VIU using cash flow projections from financial budgets approved by senior management in determining the recoverable amount.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessor
Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating leases is recognized as rental income under 'Miscellaneous income' on a straight-line basis over the lease term.

Group as a lessee
Policy applicable beginning January 1, 2019
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

i. Right-of-use assets
The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The Group presents the right-of-use assets in 'Property and equipment' and subjects it to impairment in line with the Group's policy on impairment of nonfinancial assets.

ii. Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease

payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest recognized under 'Interest expense of bills payable, bonds payable, subordinated debt and other borrowings' and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii. Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases for some branches and the related parking spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATM offsite locations that are considered of low value (i.e. ₱250,000 and below). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term as is recognized as part of 'Rent' in the statements of income.

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

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

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

Group as lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statements of income on a straight-line basis over the lease term.

Group as lessor
Finance leases, where the Group transfers substantially all the risk and benefits incidental to ownership of the leased item to the lessee, are included in the statement of condition under 'Loans and receivables' account. A lease receivable is recognized at an amount equivalent to the net investment in the lease. All income resulting from the receivable is included in 'Interest income' in the statements of income.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized on a straight-line basis over the term of the lease. Contingent rents are recognized as revenue in the year in which they are earned.

Residual Value of Leased Assets and Deposits on Finance Leases
The residual value of leased equipment, included in 'Finance lease receivables', is the estimated proceeds from the disposal of the leased asset at the end of the lease term which approximates the amount of guaranty deposit paid by the lessee, at the inception of the lease. At the end of the lease term, the residual value is generally applied against the guaranty deposit of the lessee

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 end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. 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 plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- 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 single discount rate based on 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 other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Remeasurements are closed to Surplus at the end of every reporting period.

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 Group, nor can they be paid directly to the Group. 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 Group'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.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provision are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and where, appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense in the statements of income.

Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of assets 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.

Government Grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset.

When loans or similar assistance are provided by government or related institutions, with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant. The government grant component is measured as the difference between the fair value of the loan granted and cash received at the date of grant. Such amount shall be recognized in the statements of income on a systematic basis over the periods in which the Group recognizes the related costs as expense for which the grants are intended to compensate.

Income Taxes

Current taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws to compute such amount are those that are enacted or substantively enacted at the statement of condition date.

Deferred taxes

Deferred 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 (DTL) are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

DTL is not provided on non-taxable temporary differences associated with investments in subsidiaries as it is not expected to reverse in foreseeable future.

Deferred tax assets (DTA) are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits from MCIT and unused NOLCO can be utilized, except:

- where the DTA relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income; and
- in respect of taxable temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of DTA is reviewed at each statement of condition date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the DTA to be utilized. Unrecognized DTA are reassessed at each statement of condition date and are recognized to the extent that it has become probable that future taxable income will allow the DTA 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 relating to items recognized directly in equity is also recognized in equity and not in the statements of income.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

Equity

Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional Paid-in Capital' account. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged against 'Additional Paid-in Capital' account. If the additional paid-in capital is not sufficient, the excess is charged against the 'Surplus'.

When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Surplus represents accumulated earnings of the Parent Company less dividends declared.

Earnings per Share (EPS)
Basic EPS is determined by dividing the net income for the year attributable to common shares by the weighted average number of common shares outstanding during the year while diluted EPS is computed by dividing net income for the year attributable to common shares by the weighted average number of outstanding and dilutive potential common shares. Basic and diluted EPS are given retroactive adjustments for any stock dividends declared in the current year.

Segment Reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is one that provides products or services within a particular economic environment that is subject to risks and returns that are different from those segments operating in other economic environments.

The Group's operations are organized according to the nature of products and services provided. Financial information of business segments is presented in Note 6.

Events After Statement of Condition Date
Any post year-end events that provide additional information about the Group's position at the statement of condition date (adjusting events) are reflected in the financial statements. Any post year-end events that are not adjusting events are disclosed when material to the financial statements.

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 of the Group where the Parent Company acts in a fiduciary capacity such as nominee, trustee or agent.

Future Changes in Accounting Policies
Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This is a listing of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards to have a significant impact on the financial statements.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *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 and Estimates

The preparation of the financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities, if any. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Unless otherwise stated, below significant judgments and estimates apply as of and for the years ended December 31, 2019, 2018 and 2017.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) Evaluation of business model in managing financial instruments

Applicable beginning January 1, 2018

The Group manages its financial assets based on business models that maintain adequate liquidity level and preserve capital requirements, while maintaining a strategic portfolio of financial assets for accrual and trading activities consistent with its risk appetite.

The Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group.

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

(b) *Testing the cash flow characteristics of financial assets*

Applicable beginning January 1, 2018

In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In addition, SPPI of instruments with embedded prepayment options are evaluated by considering whether the fair value of the option is insignificant and it does not represent additional compensation for the early termination.

(c) *Functional currency*
PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. The Parent Company determined that the RBU and FCDU's functional currency are Philippine peso and USD, respectively. In addition, the subsidiaries determined that their respective functional currency is in Philippine peso. In making this judgment, the Group considers the following:

a. the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
b. the currency in which funds from financing activities are generated; and
c. the currency in which receipts from operating activities are usually retained.

(d) *Leases*
<u>Operating lease</u>
Group as lessor
The Group has entered into commercial property leases of its investment properties and lease of vehicles. The Group has determined that it retains all the significant risks and rewards of ownership of these assets. Accordingly, this is accounted for as operating lease. In determining whether or not there is indication of operating lease treatment, the Group considers retention of ownership title to the leased property, period of lease contract relative to the estimated useful economic life of the leased property and the present value of minimum lease payments relative to the fair value of leased asset, among others.

Group as lessee
Applicable prior to January 1, 2019
The Group has entered into leases on premises it uses for its operations. The Group has determined, based on the evaluation of the lease agreement (i.e.the lease does not transfer ownership of the asset to the lessee by the end of the lease term and the lease term is not for the major part of the asset's economic life), that all significant risk and rewards of ownership of the properties it leases are not transferred to the Group and thus, accounted for these arrangements as operating lease.

Finance Lease
Group as lessor
As lessor, the Group has entered into finance lease arrangements of vehicles. The Group has determined based on the evaluation of terms and conditions of the arrangement, (i.e. present value of minimum lease payments amounts to at least substantially all of the fair value of leased asset) that it transfers all the significant risks and rewards of ownership of these properties and thus, accounts for these arrangements as finance leases.

(e) *Contingencies*
The Group is currently various legal proceedings arising from the ordinary course of business. The estimate of the probable costs for the resolution of these claims and assessments has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that liabilities which may arise from these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 31).

Estimates
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Estimation of credit losses on financial assets*
Applicable beginning January 1, 2018
The measurement of impairment losses for financial assets at amortized cost, including investment securities and loans and receivables and FVOCI under PFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:
- The Group's internal risk rating process and assignment of PD based on this risk rating;
- The Group's criteria for assessing if there has been a significant increase in credit risk;
- The Group's definition of default, which is consistent with regulatory requirements;
- The segmentation of financial assets when the ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, and the effect on PDs, EADs and LGDs.
- Definition of forward-looking macroeconomic scenario variables.

Applicable prior to January 1, 2018
This judgment was applied for estimating credit losses for loans and receivables. The identification of impairment and the determination of the recoverable amounts of loans are key areas of judgment and estimate for management. The use of different approaches and assumptions could produce significantly different estimates of allowance for credit losses.

For specific impairment, the Group reviews its loans and receivable tagged as past due and in litigation including accounts with objective evidences of impairment at each statement of condition date to assess whether impairment losses should be recorded in the statements of income. The factors being considered by the Group in determining the specific allowance are disclosed in Note 4.

The Group also provides collective impairment against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted.

The Group's impairment policy for financial assets is discussed in Note 4. The carrying values of the investment securities at amortized costs, FVOCI and loans and receivables and related allowance for credit losses of the Group and Parent Company are disclosed in Notes 8, 9 and 16.

(b) *Impairment of goodwill and branch licenses*
The Group conducts a review for any impairment in value of goodwill and branch licenses annually every December 31 or frequently, if events or changes in the circumstances indicate that the carrying values may be impaired. The Group's impairment assessment requires significant judgement and is based on management's assumptions.

For purposes of impairment testing, the Group measures the recoverable amounts of the CGUs to which the goodwill and branch licenses are allocated, based on a value-in-use calculation using cash flow projections from the financial budgets covering three-to five-years, which are approved by the senior management. The value-in-use calculation is most sensitive to the following assumptions: a) revenue growth rate; b) discount rates; and c) projected growth rates used to extrapolate cash flows beyond the budget period.

The discussion of key assumptions used in the impairment calculation and the carrying values of goodwill and branch licenses are disclosed in Notes 13 and 14.

(c) *Recognition of deferred tax assets*
Certain subsidiaries have been in a tax loss position for the past several years. Based on this experience, the management assessed that it is not probable that certain subsidiaries will realize their deductible temporary differences, unused NOLCO and excess MCIT before expiration or reversal. Accordingly, the Group did not recognize deferred tax assets on certain deductible temporary differences, unused NOLCO and excess MCIT as of December 31, 2019 and 2018.

The amounts of recognized and unrecognized deferred tax assets of the Group are disclosed in Note 28.

(d) *Fair values of derivatives*
The fair values of derivatives that are not quoted in active markets are determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that developed them. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices.

To the extent practical, models use only observable data. Changes in assumptions about these factors could affect reported fair value of financial instruments. Refer to Note 5 for information on the fair values of these instruments.

(e) *Present value of retirement obligation*
The cost of defined benefit obligation and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates and future salary increases. Due to the long-term nature of these plans and complexity of the valuation, the present value of the retirement obligation are sensitive to changes in these assumptions.

The discount rates used were determined using the market yields of Philippine government bonds with terms consistent with the expected employee benefit payout as at statement of condition date. Future salary increases are based on historical annual merit, market and promotional increase and expected future inflation rates.

The key assumptions in determining the present value of the defined benefit obligation of the Group and Parent Company are disclosed in Note 25.

(f) *Leases - Estimating the incremental borrowing rate*
Applicable beginning January 1, 2019
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the credit spread for a stand-alone credit rating).

The carrying amount of the lease liabilities as of December 31, 2019 is disclosed in Note 24.

4. Financial Risk Management Objectives and Policies

The main purpose of the Group's financial instruments is to fund its operations and capital expenditures. The Group's financial instruments consist mainly of government securities, private bonds and commercial papers, loans and receivables, deposit in banks, deposit liabilities, bills payable and other liabilities. Further, the Group is also an active participant in the interbank market and has interbank loans and repurchase agreements. The Group enters into over-the-counter (OTC) derivatives, mainly spot forward, swap exchange contracts, as a service to customers and as a means of reducing and managing the Group's foreign exchange risks.

The Group's policy is to undertake risk positions consistent with its risk philosophy. Financial instruments are entered into within the acceptable risk and return trade off parameters that are consistent with the Group's risk objectives set for the year. Capital is rationally allocated based on risks assumed. This capital allocation policy underlies the risk limits imposed by the board of directors (BOD) that guide the management team in its risk taking activities.

There were no significant changes in the risk management policies of the Group in 2019, 2018 and 2017.

Risk Management Framework

The Parent Company is aware of the highly competitive industry within which it operates and takes on a pro-active management of the risks it faces in its day to day activities. The risk management process is integrated in all facets of the operations, from policy-making down to the transactional level, with the involvement of the directors, senior management and internal auditors.

The Parent Company's Risk Management System is an ongoing process that starts from goal setting to revalidation of the risk methodologies. These goals are consistent with the overall risk management philosophy.

The Parent Company has a risk functional hierarchical structure that reflects the top-down approach to a focused risk management framework. The BOD, through the Asset Liability Committee (ALCO) and Risk Management Committee (RMC), ensures that risk management objectives are achieved. Each of the risk functional units has well-defined roles in the Parent Company's risk management system and structure.

The risk taking units, consisting of the Branch Banking, Treasury Dealing, Account Management, Private Banking and Trust Banking Groups, are principally involved in the determination of growth opportunities and, together with the Risk Management Unit (RMU), ALCO and RMC, evaluate the business risks and define the risk tolerance of the Parent Company. Line managers for the trading activities monitor performance at levels within established price risk limits, which is Value-at-Risk (VaR). The VaR is the amount that defines management's tolerance for accepting daily price risk-related losses on a cumulative month-to-date basis in portfolios that are marked-to-market. VaR limits are set for each price risk taking unit.

The RMU is principally tasked to quantify the risks utilizing methodologies such as VaR, Volatility Studies and Stress Testing. Treasury Operations is responsible for mark-to-market calculations. Benchmarks as prescribed by the regulatory bodies are used in marking to market financial risk exposures of the Parent Company.

The Risk Control and Compliance Units, consisting of the Loans, Trade, Legal, Credit Policy and Treasury Operations, are principally responsible for limit compliance monitoring and control. The internal control system of the Parent Company and the periodic audit review ensure that the risk control functions are administered consistently. The periodic budget review ensures that actual risk taking performance of the Parent Company is reported to and noted by the BOD. The Audit Unit and RMU are responsible for model revalidation at least on an annual basis before a new set of risk limits is submitted for approval for the ensuing year.

Management of credit risk is the principal responsibility of the Credit Committee and the Executive Committee. The role of the Credit Committee is to ensure that the credit risk policies are strictly complied when approving loan proposals. The Executive Committee ensures that credit management processes are consistent with policies covering market, operational, legal, business, event and other residual risks as approved by the BOD.

The Audit Committee, concurrently tasked to oversee management of compliance risk, is responsible for implementing a control system to ensure that operational and legal risks are properly handled from documentation, transaction processing, all the way to regulatory reporting.

Risk Management Philosophy

Effective risk management process and structure are key factors in responsible corporate governance. The maintenance of adequate regulatory capital and preservation of stockholders' capital rely heavily on the management appetite for risk, ability to establish opportunities and expertise to identify, control, and quantify the attendant financial, operational, business and event risks in banking.

Adequate return of capital can only be ensured when activities are undertaken in terms of risk return trade-off.

Risk Measurement and Reporting Systems

The Parent Company's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of actual loss based on statistical models and scenario analyses. The models make use of probabilities derived from historical experience, adjusted to reflect the current economic environment. The Parent Company also runs worse case scenarios that would arise in the events which are unlikely to occur but do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Parent Company. These limits reflect the business strategy and market environment of the Parent Company as well as the level of risk that the Parent Company is willing to accept, with additional emphasis on selected industries. In addition, the Parent Company monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to analyze, control and identify risks early. This information is presented and explained to the members of the BOD, the ALCO and RMC, and the head of each business division. The report includes aggregate credit exposure, limit exceptions, VaR, liquidity ratios and risk profile changes. On a periodic basis, detailed reporting of industry, customer and geographic risks takes place. Senior Management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Senior Management and the BOD receive risk reports on a regular basis which are designed to provide the necessary information to assess and conclude on the risks of the Parent Company. For all levels throughout the Parent Company, specifically tailored risk reports are prepared and distributed to ensure that business divisions have access to extensive, necessary and up-to-date information.

A regular briefing is given to the ALCO (fortnightly) and RMC (monthly) and Senior Management team members of the Parent Company on the utilization of market limits, analysis of VaR, proprietary investments and liquidity, plus other risk developments.

Risk Mitigation

The risk profile is assessed before entering into hedge transactions, which are authorized by the appropriate level of seniority within the Group. The Group did not enter into hedging transactions in 2019, 2018 and 2017.

The Group actively uses collateral to reduce its credit risk (see discussion under Collateral and other credit enhancements).

Credit Risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages credit risk by setting limits and monitoring credit limits per individual facility, borrower and related entities, and industry and market.

Risk Concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region or market, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

To avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The Group and the Parent Bank considers concentration risk to be present when the total exposure of loans and receivables to a particular industry exceeds 30.0% of the total exposure, which is similar to the BSP requirement. As of December 31, 2019 and 2018, the Group and the Parent Bank does not exceed the limit in any of its industry concentration.

Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. The distribution of financial assets and off-balance sheet items by industry sector as at December 31, 2019 and 2018 follows:

	Consolidated		**Parent Company**	
	2019	2018	**2019**	2018
Financial intermediaries	**₱86,937,367**	₱80,638,468	**₱85,885,901**	₱80,086,537
Wholesale and retail trade	**34,129,282**	26,736,497	**33,889,184**	26,548,510
Real estate, renting and business services	**34,303,362**	30,272,942	**34,213,718**	29,737,997
Public utilities	**22,294,431**	27,529,612	**22,294,431**	27,260,864
Manufacturing	**16,496,156**	16,034,373	**16,430,487**	15,831,002
Agriculture, fisheries and forestry	**6,079,497**	3,835,789	**3,192,471**	2,239,976
Others	**59,877,830**	49,239,586	**59,391,535**	48,512,068
	₱260,117,925	₱234,287,267	**₱255,297,727**	₱230,216,954

Credit-related commitments risks

The Parent Company provides to its customers guarantees, which may require the Parent Company to make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Parent Company to similar risks to loans and these are mitigated by the same control processes and policies.

Collateral and other credit enhancements

The Group extends credit in a secured basis whenever possible and ensures that the terms and collateral are appropriate to the nature of credit accommodation extended to clients.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained by the Parent Company are as follows:

- for securities lending and reverse repurchase transactions, cash or securities;
- for commercial lending, mortgages over real estate properties, chattels, inventory, trade receivables, and assignment of shares of stocks; and
- for consumer lending, mortgages over residential properties and vehicles.

The Group's policy is to dispose the repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim.

Maximum exposure to credit risk after collateral held or other credit enhancements
An analysis of the maximum exposure to credit risk after taking into account any collateral held or other credit enhancements is shown below as at December 31, 2019 and 2018:

	2019			
	Consolidated			
	Maximum Exposure	**Fair Value of Collaterals**	**Financial Effect of Collaterals**	**Net Exposure to Credit Risk**
IBLR and SPURA	**₱3,541,226**	**₱3,328,901**	**₱3,328,901**	**₱212,325**
Loans and receivables				
Loans and discounts	**168,694,728**	**61,695,486**	**40,657,945**	**128,036,783**
Finance lease receivables	**855,988**	**1,340,045**	**855,988**	**–**
Loans and receivables financed	**225,304**	**340,073**	**217,228**	**8,076**
Sales contract receivable	**152,637**	**119,823**	**98,449**	**54,188**
Total	**₱173,469,883**	**₱66,824,328**	**₱45,158,511**	**₱128,311,372**

	2018			
	Consolidated			
	Maximum Exposure	Fair Value of Collaterals	Financial Effect of Collaterals	Net Exposure to Credit Risk
IBLR and SPURA	₱2,808,893	₱2,500,000	₱2,500,000	₱308,893
Loans and receivables				
Loans and discounts	150,432,333	52,107,530	34,787,129	115,645,204
Finance lease receivables	702,489	981,873	658,989	43,500
Loans and receivables financed	191,981	256,926	176,324	15,657
Total	₱154,135,696	₱55,845,329	₱38,122,442	₱116,013,254

	2019			
	Parent Company			
	Maximum Exposure	**Fair Value of Collaterals**	**Financial Effect of Collaterals**	**Net Exposure to Credit Risk**
IBLR and SPURA	**₱3,541,226**	**₱3,328,901**	**₱3,328,901**	**₱212,325**
Loans and receivables				
Loans and discounts	**165,719,368**	**59,810,828**	**39,564,630**	**126,154,738**
Sales contract receivable	**136,130**	**119,823**	**98,449**	**37,681**
Total	**₱169,396,724**	**₱63,259,552**	**₱42,991,980**	**₱126,404,744**

	2018			
	Parent Company			
	Maximum Exposure	Fair Value of Collaterals	Financial Effect of Collaterals	Net Exposure to Credit Risk
IBLR and SPURA	₱2,808,893	₱2,500,000	₱2,500,000	₱308,893
Loans and receivables				
Loans and discounts	148,044,316	50,976,745	34,050,709	113,993,607
Total	₱150,853,209	₱53,476,745	₱36,550,709	₱114,302,500

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

The credit risk rating system is duly approved by the regulatory body. It has two components, namely: a) Borrower Risk Rating, which provides an assessment of the credit worthiness of the borrower, and b) Facility Risk Rating, which provides an assessment of the specific facility as enhanced by security arrangements such as security, collateral and credit covenants.

Commercial loans
The Parent Company uses internal credit risk rating system (ICRRS) for commercial loan accounts which are based on risk factors and categorized accordingly. The rating is the major indicator for increase or deduction if not termination of credit facilities extended to clients. The improved risk rating process standardizes pricing of exposure to individual and group accounts as the required credit premium crystallized because of the classifications. It also facilitates impairment tests.

With this already institutionalized process together with the systems for Account Profitability Analysis, the Group has built the necessary foundation to assess and reassess credit exposures at the counterparty levels. The risk/reward profile of individual exposure became the cornerstone of transaction proposals and approval. The execution of diversification tactics are facilitated because of this granular assessment capability. The payment rating system is a supplementary system aimed at generating the necessary data for loss given default to validate the reliability of default rate assigned per risk category under the present ICRRS.

The payment rating system is the basis of the Group in monitoring credit risk on consumer loans. Consumer loans covered by the payment rating system are rated based on historical payment patterns and default history. The rating is the Group's basis for granting suspension, renewal and dis-accreditation of loan application.

The table below presents the classification of credit rating to credit quality and description for each credit rating for commercial loans:

Credit Quality		ICRRS Grade	Description
High	Internal:	Good 1	▪ The borrower exhibits adequate protection parameters, but there are foreseen adverse conditions or circumstances that will, in all likelihood, lead to a weakened capacity of the borrower to pay its debt obligations upon maturity. ▪ The borrowers earning performance and capacity to pay maturing obligations are more vulnerable to possible occurrences than those rated Strong.
	External:	Aaa	▪ Highest quality, with minimal credit risk
		Aa1-Aa3	▪ High quality and is subject to very low credit risk
		Baa1-Baa2	▪ Subject to moderate credit risk
		Baa3	▪ Considered medium-grade and as such may possess certain speculative characteristics
Standard	Internal:	Good 2	▪ The probability of default is somewhat greater than those rated as Good 1. This probability is reflected in volatility of earnings and overall performance. ▪ Borrowers in this category normally have less access to public financial markets. ▪ Borrowers should be able to withstand normal business cycles, but any prolonged unfavorable economic period would create deterioration beyond acceptable levels. ▪ The borrower and its principals still have good credit standing with the creditors and trade suppliers, without any history of past due.
		Good 3	▪ The borrower has very limited access to external funding sources. ▪ The risk elements for the Group are sufficiently pronounced, although borrowers should still be able to withstand normal business cycles. ▪ Any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels.
	External:	Ba1	▪ Have speculative elements and is subject to substantial credit risk
		Ba2-Ba3 B1	▪ Considered speculative and is subject to high credit risk (Actual exposure limited to foreign exchange denominated issues of the Republic of the Philippines hence the Standard Classification)
Substandard	Internal:	Watchlist	▪ The borrower is vulnerable to nonpayment but payments are still being made. ▪ The borrower has a minimal level of, and doubtful sources for, alternative funding to cover possible shortfalls of existing liquidity to pay off maturing obligations.

Credit Quality	ICRRS Grade	Description
	Doubtful	▪ The borrower is unable or unwilling to service debt over an extended period of time and near future prospects of orderly debt service is doubtful.
External:	B2-B3 Caa1-Caa3 Ca	▪ Material default risk is present, but a limited margin of safety remains. ▪ Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

The credit quality of other financial instrument exposures, such as trading and investment securities, are managed by reference to external ratings, supplemented by individual assessments.

The Group's policy is to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates comparison of credit exposures across all lines of business and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Parent Company's rating policy. The attributable risk ratings are assessed and updated regularly. External rating agencies' equivalent grades are relevant only for certain exposures in each risk rating class. Financial assets with no credit ratings from independent credit rating agencies are evaluated using baseline credit rating.

The Group's Risk Management Unit operates its internal rating models. From these internal rating models, the Group calculates PDs, which are then adjusted to incorporate both current and forward looking information for ECL calculation.

Commercial loans
The credit risk assessment for Commercial loans is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Financial information which include realized and expected results, solvency ratios, liquidity ratios and other relevant ratios to gauge the client's financial performance;
- Macro-economic or geopolitical information which includes the observed default behavior of specific industries as well as the geographical coverage of the client's operations; and
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

The Parent Company's PD model for Commercial loans uses 1 to 10 internal grades, which are mapped to globally-understood external rating, as follows:

Internal rating grade	Moody's rating
1	A
2	A
3	Baaa
4	Baa
5	Ba
6	Ba
7	B
8	B
9	Caa-C
10	Caa-C
D	D

The Parent Company has developed through-the-cycle (TTC) PDs which are scaled to the observed point-in-time (PIT) PDs as of the reporting dates.

The Parent Company continuously monitors the movements in the credit risk rating of its commercial loans. In order to determine whether the commercial loan is subject to 12-month ECL or lifetime ECL, the Parent Company assesses whether there has been a significant increase in credit risk since the financial assets was recognized (Stage 2). The Parent Company considers an exposure to have significantly increased when the PD has increased relatively by 200% since its initial recognition.

Furthermore, the Parent Company also checks whether the risk rating has downgraded by at least two (2) notches since its initial recognition. If contractual payments are more than a certain number of days past due, the credit risk with this exposure is deemed to have increased significantly since initial recognition.

Details related to PD calibrations, loss given default and overlay are discussed in the next section.

The table below shows the credit quality and the maximum exposure to credit risk of the Group and the Parent Company's Commercial loans based on the Group and Parent Company's internal credit risk rating system and the stage classification as of December 31, 2019 and 2018. The amounts presented are gross of impairment allowances:

	Consolidated				
	2019				
	ECL Staging				**Total**
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	
1	**₱2,601,059**	**₱14,768**	**₱–**	**₱–**	**₱2,615,827**
2	**4,856,161**	**–**	**34,745**	**–**	**4,890,906**
3	**31,623,959**	**21,456**	**126,234**	**–**	**31,771,649**
4	**40,916,697**	**186,136**	**187,135**	**–**	**41,289,968**
5	**32,727,714**	**7,346,244**	**424,425**	**2,781**	**40,501,164**
6	**17,837,894**	**3,520,497**	**1,653,355**	**–**	**23,011,746**
7	**566,018**	**1,368,648**	**57,563**	**–**	**1,992,229**
8	**30,000**	**2,750**	**–**	**–**	**32,750**
9	**–**	**6,620**	**2,000**	**–**	**8,620**
Unrated	**26,010**	**73**	**7,948**	**–**	**34,031**
Gross carrying amount	**₱131,185,512**	**₱12,467,192**	**₱2,493,405**	**₱2,781**	**₱146,148,890**

**Accounts under POCI pertain to outstanding loan balances acquired from the business acquisition of ATB in 2013.*

	Consolidated				
	2018				
	ECL Staging				Total
Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	
1	₱3,952,036	₱2,863	₱–	₱–	₱3,954,899
2	7,834,560	–	–	–	7,834,560
3	31,966,397	583,006	95,039	4,437	32,648,879
4	22,475,031	224,768	3,965	988	22,704,752
5	35,047,472	6,049,792	1,055,527	627	42,153,418
6	8,014,955	5,256,938	1,641,349	–	14,913,242
7	4,623,424	2,202,513	–	–	6,825,937
8	192,717	170,715	304,447	–	667,879
9	50,225	22,258	–	–	72,483
Unrated	52,695	1,002	10,055	–	63,752
Gross carrying amount	₱114,209,512	₱14,513,855	₱3,110,382	₱6,052	₱131,839,801

**Accounts under POCI pertain to outstanding loan balances acquired from the business acquisition of ATB in 2013.*

	Parent Company				
	2019				
	ECL Staging				Total
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	
1	**₱2,601,059**	**₱14,768**	**₱–**	**₱–**	**₱2,615,827**
2	**4,856,161**	**–**	**34,745**	**–**	**4,890,906**
3	**31,623,959**	**21,456**	**126,234**	**–**	**31,771,649**
4	**40,916,697**	**186,136**	**187,135**	**–**	**41,289,968**
5	**32,727,714**	**7,346,244**	**424,425**	**2,781**	**40,501,164**
6	**17,837,894**	**3,520,497**	**1,653,355**	**–**	**23,011,746**
7	**566,018**	**1,368,648**	**57,563**	**–**	**1,992,229**
8	**30,000**	**2,750**	**–**	**–**	**32,750**
9	**–**	**6,620**	**2,000**	**–**	**8,620**
Gross carrying amount	**₱131,159,502**	**₱12,467,119**	**₱2,485,457**	**₱2,781**	**₱146,114,859**

*Accounts under POCI pertain to outstanding loan balances acquired from the business acquisition of ATB in 2013.

	Parent Company				
	2018				
	ECL Staging				Total
Internal rating grade	Stage 1	Stage 2	Stage 3	POCI	
1	₱3,952,036	₱2,863	₱–	₱–	3,954,899
2	7,834,560	–	–	–	7,834,560
3	31,966,397	583,006	95,039	4,437	32,648,879
4	22,475,031	224,768	3,965	988	22,704,752
5	35,047,472	6,049,792	1,055,527	627	42,153,418
6	8,014,955	5,256,938	1,641,349	–	14,913,242
7	4,623,424	2,202,513	–	–	6,825,937
8	192,717	170,715	304,447	–	667,879
9	50,225	22,258	–	–	72,483
Gross carrying amount	₱114,156,817	₱14,512,853	₱3,100,327	₱6,052	₱131,776,049

**Accounts under POCI pertain to outstanding loan balances acquired from the business acquisition of ATB in 2013.*

An analysis of changes in the gross carrying amounts and expected credit loss of commercial loans is as follows:

	Consolidated									
	Outstanding Balance					ECL				
	Stage 1	**Stage 2**	**Stage 3**	**POCI***	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI***	**Total**
January 1, 2019	**₱114,209,512**	**₱14,513,855**	**₱3,110,382**	**₱6,052**	**₱131,839,801**	**₱280,432**	**₱129,553**	**₱876,878**	**₱19**	**₱1,286,882**
New loans	**296,784,159**	**–**	**–**	**–**	**296,784,159**	**1,147,824**	**–**	**–**	**–**	**1,147,824**
Assets derecognized or repaid	**(241,872,385)**	**(37,736,957)**	**(1,712,168)**	**(2,645)**	**(281,324,155)**	**(754,422)**	**(288,509)**	**(117,893)**	**(7)**	**(1,160,831)**
Transfer to Stage 1	**11,491,314**	**(11,488,582)**	**(2,732)**	**–**	**–**	**103,042**	**(102,880)**	**(162)**	**–**	**–**
Transfer to Stage 2	**(47,694,442)**	**47,694,442**	**–**	**–**	**–**	**(338,197)**	**338,197**	**–**	**–**	**–**
Transfer to Stage 3	**(1,234,856)**	**(485,946)**	**1,721,428**	**(626)**	**–**	**(67,682)**	**(2,335)**	**70,022**	**(5)**	**–**
Writeoff	**–**	**–**	**(623,505)**	**–**	**(623,505)**	**–**	**–**	**(623,505)**	**–**	**(623,505)**
Impact on yearend ECL of exposures transferred between stages during the year	**–**	**–**	**–**	**–**	**–**	**(5,455)**	**48,207**	**342,261**	**–**	**385,013**
Changes to models and inputs used for ECL calculations	**–**	**–**	**–**	**–**	**–**	**(3,988)**	**(15,292)**	**245,618**	**18**	**226,356**
Foreign exchange adjustment	**(497,790)**	**(29,620)**	**–**	**–**	**(527,410)**	**(946)**	**(79)**	**(8)**	**–**	**(1,033)**
December 31, 2019	**₱131,185,512**	**₱12,467,192**	**₱2,493,405**	**₱2,781**	**₱146,148,890**	**₱360,608**	**₱106,862**	**₱793,211**	**₱25**	**₱1,260,706**

**Accounts under POCI pertain to outstanding loan balances acquired from the business acquisition of ATB in 2013.*

	Consolidated									
	Outstanding Balance					ECL				
	Stage 1	Stage 2	Stage 3	POCI*	Total	Stage 1	Stage 2	Stage 3	POCI*	Total
January 1, 2018	₱98,026,386	₱10,781,947	₱2,935,371	₱8,029	₱111,751,733	₱240,493	₱155,098	₱973,230	₱42	₱1,368,863
New loans	246,082,864	–	–	–	246,082,864	695,063	–	–	–	695,063
Assets derecognized or repaid	(203,308,754)	(21,674,780)	(499,973)	(1,977)	(225,485,484)	(477,997)	(147,417)	(37,539)	(10)	(662,963)
Transfer to Stage 1	4,118,587	(4,118,499)	(88)	0	–	81,601	(81,592)	(9)	–	–
Transfer to Stage 2	(29,730,867)	29,896,869	(166,002)	0	–	(194,681)	212,610	(17,929)	–	–
Transfer to Stage 3	(1,017,666)	(331,526)	1,349,192	0	–	(6,557)	(1,567)	8,124	–	–
Writeoff	–	–	(508,119)	0	(508,119)	–	–	(368,437)	–	(368,437)
Impact on yearend ECL of exposures transferred between stages during the year	–	–	–	–	–	(66,921)	(2,116)	99,001	–	29,964
Changes to models and inputs used for ECL calculations	–	–	–	–	–	9,265	(4,924)	220,437	(13)	224,765
Foreign exchange adjustment	38,962	(40,156)	–	–	(1,194)	166	(539)	–	–	(373)
December 31, 2018	₱114,209,512	₱14,513,855	₱3,100,381	₱6,052	₱131,839,801	₱280,432	₱129,553	₱876,878	₱19	₱1,286,882

**Accounts under POCI pertain to outstanding loan balances acquired from the business acquisition of ATB in 2013.*

	Parent Company									
	Outstanding Balance					**ECL**				
	Stage 1	**Stage 2**	**Stage 3**	**POCI***	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI***	**Total**
January 1, 2019	**₱114,156,817**	**₱14,512,853**	**₱3,100,327**	**₱6,052**	**₱131,776,049**	**₱279,831**	**₱129,300**	**₱871,959**	**₱19**	**₱1,281,109**
New loans	**296,764,329**	–	–	–	**296,764,329**	**1,147,246**	–	–	–	**1,147,246**
Assets derecognized or repaid	**(241,830,642)**	**(37,736,248)**	**(1,707,322)**	**(2,645)**	**(281,276,857)**	**(753,797)**	**(288,331)**	**(115,774)**	**(7)**	**(1,157,909)**
Transfer to Stage 1	**11,491,255**	**(11,488,582)**	**(2,673)**	–	–	**103,014**	**(102,880)**	**(134)**	–	–
Transfer to Stage 2	**(47,694,369)**	**47,694,369**	–	–	–	**(338,196)**	**338,196**	–	–	–
Transfer to Stage 3	**(1,230,098)**	**(485,653)**	**1,716,377**	**(626)**	–	**(66,871)**	**(2,235)**	**69,111**	**(5)**	–
Writeoff	–	–	**(621,252)**	–	**(621,252)**	–	–	**(621,252)**	–	**(621,252)**
Impact on yearend ECL of exposures transferred between stages during the year	–	–	–	–	–	**(5,428)**	**48,190**	**339,602**	–	**382,364**
Changes to models and inputs used for ECL calculations	–	–	–	–	–	**(5,141)**	**(15,317)**	**246,086**	**18**	**225,646**
Foreign exchange adjustment	**(497,790)**	**(29,620)**	–	–	**(527,410)**	**(946)**	**(79)**	**(9)**	–	**(1,034)**
December 31, 2019	**₱131,159,502**	**₱12,467,119**	**₱2,485,457**	**₱2,781**	**₱146,114,859**	**₱359,712**	**₱106,844**	**₱789,589**	**₱25**	**₱1,256,170**

**Accounts under POCI pertain to outstanding loan balances acquired from the business acquisition of ATB in 2013.*

	Parent Company									
	Outstanding Balance					ECL				
	Stage 1	Stage 2	Stage 3	POCI*	Total	Stage 1	Stage 2	Stage 3	POCI*	Total
January 1, 2018	₱97,931,544	₱10,780,797	₱2,922,416	₱8,029	₱111,642,786	₱239,545	₱154,983	₱968,006	₱42	₱1,362,576
New loans	246,040,634	–	–	–	246,040,634	694,601	–	–	–	694,601
Assets derecognized or repaid	(203,231,686)	(21,673,205)	(498,571)	(1,977)	(225,405,439)	(477,232)	(147,366)	(37,045)	(10)	(661,653)
Transfer to Stage 1	4,118,499	(4,118,499)	–	–	–	81,592	(81,592)	–	–	–
Transfer to Stage 2	(29,728,799)	29,894,801	(166,002)	–	–	(194,660)	212,589	(17,929)	–	–
Transfer to Stage 3	(1,012,338)	(330,885)	1,343,223	–	–	(6,460)	(1,503)	7,963	–	–
Writeoff	–	–	(500,739)	–	(500,739)	–	–	(361,057)	–	(361,057)
Impact on yearend ECL of exposures transferred between stages during the year	–	–	–	–	–	(66,946)	(2,500)	91,584	–	22,138
Changes to models and inputs used for ECL calculations	–	–	–	–	–	9,265	(4,924)	220,437	(13)	224,765
Foreign exchange adjustment	38,963	(40,156)	–	–	(1,193)	126	(387)	–	–	(261)
December 31, 2018	₱114,156,817	₱14,512,853	₱3,100,327	₱6,052	₱131,776,049	₱279,831	₱129,300	₱871,959	₱19	₱1,281,109

**Accounts under POCI pertain to outstanding loan balances acquired from the business acquisition of ATB in 2013.*

Consumer loans

The consumer loan portfolio of the Group is composed of Real Estate Mortgage (REM), Contract-to-Sell (CTS), Auto Loans, Salary Loans, Agricultural loans, Microfinance loans, Finance lease receivables (FLR) and Loans and Receivables - Financed. For the Parent Company, the consumer loan portfolio is composed of four (4) main product lines: Real Estate Mortgage, Contract-to-Sell, Auto Loans and Salary Loans. Credit risk associated with these receivables is assessed based on days past due.

The description of each groupings according to stage is explained further as follows:

- Stage 1 - those that are considered current and up to a certain number of days past due, and based on delinquencies and payment history, do not demonstrate significant increase in credit risk;
- Stage 2 - those that are considered more than a certain number of days past due but does not demonstrate objective evidence of impairment as of reporting date, and based on delinquencies and payment history, demonstrate significant increase in credit risk; and
- Stage 3 - those that are considered more than 90 days past due or in default, or demonstrate objective evidence of impairment as of reporting date.

To estimate PD, the Group and the Parent Company developed a transition matrix based on the monthly migration of accounts to each age bucket. This matrix is scaled to the observed point-in-time PDs as of the reporting dates.

Details related to PD calibrations, loss given default and overlay are discussed in the next section.

The table below shows the credit quality and the maximum exposure to credit risk of the Group and Parent Company's Consumer loans based on days past due and the classification as of December 31, 2019 and 2018. The amounts presented are gross of impairment allowances:

	2019			
	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Real Estate Mortgage	**₱9,022,017**	**₱51,748**	**₱264,115**	**₱9,337,880**
Contract-to-Sell	**3,243,788**	**12,890**	**23,152**	**3,279,830**
Auto Loans	**5,275,038**	**5,762**	**48,928**	**5,329,728**
Salary Loans	**3,103,846**	**13,509**	**34,013**	**3,151,368**
Other Receivables*	**3,412,937**	**181,139**	**299,766**	**3,893,844**
	₱24,057,626	**₱265,048**	**₱669,974**	**₱24,992,648**

**Other receivables consist of agricultural loans, microfinance loans, finance lease receivables and loans receivables financed.*

	2018			
	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Real Estate Mortgage	₱7,001,479	₱52,740	₱184,165	₱7,238,384
Contract-to-Sell	3,480,158	3,415	17,475	3,501,048
Auto Loans	5,711,827	7,833	36,398	5,756,058
Salary Loans	2,985,678	6,912	54,483	3,047,073
Other Receivables	2,735,115	77,322	271,323	3,083,760
	₱21,914,257	₱148,222	₱563,844	₱22,626,323

**Other receivables consist of agricultural loans, microfinance loans, finance lease receivables and loans receivables financed.*

	2019			
	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Real Estate Mortgage	**₱9,022,017**	**₱51,748**	**₱264,115**	**₱9,337,880**
Contract-to-Sell	**3,243,788**	**12,890**	**23,152**	**3,279,830**
Auto Loans	**5,275,038**	**5,762**	**48,928**	**5,329,728**
Salary Loans	**3,097,082**	**12,956**	**34,013**	**3,144,051**
	₱20,637,925	**₱83,356**	**₱370,208**	**₱21,091,489**

	2018			
	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Real Estate Mortgage	₱7,001,479	₱52,740	₱184,165	₱7,238,384
Contract-to-Sell	3,480,158	3,415	17,475	3,501,048
Auto Loans	5,711,827	7,833	36,398	5,756,058
Salary Loans	2,985,678	6,912	54,483	3,047,073
	₱19,179,142	₱70,900	₱292,521	₱19,542,563

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Consumer loans is, as follows:

Real estate mortgage

	Consolidated/ Parent Company							
	Outstanding Balance				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
January 1, 2019	₱7,001,479	₱52,740	₱184,165	₱7,238,384	₱17,636	₱2,403	₱13,976	₱34,015
New loans	3,409,712	–	–	3,409,712	8,143	–	–	8,143
Assets derecognized or repaid	(1,261,361)	(9,128)	(39,727)	(1,310,216)	(3,058)	(416)	(3,041)	(6,515)
Transfer to Stage 1	113,404	(40,680)	(72,724)	–	7,408	(1,894)	(5,514)	–
Transfer to Stage 2	(96,267)	96,267	–	–	(1,210)	1,210	–	–
Transfer to Stage 3	(144,950)	(47,451)	192,401	–	(817)	(2,245)	3,062	–
Impact on yearend ECL of exposures transferred between stages during the year	–	–	–	–	(5,420)	3,344	11,542	9,466
Changes to models and inputs used for ECL calculations	–	–	–	–	(4,858)	131	181	(4,546)
December 31, 2019	**₱9,022,017**	**₱51,748**	**₱264,115**	**₱9,337,880**	**₱17,824**	**₱2,533**	**₱20,206**	**₱40,563**

	Consolidated/ Parent Company							
	Outstanding Balance				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
January 1, 2018	₱5,264,618	₱36,344	₱85,370	₱5,386,332	₱13,512	₱1,509	₱6,471	₱21,492
New loans	2,895,375	–	–	2,895,375	7,431	–	–	7,431
Assets derecognized or repaid	(991,030)	(5,180)	(47,113)	(1,043,323)	(2,544)	(215)	(3,571)	(6,330)
Transfer to Stage 1	32,777	(19,070)	(13,707)	–	1,831	(792)	(1,039)	–
Transfer to Stage 2	(51,220)	52,740	(1,520)	–	(131)	246	(115)	–
Transfer to Stage 3	(149,041)	(12,094)	161,135	–	(383)	(502)	885	–
Impact on yearend ECL of exposures transferred between stages during the year	–	–	–	–	(1,778)	410	7,279	5,911
Changes to models and inputs used for ECL calculations	–	–	–	–	(302)	1,747	4,066	5,511
December 31, 2018	₱7,001,479	₱52,740	₱184,165	₱7,238,384	₱17,636	₱2,403	₱ 13,976	₱34,015

Contract-to-sell

	Consolidated/ Parent Company							
	Outstanding Balance				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
January 1, 2019	₱3,480,158	₱3,415	₱17,475	₱3,501,048	₱12,180	₱791	₱7,447	₱20,418
New loans	2,169,917	–	–	2,169,917	3,094	–	–	3,094
Assets derecognized or repaid	(2,381,025)	(418)	(6,387)	(2,387,830)	(8,605)	(171)	(2,718)	(11,494)
Transfer to Stage 1	2,544	(1,783)	(761)	–	694	(370)	(324)	–
Transfer to Stage 2	(14,605)	14,605	–	–	(658)	658	–	–
Transfer to Stage 3	(13,201)	(2,929)	16,130	–	(250)	(562)	812	–
Written off	–	–	(3,305)	(3,305)	–	–	(3,305)	(3,305)
Impact on yearend ECL of exposures transferred between stages during the year	–	–	–	–	1,018	2,732	6,007	9,757
Changes to models and inputs used for ECL calculations	–	–	–	–	(4,825)	(934)	2,078	(3,681)
December 31, 2019	**₱3,243,788**	**₱12,890**	**₱23,152**	**₱3,279,830**	**₱2,648**	**₱2,144**	**₱9,997**	**₱14,789**

	Consolidated/ Parent Company							
	Outstanding Balance				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
January 1, 2018	₱2,833,911	₱3,042	₱92,062	₱2,929,015	₱67,516	₱1,146	₱39,280	₱ 107,942
New loans	2,200,355	–	–	2,200,355	52,422	–	–	52,422
Assets derecognized or repaid	(1,542,855)	(1,725)	(83,742)	(1,628,322)	(36,757)	(650)	(35,730)	(73,137)
Transfer to Stage 1	4,000	(207)	(3,793)	–	1,696	(78)	(1,618)	–
Transfer to Stage 2	(3,415)	3,415	–	–	(65)	65	–	–
Transfer to Stage 3	(11,838)	(1,110)	12,948	–	(282)	(418)	700	–
Written off	–	–	–	–	–	–	–	–
Impact on yearend ECL of exposures transferred between stages during the year	–	–	–	–	(59,904)	727	5,439	(53,738)
Changes to models and inputs used for ECL calculations	–	–	–	–	(12,446)	(1)	(624)	(13,071)
December 31, 2018	₱3,480,158	₱3,415	₱17,475	₱3,501,048	₱12,180	₱791	₱7,447	₱20,418

Auto loans

	Consolidated/ Parent Company							
	Outstanding Balance				ECL			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
January 1, 2019	**₱5,711,827**	**₱7,833**	**₱36,398**	**₱5,756,058**	**₱19,036**	**₱1,197**	**₱11,892**	**₱32,125**
New loans	**2,976,780**	**–**	**–**	**2,976,780**	**7,731**	**–**	**–**	**7,731**
Assets derecognized or repaid	**(3,372,306)**	**(4,498)**	**(12,856)**	**(3,389,660)**	**(10,666)**	**(686)**	**(4,284)**	**(15,636)**
Transfer to Stage 1	**4,282**	**(3,781)**	**(501)**	**–**	**754**	**(592)**	**(162)**	**–**
Transfer to Stage 2	**(12,413)**	**12,764**	**(351)**	**–**	**(402)**	**515**	**(113)**	**–**
Transfer to Stage 3	**(33,132)**	**(6,556)**	**39,688**	**–**	**(774)**	**(1,029)**	**1,803**	**–**
Written off	**–**	**–**	**(13,450)**	**(13,450)**	**–**	**–**	**(13,450)**	**(13,450)**
Impact on yearend ECL of exposures transferred between stages during the year	**–**	**–**	**–**	**–**	**2,675**	**1,460**	**11,024**	**15,159**
Changes to models and inputs used for ECL calculations	**–**	**–**	**–**	**–**	**1,462**	**41**	**9,141**	**10,644**
December 31, 2019	**₱5,275,038**	**₱5,762**	**₱48,928**	**₱5,329,728**	**₱19,816**	**₱906**	**₱15,851**	**₱36,573**

	Consolidated/ Parent Company							
	Outstanding Balance				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
January 1, 2018	₱5,623,621	₱7,493	₱18,424	₱5,649,538	₱23,135	₱1,267	₱6,045	₱30,447
New loans	3,414,643	–	–	3,414,643	10,260	–	–	10,260
Assets derecognized or repaid	(3,294,308)	(5,001)	(8,814)	(3,308,123)	(12,784)	(967)	(2,848)	(16,599)
Transfer to Stage 1	548	(548)	–	–	93	(93)	–	–
Transfer to Stage 2	(7,833)	7,833	–	–	(164)	164	–	–
Transfer to Stage 3	(24,844)	(1,944)	26,788	–	(374)	(328)	702	–
Written off	–	–	–	–	–	–	–	–
Impact on yearend ECL of exposures transferred between stages during the year	–	–	–	–	(87)	1,156	7,994	9,063
Changes to models and inputs used for ECL calculations	–	–	–	–	(1,043)	(2)	(1)	(1,046)
December 31, 2018	₱5,711,827	₱7,833	₱36,398	₱5,756,058	₱19,036	₱1,197	₱11,892	₱32,125

Salary loans

	Consolidated							
	Outstanding Balance				ECL			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
January 1, 2019	**₱2,985,678**	**₱6,912**	**₱54,483**	**₱3,047,073**	**₱109,492**	**₱6,161**	**₱52,514**	**₱168,167**
New loans	**1,839,359**	**–**	**–**	**1,839,359**	**50,520**	**–**	**–**	**50,520**
Assets derecognized or repaid	**(1,626,872)**	**(3,700)**	**(26,671)**	**(1,657,248)**	**(15,090)**	**(2,973)**	**(24,755)**	**(42,818)**
Transfer to Stage 1	**673**	**(31)**	**(642)**	**–**	**642**	**(28)**	**(614)**	**–**
Transfer to Stage 2	**(13,509)**	**13,509**	**–**	**–**	**(591)**	**591**	**–**	**–**
Transfer to Stage 3	**(81,483)**	**(3,181)**	**84,664**	**–**	**(50,068)**	**(3,159)**	**53,227**	**–**
Written off	**–**	**–**	**(77,816)**	**(77,816)**	**–**	**–**	**(77,816)**	**(77,816)**
Impact on yearend ECL of exposures transferred between stages during the year	**–**	**–**	**–**	**–**	**(612)**	**11,120**	**30,647**	**41,155**
Changes to models and inputs used for ECL calculations	**–**	**–**	**–**	**–**	**(50,838)**	**(2,012)**	**7**	**(52,843)**
December 31, 2019	**₱3,103,846**	**₱13,509**	**₱34,013**	**₱3,151,368**	**₱43,455**	**₱9,700**	**₱33,210**	**₱86,365**

	Consolidated							
	Outstanding Balance				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
January 1, 2018	₱2,488,565	₱11,844	₱26,106	₱2,526,515	₱94,435	₱10,519	₱25,037	₱129,991
New loans	1,922,291	–	–	1,922,291	71,518	–	–	71,518
Assets derecognized or repaid	(1,367,533)	(6,059)	–	(1,373,592)	(54,008)	(5,373)	–	(59,381)
Transfer to Stage 1	3,684	(3,079)	(605)	–	3,314	(2,739)	(575)	–
Transfer to Stage 2	(6,912)	6,912	–	–	(254)	254	–	–
Transfer to Stage 3	(54,417)	(2,706)	57,123	–	(2,583)	(2,397)	4,980	–
Written off	–	–	(28,141)	(28,141)	–	–	(28,141)	(28,141)
Impact on yearend ECL of exposures transferred between stages during the year	–	–	–	–	(4,845)	5,895	51,089	52,139
Changes to models and inputs used for ECL calculations	–	–	–	–	1,915	2	124	2,041
December 31, 2018	₱2,985,678	₱6,912	₱54,483	₱3,047,073	₱109,492	₱6,161	₱52,514	₱168,167

	Parent Company							
	Outstanding Balance				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
January 1, 2019	₱2,985,678	₱6,912	₱54,483	₱3,047,073	₱109,492	₱6,161	₱52,514	₱168,167
New loans	1,831,633	–	–	1,831,633	50,443	–	–	50,443
Assets derecognized or repaid	(1,626,463)	(3,700)	(26,676)	(1,656,839)	(15,086)	(2,973)	(24,755)	(42,814)
Transfer to Stage 1	673	(31)	(642)	–	642	(28)	(614)	–
Transfer to Stage 2	(12,956)	12,956	-	–	(585)	585	–	–
Transfer to Stage 3	(81,482)	(3,181)	84,664	–	(50,068)	(3,159)	53,227	–
Written off	–	–	(77,816)	(77,816)	–	–	(77,816)	(77,816)
Impact on yearend ECL of exposures transferred between stages during the year	–	–	–	–	(612)	11,070	30,647	41,105
Changes to models and inputs used for ECL calculations	–	–	–	–	(50,838)	(2,227)	7	(53,058)
December 31, 2019	₱3,097,082	₱12,956	₱34,013	₱3,144,051	₱43,388	₱9,429	₱33,210	₱86,027

	Parent Company							
	Outstanding Balance				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
January 1, 2018	₱2,488,565	₱11,844	₱26,106	₱2,526,515	₱94,435	₱10,519	₱25,037	₱129,991
New loans	1,922,291	–	–	1,922,291	71,518	–	–	71,518
Assets derecognized or repaid	(1,367,533)	(6,059)	–	(1,373,592)	(54,008)	(5,373)	–	(59,381)
Transfer to Stage 1	3,684	(3,079)	(605)	–	3,314	(2,739)	(575)	–
Transfer to Stage 2	(6,912)	6,912	–	–	(254)	254	–	–
Transfer to Stage 3	(54,417)	(2,706)	57,123	–	(2,583)	(2,397)	4,980	–
Written off	–	–	(28,141)	(28,141)	–	–	(28,141)	(28,141)
Impact on yearend ECL of exposures transferred between stages during the year	–	–	–	–	(4,845)	5,895	51,089	52,139
Changes to models and inputs used for ECL calculations	–	–	–	–	1,915	2	124	2,041
December 31, 2018	₱2,985,678	₱6,912	₱54,483	₱3,047,073	₱109,492	₱6,161	₱52,514	₱168,167

Other receivables

Other receivables consist of Agricultural loans, Microfinance loans, Finance lease receivables and Loans and receivables – financed.

	Consolidated							
	Outstanding Balance				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
January 1, 2019	₱2,735,115	₱77,321	₱271,323	₱3,083,759	₱27,788	₱12,745	₱175,683	₱216,216
New loans	4,519,313	3,598	7,386	4,530,297	169,056	441	6,651	176,148
Assets derecognized or repaid	(3,414,032)	(31,449)	(73,465)	(3,518,946)	(159,324)	(12,916)	(42,027)	(214,267)
Transfer to Stage 1	12,135	(9,208)	(2,927)	–	2,975	(1,575)	(1,400)	–
Transfer to Stage 2	(183,378)	187,712	(4,334)	–	(5,333)	7,411	(2,078)	–
Transfer to Stage 3	(256,216)	(37,896)	294,112	–	(19,035)	(15,679)	34,714	–
Written off	–	(8,939)	(192,329)	(201,268)	–	(8,939)	(192,361)	(201,300)
Impact on yearend ECL of exposures transferred between stages during the year	–	–	–	–	14,674	58,856	198,460	271,990
Changes to models and inputs used for ECL calculations	–	–	–	–	101,922	23,286	5,687	130,895
December 31, 2019	₱3,412,937	₱181,139	₱299,766	₱3,893,842	₱132,723	₱63,630	₱183,329	₱379,682

	Consolidated							
	Outstanding Balance				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
January 1, 2018	₱2,071,440	₱36,672	₱152,706	₱2,260,818	₱19,855	₱4,237	₱81,905	₱105,997
New loans	3,776,492	2,321	5,396	3,784,209	35,871	90	1,349	37,310
Assets derecognized or repaid	(2,864,706)	(9,319)	(19,000)	(2,893,025)	(26,671)	(1,316)	(7,096)	(35,083)
Transfer to Stage 1	663	(345)	(318)	-	245	(7)	(238)	-
Transfer to Stage 2	(75,247)	75,247	-	-	(657)	657	-	-
Transfer to Stage 3	(173,527)	(27,255)	200,782	-	(1,418)	(4,971)	6,389	-
Written off	–	–	(68,243)	(68,243)	–	–	(68,243)	(68,243)
Impact on yearend ECL of exposures transferred between stages during the year	–	–	–	–	563	14,055	161,617	176,235
Changes to models and inputs used for ECL calculations	–	–	–	–	–	–	–	–
December 31, 2018	₱2,735,115	₱77,321	₱271,323	₱3,083,759	₱27,788	₱12,745	₱175,683	₱216,216

Other receivables from customers
Other receivables from customers of the Group include small portfolios such as credit card receivables, accounts receivables, accrued interest receivables and sales contract receivables. Credit risk associated with these receivables is assessed based on days past due.

The description of each groupings according to stage is explained further as follows:
- Stage 1 - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, does not demonstrate significant increase in credit risk.
- Stage 2 - those that are considered more 30 days past due but does not demonstrate objective evidence of impairment as of reporting date, and, based on change in rating, delinquencies and payment history, demonstrates significant increase in credit risk.
- Stage 3 - Those that are considered default or demonstrates objective evidence of impairment as of reporting date.

Below is a summary as of December 31, 2019 and 2018 of the Group's and Parent Company's other receivables from customers (outstanding balance and accrued interest):

	2019				
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**ECL**
Group	₱4,495,762	₱81,202	₱43,638	₱4,620,602	₱72,982
Parent Company	4,285,540	80,047	43,459	4,409,096	49,602

	2018				
	Stage 1	Stage 2	Stage 3	Total	ECL
Group	₱6,830,774	₱20,796	₱67,192	₱6,918,762	₱41,198
Parent Company	6,572,472	17,921	67,192	6,657,585	31,656

Treasury assets
Treasury assets include investment securities at amortized cost and FVOCI. The credit quality of the treasury assets is managed by reference to external ratings and supplemented by individual assessments. External ratings of the Group's exposures to sovereigns, governments, financial institutions and corporates are obtained from Moody's, a globally recognized external rating agency, and from Philippine Rating System, as applicable.

The Group applies the low credit risk simplification provided under PFRS 9 in the staging assessment of its treasury assets. Under this operational simplification, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition (i.e. under 'Stage 1') if the financial instrument is determined to have a low credit risk at the reporting date. In this case, an external rating of 'investment grade' is considered as having low credit risk. Otherwise, those financial instruments that are 'non-investment grade' are under 'Stage 2'.

The Group uses the available external data, which include the annual and recovery studies for sovereign and corporate issuers, in its PD estimation. Based on this historical information, the Group has developed through-the-cycle PDs which are scaled to the observed point-in-time PDs as of the reporting dates.

Details related to PD calibrations, loss given default and overlay are discussed in the next section.

The tables below show the credit quality and the maximum exposure to credit risk of the Group's and Parent Company's treasury assets based on the Group reference to external ratings and the year-end stage classification as of December 31, 2019 and 2018.

Investment securities at amortized cost

The Group determined that these investments are rated as investment grade and are considered low credit risk financial assets. The Group assessed that the impact of 12-monty ECL ("Stage 1") is not material.

The Group's total investment securities at amortized cost amounting to ₱16.95 billion and ₱15.12 billion as of December 31, 2019 and 2018, respectively, are classified under Stage 1.

Investment securities at FVOCI

	2019				
	ECL Staging				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
AAA	**₱12,025,836**	**₱–**	**₱–**	**₱–**	**₱12,025,836**
AA	–	–	–	–	–
A	–	–	–	–	–
BAA	**6,088,005**	–	–	–	**6,088,005**
BA	–	–	–	–	–
Total	**₱18,113,841**	**₱–**	**₱–**	**₱–**	**₱18,113,841**

	2018				
	ECL Staging				
	Stage 1	Stage 2	Stage 3	POCI	Total
AAA	₱1,574,525	₱–	₱–	₱–	₱1,574,525
AA	451,771	–	–	–	451,771
A	505,461	–	–	–	505,461
BAA	15,856,871	–	–	–	15,856,871
BA	–	2,198,497	–	–	2,198,497
Total	18,388,628	2,198,497	–	–	20,587,125

An analysis of the changes in the fair values and the corresponding ECLs is as follows:

	Consolidated							
	Outstanding Balance				ECL			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
January 1, 2019	**₱18,388,628**	**₱2,198,497**	**₱–**	**₱20,587,125**	**₱155**	**₱308,384**	**₱–**	**₱308,539**
New assets originated or purchased	**167,708,367**	–	–	**167,708,367**	**396**	–	–	**396**
Assets derecognized or matured (excluding write-offs)	**(168,158,464)**	**(2,198,497)**	–	**(170,356,961)**	**(223)**	**(308,384)**	–	**(308,607)**
Change in Fair Value	**195,438**	–	–	**195,438**	**15**	–	–	**15**
Changes to models and inputs used for ECL calculations	–	–	–	–	**5**	–	–	**5**
Foreign exchange differences	**(20,128)**			**(20,128)**	**(4)**	–	–	**(4)**
December 31, 2019	**₱18,113,841**	**₱–**	**₱–**	**₱18,113,841**	**₱344**	**₱–**	**₱–**	**₱344**

	Consolidated							
	Outstanding Balance				ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
January 1, 2018	₱4,741,973	₱4,149,431	₱–	₱8,891,404	₱117	₱415,129	₱–	₱415,246
New assets originated or purchased	17,069,039	–	–	17,069,039	117	–	–	117
Assets derecognized or matured (excluding write-offs)	(2,819,123)	(1,848,583)	–	(4,667,706)	(2)	(58,515)	–	(58,517)
Change in Fair Value	(603,261)	(102,351)	–	(705,612)	(9)	(43,834)	–	(43,843)
Changes to models and inputs used for ECL calculations	–	–	–	–	(68)	(4,396)	–	(4,464)
December 31, 2018	₱18,388,628	₱2,198,497	₱–	₱20,587,125	₱155	₱308,384	₱–	₱308,539

Loan Commitments and Financial Guarantees

As at December 31, 2019 and 2018, the Group and the Parent Company's loan commitments and financial guarantees with carrying amount of ₱5.32 billion and ₱5.89 billion have recorded allowance based on 12-month ECL ("Stage 1") amounting to ₱6.10 million and ₱7.06 million, respectively. There were no transfers out of stage 1 in 2019 and 2018.

Due from BSP, Due from other banks, Interbank loan receivable and SPURA
The Group's funds are deposited only in banks that are directly, or comparably with the peer institutions, rated as investment grade by the global external rating agency. Accordingly, placements in BSP and these banks are considered to be low credit risk investments. As at December 31, 2019 and 2018, the Group and the Parent Company determined that the impact of 12-month ECL ("Stage 1") is not material.

PD calibration
It is the Parent Company's policy to calibrate PDs on quarterly basis for all commercial loans, consumer loans and treasury assets. Calibration requires estimation of the observed default rate (ODR). The Parent Company scales the TTC PDs for each risk rating (for commercial loans and treasury assets) or delinquency buckets (for consumer loans) to the PIT PDs by matching the portfolio PD estimate to the latest ODR.

Loss given default
For commercial and consumer loans, the Parent Company estimates the LGD using four (4) workout methods: curing, restructuring, writing-off and liquidation. For each workout method, the Parent Company computed for the weighted average portfolio LGD. For treasury assets, the Parent Company uses the LGD rates from a study conducted by an external rating agency.

Overlay
Calibration of overlay multipliers is done annually. In the model development process, the Group has chosen a final selection of relevant macroeconomic factors for each portfolio and designed a model that takes into consideration the impact of changes in these macroeconomic factors in the Group's forecast of ECL.

In 2018, the Group incorporated overlay to its ECL estimation using the following economic inputs:
- Gross Domestic Product (GDP)
- Gross National Income
- Consumer Price Index (CPI)
- Philippine Stock Exchange Index (PSEI)
- PHP/USD exchange rate
- Bank average lending rates

In 2019, after model reviews, the Group relied on the following as economic inputs in measuring ECL.
- Gross Domestic Product (GDP)
- Gross National Income
- Inflation
- Consumer Price Index (CPI)
- Philippine Stock Market Composite Index
- Unemployment rates

Carrying amount of financial assets whose terms have been renegotiated
As at December 31, 2019 and 2018, the carrying values of the Parent Company's restructured financial assets pertaining to commercial lending amounted to ₱1.85 billion and ₱2.52 billion, respectively.

Receivables of the subsidiaries restructured have carrying values amounting to ₱0.08 billion and ₱0.12 billion in 2019 and 2018, respectively.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. It is the Group's primary objective to ensure payment of maturing financial obligations and commitments as these fall due and be able to fund contingency requirements as well when these arise. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The ALCO ensures that at all times, the Group maintains adequate liquidity, has sufficient capital and appropriate funding. The balance between cost and liquidity as well as any issues among business lines are resolved by the ALCO.

It is the Group's policy that proprietary trading and investment positions are taken from long-term deposits. A significant portion of the Group's deposits can be considered long-term, due to a relatively high rollover ratio of its term deposits and its current and savings account. The high-yielding securities, which are relatively easy to liquidate in the event a fund need arises, are used to match the duration profile of the deposits.

It is the Group policy that liquidity risk exposure be limited to what the Group can fund given its available sources of funds. The subject exposure should not exceed the maximum cumulative outflow limits approved for the given period.

In addition, the Parent Company maintains liquidity and statutory reserve with the BSP equivalent to 14.00% and 18.00% of customer deposits for peso-denominated deposits only in 2019 and 2018, respectively. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Parent Company.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

The Parent Company's liquidity risk is managed by holding sufficient liquid assets and of appropriate quality to ensure short-term funding requirements are met and by maintaining a balanced loan portfolio which is repriced on a regular basis. Deposits with banks are made on a short-term basis with almost all being available on demand or within one month.

The Treasury Group uses liquidity forecast models that estimate the Parent Company's cash flow needs based on the observed behavior of the deposits under normal circumstances and extraordinary circumstances. The plans and strategies in the liquidity risk management are contained on the Board-approved Treasury Operational and Contingency Funding Plan. The RMU prepares a Maximum Cumulative Outflow (MCO) report, which quantifies the Parent Company's liquidity mismatch risk monthly.

Financial assets

Analysis of equity securities under FVTPL and Investment securities at FVOCI/AFS investments into maturity groupings is based on the expected date on which the assets will be realized. For the other financial assets, the analysis into maturity groupings is based on the remaining period from the end of the period to the contractual maturity date or if earlier, the expected date on which 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, except for certain core deposits in which the Group's maturity groupings is based on behavioral movements. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay.

Contingent liabilities and commitments
Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contract, the maximum amount of guarantee is allocated in the earliest period in which the guarantee can be called. The Group expects that not all of the contingent liabilities or commitments (see Note 31) will be drawn before expiry of the commitments.

Liquidity is monitored by the Group on a daily basis and further analyzed at predetermined scenarios/situations.

The table below shows the maturity profile of the financial instruments, based on the contractual maturity of principal and interest cash flows (in millions):

	2019					
	Consolidated					
	On Demand	1 to 3 months	3 to 12 months	1 to 5 Years	More than 5 years	Total
Financial Assets						
Cash and other cash items	₱4,050	₱–	₱–	₱–	₱–	₱4,050
Due from BSP*	39,090	14	–	–	–	39,104
Due from other banks	3,623	39	–	–	–	3,662
Interbank loans receivables and SPURA*	–	3,542	–	–	–	3,542
Financial assets at FVTPL	134	663	88	–	–	885
Investment securities at FVOCI	–	7,665	10,499	–	–	18,164
Investment securities at amortized cost*	–	469	878	6,404	20,780	28,531
	46,897	12,392	11,465	6,404	20,780	97,938
Loans and receivables						
Loans and discounts	596	29,357	16,601	28,347	93,701	168,603
Finance lease receivables	40	60	152	59	545	856
Loans and receivables financed	–	32	16	46	131	225
Customers' liabilities under acceptances and letters of credit/trust receipts	–	1,478	952	–	237	2,667
Bills purchased	–	–	–	–	257	257
Sales contract receivables	–	–	–	153	–	153
Accrued interest receivable	4	1,312	–	–	–	1,316
Accounts receivables	–	51	–	–	426	477
	₱47,537	₱44,683	₱29,187	₱35,008	₱116,078	₱272,492
Financial Liabilities						
Deposit liabilities						
Demand	₱96,700	₱–	₱–	₱–	₱–	₱96,700
Savings*	4,199	31,906	8,251	398	31,620	76,374
Time*	429	12,908	9,886	17,099	–	40,322
	101,328	44,814	18,137	17,497	31,620	213,396
Bills payable and SSURA*	728	1	33	1,746	826	3,333
Bonds payable*	–	42	243	7,546		7,831
Manager's check	717	–	–	–	–	717
Subordinated debt*	–	42	211	6,100	–	6,353
Derivative Liability	4	–	–	–	–	4
Accrued interest and other expense payable	1,016	63	1	10	17	1,107
Other liabilities*	3,314	139	246	862	126	4,687
	107,107	45,101	18,871	33,760	32,589	237,428
Loan commitments and financial guarantees	1,175	1,881	3,009	–	–	6,065
	₱108,282	₱46,982	₱21,880	₱33,760	₱32,589	₱243,493

2019
Consolidated

	2019					
	Consolidated					
	On Demand	1 to 3 months	3 to 12 months	1 to 5 Years	More than 5 years	Total
	On Demand	1 to 3 months	3 to 12 months	1 to 5 Years	More than 5 years	Total
Financial Assets						
Cash and other cash items	**₱4,050**	**₱–**	**₱–**	**₱–**	**₱–**	**₱4,050**
Due from BSP*	**39,090**	**14**	**–**	**–**	**–**	**39,104**
Due from other banks	**3,623**	**39**	**–**	**–**	**–**	**3,662**
Interbank loans receivables and SPURA*	**–**	**3,542**	**–**	**–**	**–**	**3,542**
Financial assets at FVTPL	**134**	**663**	**88**	**–**	**–**	**885**
Investment securities at FVOCI	**–**	**7,665**	**10,499**	**–**	**–**	**18,164**
Investment securities at amortized cost*	**–**	**469**	**878**	**6,404**	**20,780**	**28,531**
	46,897	**12,392**	**11,465**	**6,404**	**20,780**	**97,938**
Loans and receivables						
Loans and discounts	**596**	**29,357**	**16,601**	**28,347**	**93,701**	**168,603**
Finance lease receivables	**40**	**60**	**152**	**59**	**545**	**856**
Loans and receivables financed	**–**	**32**	**16**	**46**	**131**	**225**
Customers' liabilities under acceptances and letters of credit/trust receipts	**–**	**1,478**	**952**	**–**	**237**	**2,667**
Bills purchased	**–**	**–**	**–**	**–**	**257**	**257**
Sales contract receivables	**–**	**–**	**–**	**153**	**–**	**153**
Accrued interest receivable	**4**	**1,312**	**–**	**–**	**–**	**1,316**
Accounts receivables	**–**	**51**	**–**	**–**	**426**	**477**
	₱47,537	**₱44,683**	**₱29,187**	**₱35,008**	**₱116,078**	**₱272,492**
Financial Liabilities						
Deposit liabilities						
Demand	**₱96,700**	**₱–**	**₱–**	**₱–**	**₱–**	**₱96,700**
Savings*	**35,819**	**31,906**	**8,251**	**398**	**–**	**76,374**
Time*	**429**	**12,908**	**9,886**	**17,099**	**–**	**40,322**
	132,948	**44,814**	**18,137**	**17,497**	**–**	**213,396**
Bills payable and SSURA*	**728**	**1**	**33**	**1,746**	**826**	**3,333**
Bonds payable*	**–**	**42**	**243**	**7,546**		**7,831**
Manager's check	**717**	**–**	**–**	**–**	**–**	**717**
Subordinated debt*	**–**	**42**	**211**	**6,100**	**–**	**6,353**
Derivative Liability	**4**	**–**	**–**	**–**	**–**	**4**
Accrued interest and other expense payable	**1,016**	**63**	**1**	**10**	**17**	**1,107**
Other liabilities*	**3,314**	**139**	**246**	**862**	**126**	**4,687**
	138,727	**45,101**	**18,871**	**34,102**	**945**	**237,346**
Loan commitments and financial guarantees	**1,175**	**1,881**	**3,009**	**–**	**–**	**6,065**
	₱139,902	**₱46,982**	**₱21,880**	**₱34,157**	**₱945**	**₱243,411**

**Includes future interest*

	2018					
	Consolidated					
	On Demand	1 to 3 months	3 to 12 months	1 to 5 Years	More than 5 years	Total
Financial Assets						
Cash and other cash items	₱3,765	₱–	₱–	₱–	₱–	3,765
Due from BSP*	29,012	–	–	–	–	29,012
Due from other banks	3,551	–	–	–	–	3,551
Interbank loans receivables and SPURA*	–	2,809	–	–	–	2,809
Financial assets at FVTPL	–	835	42	–	–	877
Investment securities at FVOCI	–	2,946	17,960	–	–	20,906
Financial assets at amortized cost*	-	200	264	121	14,532	15,117
	36,328	6,790	18,266	121	14,532	76,037
Loans and receivables						
Loans and discounts	459	31,428	11,087	16,969	90,489	150,432
Finance lease receivables	33	49	125	48	447	702
Loans and receivables financed	–	27	14	39	112	192
Customers' liabilities under acceptances and letters of credit/trust receipts	26	427	701	1,631	1,046	3,831
Bills purchased	–	–	–	–	132	132
Unquoted debt securities	–	–	–	–	–	–
Sales contract receivables	–	–	–	–	–	–
Accrued interest receivable	1	1,453	–	–	–	1,454
Accounts receivables	–	–	–	–	304	304
	₱36,847	₱39,339	₱29,652	₱18,895	₱108,351	₱233,084
Financial Liabilities						
Deposit liabilities						
Demand	₱74,482	₱–	₱–	₱–	₱–	₱74,482
Savings*	3,440	30,074	10,273	407	26,096	70,290
Time*	112	17,907	14,132	15,260	–	47,411
LTNCD*	–	900	–	–	–	900
	78,034	48,881	24,405	15,667	26,096	193,083
Bills payable and SSURA*	1,222	502	-	1,950	1,248	4,922
Manager's check	319	–	–	–	–	319
Subordinated debt*	-	–	–	–	4,971	4,971
Derivative Liability	3	–	–	–	-	3
Accrued interest and other expense payable	1,188	118	-	56	32	1,394
Other liabilities	3,121	78	245	96	145	3,685
	83,887	49,579	24,650	17,769	32,428	208,377
Loan commitments and financial guarantees	375	2,344	1,927	161	–	4,807
	₱84,262	₱51,923	₱26,577	₱17,930	₱32,428	₱213,184

**Includes future interest*

	2019					
	Parent Company					
	On Demand	**1 to 3 months**	**3 to 12 months**	**1 to 5 Years**	**More than 5 years**	**Total**
Financial Assets						
Cash and other cash items	**₱4,019**	**₱–**	**₱–**	**₱–**	**₱–**	**₱4,019**
Due from BSP*	**39,003**	**14**	–	–	–	**39,017**
Due from other banks	**3,364**	–	–	–	–	**3,364**
Interbank loans receivables*	–	**3,542**	–	–	–	**3,542**
Financial assets at FVTPL	**134**	**663**	**61**	–	–	**858**
Investment securities at FVOCI	–	**7,665**	**10,499**	–	–	**18,164**
Financial assets at amortized cost*	–	**430**	**878**	**6,404**	**20,161**	**27,872**
	46,520	**12,314**	**11,438**	**6,404**	**20,161**	**96,836**
Loans and receivables						
Loans and discounts	**270**	**28,750**	**15,523**	**27,279**	**93,799**	**165,621**
Customers' liabilities under acceptances and letters of credit/trust receipts	–	**1,478**	**952**	–	**237**	**2,667**
Bills purchased	–	–	–	–	**257**	**257**
Sales contract receivables	–	–	–	**136**	–	**136**
Accrued interest receivable	**1**	**1,179**	–	–	–	**1,180**
Accounts receivables	–	–	–	–	**438**	**438**
	₱46,792	**₱43,722**	**₱27,913**	**₱33,819**	**₱114,891**	**₱267,136**

(Forward)

	2019					
	Parent Company					
	On Demand	**1 to 3 months**	**3 to 12 months**	**1 to 5 Years**	**More than 5 years**	**Total**
Financial Liabilities						
Deposit liabilities						
Demand	**₱96,691**	**₱–**	**₱–**	**₱–**	**₱–**	**₱96,691**
Savings*	**3,755**	**31,905**	**8,251**	**398**	**31,620**	**75,929**
Time*	**78**	**11,946**	**9,399**	**16,870**	**–**	**38,293**
	100,524	**43,851**	**17,650**	**17,268**	**31,620**	**210,913**
Bills payable and SSURA*	**–**	**–**	**12**	**2,143**	**191**	**2,346**
Bonds Payable	**–**	**42**	**243**	**7,546**	**–**	**7,831**
Manager's check	**717**	**–**	**–**	**–**	**–**	**717**
Subordinated debt*	**–**	**42**	**211**	**6,100**	**–**	**6,353**
Derivative liability	**4**	**–**	**–**	**–**	**–**	**4**
Accrued interest and other expense payable	**992**	**28**	**–**	**10**	**–**	**1,030**
Other liabilities	**2,793**	**87**	**246**	**861**	**126**	**4,113**
	105,030	**44,050**	**18,362**	**33,928**	**31,937**	**233,307**
Loan commitments and financial guarantees	**1,175**	**1,881**	**3,009**	**–**	**-**	**6,065**
	₱106,205	**₱45,931**	**₱21,371**	**₱33,928**	**₱31,937**	**₱239,372**

**Includes future interest*

	2018					
	Parent Company					
	On Demand	1 to 3 months	3 to 12 months	1 to 5 Years	More than 5 years	Total
Financial Assets						
Cash and other cash items	₱3,720	₱–	₱–	₱–	₱–	₱3,720
Due from BSP*	28,949	–	–	–	–	28,949
Due from other banks	3,400	–	–	–	–	3,400
Interbank loans receivables*	–	2,809	–	–	–	2,809
Financial assets at FVTPL	–	808	42	–	–	850
Investment securities at FVOCI	–	2,946	17,673	–	–	20,619
Financial assets at amortized cost*	–	372	782	2,878	21,842	25,874
	36,069	6,935	18,497	2,878	21,842	86,221
Loans and receivables						
Loans and discounts	195	30,585	11,648	17,187	88,497	148,112
Customers' liabilities under acceptances and letters of credit/trust receipts	–	2,064	1,917	–	–	3,981
Bills purchased	–	–	–	–	132	132
Unquoted debt securities	–	–	–	–	–	–
Sales contract receivables	–	–	–	165	–	165
Accrued interest receivable	1	1,452	–	–	–	1,453
Accounts receivables	-	-	-	-	304	304
	₱36,265	₱41,037	₱32,062	₱20,230	₱110,776	₱240,369
Financial Liabilities						
Deposit liabilities						
Demand	₱74,510	₱–	₱–	₱–	₱–	₱74,510
Savings*	3,150	30,345	10,275	310	26,096	70,176
Time*	112	17,857	13,715	17,007	–	48,691
LTNCD*	–	900	–	–	–	900
	77,772	49,102	23,990	17,316	26,096	194,277
Bills payable and SSURA*	1,067	413	45	1,390	1,366	4,280
Manager's check	319	–	–	–	–	319
Subordinated debt*	–	42	211	1,125	5,535	6,913
Derivative liability	3	–	–	–	–	3
Accrued interest and other expense payable	1,160	29	–	–	10	1,199
Other liabilities	2,447	–	–	–	–	2,447
	82,768	49,586	24,245	19,831	33,007	209,438
Loan commitments and financial guarantees	375	2,344	1,927	161	–	4,807
	₱83,143	₱51,930	₱26,172	₱19,992	₱33,007	₱214,245

**Includes future interest*

The maturity profile of the principal and contractual interest cash flows on major classes of the Group's financial liabilities and off-balance sheet financial guarantees and commitments, considering their contractual maturities are as follows (in millions):

	2019					
	Consolidated					
	On Demand	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Deposit liabilities						
Demand	**₱96,700**	**₱–**	**₱–**	**₱–**	**₱–**	**₱96,700**
Savings	**35,819**	**31,906**	**8,251**	**321**	**77**	**76,374**
Time	**429**	**12,908**	**9,886**	**17,099**	**–**	**40,322**
Bills payable and SSURA	**331**	**1**	**33**	**2,087**	**802**	**3,254**
Bonds payable	**–**	**42**	**243**	**7,546**	**–**	**7,831**
Subordinated debt securities	**–**	**42**	**211**	**6,100**	**–**	**6,353**
Manager's check	**717**	**–**	**–**	**–**	**–**	**717**
Accrued interest and other expense payable	**1,016**	**63**	**1**	**10**	**17**	**1,107**
Derivative liablities	**4**	**–**	**–**	**–**	**–**	**4**
Other liabilities	**3,314**	**139**	**246**	**862**	**126**	**4,687**
Loan commitments and financial guarantees	**1,175**	**1,881**	**3,009**	**–**	**–**	**6,065**
	₱139,505	**₱46,982**	**₱21,880**	**₱34,025**	**₱1,022**	**₱243,414**

	2018					
	Consolidated					
	On Demand	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Deposit liabilities						
Demand	₱74,482	₱–	₱–	₱–	₱–	74,482
Savings	3,440	30,074	10,273	407	26,096	70,290
Time	112	17,907	14,132	15,260	–	47,411
LTNCD	–	900	–	–	–	900
Bills payable and SSURA	1,222	502	–	1,950	1,248	4,922
Subordinated debt securities	–	–	–	–	4,971	4,971
Manager's check	319	–	–	–	–	319
Accrued interest and other expense payable	1,188	118	–	56	32	1,394
Other liabilities	3,124	78	245	96	145	3,688
Loan commitments and financial guarantees	213	–	–	–	4,595	4,808
	₱84,100	₱49,579	₱24,650	₱17,769	₱37,087	₱213,185

	2019					
	Parent Company					
	On Demand	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Deposit liabilities						
Demand	**₱96,691**	**₱–**	**₱–**	**₱–**	**₱–**	**₱96,691**
Savings	**35,374**	**31,906**	**8,251**	**321**	**77**	**75,929**
Time	**78**	**11,946**	**9,399**	**16,870**	**–**	**38,293**
Bills payable and SSURA	**–**	**–**	**12**	**2,087**	**167**	**2,266**
Bonds payable	**–**	**42**	**243**	**7,546**	**–**	**7,831**
Subordinated debt securities	**–**	**42**	**211**	**6,100**	**–**	**6,353**
Manager's check	**717**	**–**	**–**	**–**	**–**	**717**
Accrued interest and other expense payable	**992**	**28**	**–**	**10**	**–**	**1,030**
Derivative Liabilities	**4**	**–**	**–**	**–**	**–**	**4**
Other liabilities	**2,793**	**87**	**246**	**862**	**126**	**4,114**
Loan commitments and financial guarantees	**1,175**	**1,881**	**3,009**	**–**	**–**	**6,065**
	₱137,824	**₱45,932**	**₱21,371**	**₱33,796**	**₱370**	**₱239,293**

	2018					
	Parent Company					
	On Demand	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Deposit liabilities						
Demand	₱74,510	₱–	₱–	₱–	₱–	₱74,510
Savings	29,063	39,140	1,656	–	–	69,859
Time	–	25,875	6,127	14,078	–	46,080
LTNCD	–	900	–	–	–	900
Bills payable and SSURA	1,067	413	–	1,277	1,248	4,005
Subordinated debt securities	–	–	–	–	4,971	4,971
Manager's check	–	–	–	–	319	319
Accrued interest and other expense payable	391	–	–	–	807	1,198
Derivative Liabilities	3	–	–	–	–	3
Other liabilities	2,450	–	–	–	–	2,450
Loan commitments and financial guarantees	213	–	–	–	4,595	4,808
	₱107,697	₱66,328	₱7,783	₱15,355	₱11,940	₱209,103

Below is the maturity profile of the Parent Company's currency forward and swap contracts based on notional amounts as at December 31, 2019 and 2018:

	2019		**2019**		2018		2018	
	Up to 1 month		**1 to 3 months**		Up to 1 month		1 to 3 months	
	Bought	**Sold**	**Bought**	**Sold**	Bought	Sold	Bought	Sold
Currency forwards buy	**$–**	**₱–**	**$1,465**	**₱–**	$3,737	₱198, 495	$–	₱–
Currency forwards sell	**₱10,282,435**	**$202,330**	**₱79,315**	**$–**	₱184,327	$3,470	₱–	$–
Currency swaps buy	**$21,602**	**₱1,100,705**	**$–**	**₱–**	$12,704	₱668,337	$–	₱–
Currency swaps sell	**₱2,576,979**	**$50,733**	**₱–**	**$–**	₱1,854,010	$35,190	₱–	$–

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: interest rate risk, currency risk and other price risks, such as equity price risk and commodity risk. However, the Parent Company is exposed only to interest rate and currency risks. The Parent Company classifies exposures to market risk into either trading or non-trading portfolios.

Market Risk – Trading

The sensitivity analyses in the following sections relate to the Parent Company's trading portfolio position as at December 31, 2019 and 2018.

The sensitivity analyses have been prepared for the purpose of designating interest rate exposures of the Parent Company as at December 31, 2019 and 2018 as a result of fluctuations in market interest.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant statement of income item is the effect of the assumed changes in the respective market risks. This is based on the financial assets and financial liabilities held as at December 31, 2019 and 2018.
- The Parent Company's trading portfolio's sensitivity to interest rate fluctuation was mainly derived using the Modified Duration function.
- Volatility of interest rate movements of benchmark rates namely Philippines BVAL reference rates for government securities and London Interbank Offered Rate (LIBOR) for Eurobonds were used as bases for interest rate sensitivity of the Parent Company's trading portfolio.

The Parent Company uses VaR model, specifically the model-building approach, for interest rate and foreign exchange risk for the bank-wide foreign exchange position. These risks arise from holdings consisting mainly of fixed income securities (both peso and foreign denominated) and foreign exchange transactions. The Parent Company uses foreign exchange rates, treasury rates and actual price movements as risk factors in measuring the VaR of securities in the trading portfolio.

Objectives and limitations of the VaR Methodology
The Parent Company uses VaR to assess possible changes in the market value of the trading portfolio based on historical data from the past 260 trading days. VaR models are designed to measure market risk based on the market conditions of the past 260 trading days. This model assumes that any changes occurring in the risk factors will follow a normal distribution. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day.

The VaR that the Parent Company measures is an estimate, at a confidence level of 99.00%, of the maximum potential loss that the company can incur if the current market risk positions were to be held unchanged for one day. The use of a 99.00% confidence level means that within a ten day horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days.

Due to the fact that this VaR model assumes that price movements follow a normal distribution, it may be limited in measuring risk when the price movements are not normally distributed. Also, because VaR relies heavily on historical data to provide information, it may not be able to account for abnormal market movements.

Thus, VaR calculations are supplemented by stress test calculations to provide meaningful indications of profits and losses in stressed conditions. Also, to determine the reliability of the VaR models, back-testing process is performed quarterly to test the validity of the assumptions and the parameters used in the VaR calculation. The back-test compares the one day Diversified VaR against one day Notional/Unrealized and one day actual/ realized gains/ loss. Results of the Bank's backtesting exercise are reported to the Board on a regular basis. As against Unrealized Losses and Realized Losses, there were a total of five (5) exceptions on the Eurobond portfolio, eight (8) exceptions on the Government Security (Php denominated) portfolio and fifteen (15) exceptions in our FX portfolio.

VaR assumptions
The VaR that the Parent Company measures is an estimate, using a confidence level of 99.00%, of the potential loss that is not expected to exceed if the current market risk positions were to be held unchanged for one day. The use of a 99.00% confidence level means that within a ten day horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days.

Since VaR is an integral part of the Parent Company's market risk management, VaR limits have been established for all trading operations and exposures are reviewed daily against the limits by management.

The following table provides the VaR summary of the Parent Company for the years ended December 31, 2019 and 2018 (amounts in millions):

	Parent Company					
	2019			2018		
	Foreign Exchange Risk		**Interest Rate Risk**	Foreign Exchange Risk		Interest Rate Risk
	In USD	**In Php**	**In Php**	In Php	In Php	In Php
Total VaR	**$0.06**	**₱3.16**	**₱39.90**	$0.24	₱28.68	₱419.98
Average	**0.41**	**20.71**	**219.58**	0.73	33.97	360.73
Minimum	**0.05**	**2.55**	**36.48**	0.06	16.49	195.44
Maximum	**1.22**	**61.85**	**457.25**	1.70	94.21	494.37

Market Risk - Non trading

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The BOD has established earnings at risk (EaR) limits on the interest rate exposure. Positions are monitored on regular basis

The Bank's total books also monitors its exposure to fluctuations in interest rates by measuring the impact of interest rate movements on the net worth of the Bank's total books. This is done by modeling the impact of various changes in interest rates to the net interest positions of the Bank's total books.

Given the repricing position of the assets and liabilities of the Bank's total books, if interest rates increased/decreased by 10 basis points, the Bank's total books would expect annualized net interest income to increase/decrease by ₱360.43 million and ₱199.27 million in 2019 and 2018, respectively. This sensitivity analysis is performed for risk management purposes and assumes no other changes in the repricing structure. Actual changes in net interest income will vary from the model.

The Parent Company's repricing gap is calculated by distributing the accounts into tenor buckets according to the time remaining to the next repricing date and then obtaining the difference between the total of the repricing (interest sensitive) assets and repricing (interest sensitive) liabilities.

A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. Accordingly, during a period of rising interest rates, a bank with a positive gap would be better positioned than one with a negative gap to invest in or hold higher yielding assets more quickly than it would need to refinance its interest-bearing liabilities. During a period of falling interest rates, a bank with a positive gap would tend to see its assets repricing at a faster rate than one with a negative gap, which may restrain the growth of its net income or result in a decline in net interest income.

The following table sets forth the asset-liability gap position of the Parent Company as at December 31, 2019 and 2018 (amounts in millions):

	2019				
	Up to 1 Month	**> 1 to 3 months**	**> 3 to 12 months**	**>12 months**	**Total**
Assets					
Loans and receivables	**₱75,442**	**₱19,830**	**₱29,748**	**₱45,279**	**₱170,299**
Trading and investment securities	**155**	**–**	**2,679**	**32,479**	**35,313**
Placements with other banks	**212**	**–**	**–**	**–**	**212**
Total assets	**75,809**	**19,830**	**32,427**	**77,758**	**205,824**
Liabilities					
Deposit liabilities	**34,033**	**20,855**	**7,175**	**145,682**	**207,745**
Bills payable	**–**	**–**	**–**	**2,222**	**2,222**
Bonds payable	**–**	**–**	**–**	**6,932**	**6,932**
Subordinated debt securities	**–**	**–**	**–**	**4,975**	**4,975**
Total liabilities	**34,033**	**20,855**	**7,175**	**159,811**	**221,874**
Asset-liability gap	**₱41,776**	**(₱1,025)**	**₱25,252**	**(₱82,053)**	**(₱16,050)**

	2018				
	Up to 1 Month	> 1 to 3 months	> 3 to 12 months	>12 months	Total
Assets					
Loans and receivables	₱79,454	₱11,570	₱26,030	₱36,928	₱153,982
Trading and investment securities	2,548	–	250	33,789	36,587
Placements with other banks	309	–	–	–	309
Total assets	82,311	11,570	26,280	70,717	190,878
Liabilities					
Deposit liabilities	34,758	31,157	7,783	117,651	191,349
Bills payable	1,901	–	–	2,104	4,005
Subordinated debt securities	–	–	–	4,971	4,971
Total liabilities	36,659	31,157	7,783	124,726	200,325
Asset-liability gap	₱45,652	(₱19,587)	₱18,497	(₱54,009)	(₱9,447)

Foreign Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The BOD has set limits on the US dollar and aggregate third currency positions. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained with established limits

The Parent Company's foreign currency risk originates from its holdings of foreign currency denominated assets (foreign exchange assets), foreign currency denominated liabilities (foreign exchange liabilities) and foreign currency contingent positions.

Foreign exchange liabilities generally consist of foreign currency deposits in the Parent Company's FCDU and foreign currency-denominated borrowings in the FCDU and RBU books of the Parent Company. Foreign exchange liabilities are used to fund the Parent Company's foreign currency denominated loans and securities portfolio in the FCDU. The Parent Company maintains at least 100.00% asset cover to match the foreign exchange assets with the foreign exchange liabilities held through FCDU and maintains 30.00% liquidity cover as required under current BSP regulations.

The Parent Company's policy is to maintain net open foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Parent Company believes that its profile of foreign currency exposure on its resources and liabilities is within limits for financial institutions engaged in the same type of businesses in which the Parent Company is engaged in.

The following table summarizes the Parent Company's exposure to foreign exchange as at December 31, 2019 and 2018:

	2019				
	RBU		**FCDU**		
	USD	***Others**	**USD**	***Others**	**Total**
Assets					
Cash and other cash items	**$315**	**$596**	**$12,336**	**$963**	**$14,210**
Due from other banks	**33,440**	**680**	**15,650**	**11,497**	**61,267**
IBLR	**–**	**–**	**1,321**	**2,872**	**4,193**
Financial assets at FVTPL	**–**	**–**	**8,738**	**–**	**8,738**
Investment securities at FVOCI/ AFS investments	**744**	**–**	**251,294**	**744**	**252,782**
Investment securities at amortized cost	**–**	**–**	**194,110**	**–**	**194,110**
Loans and receivables	**10,455**	**–**	**222,537**	**2,265**	**235,257**
Total financial assets	**44,954**	**1,276**	**705,986**	**18,341**	**770,557**

(Forward)

	2019				
	RBU		FCDU		
	USD	*Others	USD	*Others	Total
Liabilities					
Deposit liabilities	–	–	**682,969**	**14,021**	**696,990**
Bills payable	–	–	**23,743**	–	**23,743**
Accrued interest and other expenses	–	–	**1,925**	–	**1,925**
Other liabilities	**3,438**	**1,613**	**1,211**	–	**6,262**
Total financial liabilities	**3,438**	**1,613**	**709,848**	**14,021**	**728,920**
Currency Swaps and Forwards	**(29,386)**	–	–	**(9,271)**	**(38,657)**
Net Exposure	**$12,130**	**($337)**	**($3,862)**	**($4,951)**	**$2,980**

**Others in USD equivalent. Consists of Chinese yuan, Euro, British pound, Hong Kong dollar, Japanese yen, South Korean won, Malaysian ringgit, New Zealand dollar and Singapore dollar.*

	2018				
	RBU		FCDU		
	USD	*Others	USD	*Others	Total
Assets					
Cash and other cash items	$249	$447	$7,648	$720	$9,065
Due from other banks	14,525	1,964	33,501	6,047	56,037
IBLR	–	–	2,071	–	2,071
Financial assets at FVTPL	4,210	–	8,252	–	12,462
Investment securities at FVOCI/ AFS investments	–	–	316,094	–	316,094
Investment securities at amortized cost	–	–	160,708	–	160,708
Loans and receivables	2,692	–	105,813	–	108,505
Total financial assets	21,677	2,410	634,087	6,767	664,942
Liabilities					
Deposit liabilities	–	–	583,426	10,801	594,227
Bills payable	–	–	35,590	–	35,590
Accrued interest and other expenses	–	–	1,549	–	1,549
Other liabilities	–	–	13,659	–	13,659
Total financial liabilities	–	–	634,224	10,801	645,025
Currency Swaps and Forwards	(12,997)	–	–	–	(12,997)
Net Exposure	$8,679	$2,410	($137)	($4,033)	$6,290

**Others in USD equivalent. Consists of Australian dollar, Canadian dollar, Swiss franc, Chinese yuan, Euro, British pound, Hong Kong dollar, Japanese yen, South Korean won, Malaysian ringgit,New Zealand dollar and Singapore dollar*

RBU books have foreign currency risk on foreign-currency denominated assets and liabilities while FCDU books have foreign currency risk to foreign currency-denominated assets and liabilities except USD which is the FCDU's functional currency. The translation of FCDU books to Philippine peso presentation currency is recognized in OCI. The following table sets forth, the impact of reasonably possible changes in the USD exchange rate and other currencies per Philippine peso on pre-tax income:

		2019	2018
+10% USD appreciation	P&L	**(₱61,422)**	(₱45,634)
	OCI	**19,559**	21,926
-10% USD depreciation	P&L	**61,422**	45,634
	OCI	**(19,559)**	(21,926)
+20% USD appreciation	P&L	**(122,846)**	(91,268)
	OCI	**39,114**	43,852
-20% USD depreciation	P&L	**122,846**	91,268
	OCI	**(39,114)**	(43,852)

Information related to currency swaps and forwards are shown in Note 8.

Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events.

When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Internal Capital Adequacy Assessment Process
In compliance with BSP Circular No. 639, *Internal Capital Adequacy Assessment Process (ICAAP) and Supervisory Review Process (SRP)*, the Parent Company presented to the BSP its Stage 1 ICAAP on November 6, 2009.

The Stage 1 presentation included an overview of the Parent Company's organizational chart, composition of statement of condition, and key products and services offered. Given the Parent Company's three-year strategic outlook, a capital adequacy analysis was developed given the risks identified based on its statement of condition and operational structure. BSP Circular No. 538, *Revised Risk-Based Capital Adequacy Framework*, provides the guidelines to determine capital charges for market and credit risks. Other risks such as operational, reputational, legal and compliance risks were based on some assumptions using historical data.

The Stage 2 incorporated all the changes required from the Stage 1 discussion. These are as follows:

a. The Parent Company performed various stress test scenarios and measured its impact to the Tier 1 capital ratio and total capital adequacy ratio (CAR) of the Parent Company.
b. The Parent company presented a more detailed capital planning framework including an alternative approach in capital charge determination on top of what is required by Basel II.
c. The Parent Company presented a detailed description of the ICAAP methodology used for each of the risks identified by the company.

This exercise has raised awareness in the Parent Company’s organization in improving its controls on processes and has allowed the Parent Company to redefine its strategy and risk appetite in investments and lending activities and its impact to the Parent Company’s capital.

5. Fair Value Measurement

The following table provides the fair value hierarchy of the Group’s and of the Parent Company’s assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

	Consolidated				
	December 31, 2019				
		Fair Value			
	Carrying Value	Total	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
Held-for-trading securities					
Government securities	**₱464,990**	**₱464,990**	**₱464,990**	**₱–**	**₱–**
Private bonds and commercial papers	**379,612**	**379,612**	**379,612**	**–**	**–**
	844,602	**844,602**	**844,602**	**–**	**–**
Financial assets - mandatorily measured at FVTPL					
Quoted equity securities	**27,196**	**27,196**	**27,196**	**–**	**–**
Derivative assets					
Freestanding derivatives					
Currency forwards and swaps	**13,200**	**13,200**	**–**	**13,200**	**–**
	884,998	**884,998**	**871,798**	**13,200**	**–**

(Forward)

	Consolidated				
	December 31, 2019				
		Fair Value			
	Carrying Value	**Total**	**Quoted Prices in Active Market (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investment securities at FVOCI					
Debt securities					
Government securities	**₱17,289,219**	**₱17,289,219**	**₱15,427,624**	**₱1,861,595**	**₱–**
Private bonds and commercial papers	**824,621**	**824,621**	**824,621**	**–**	**–**
	18,113,840	**18,113,840**	**16,252,245**	**1,861,595**	**–**
Equity securities					
Unquoted equity securities	**49,749**	**49,749**	**–**	**–**	**49,749**
	18,163,589	**18,163,589**	**16,252,245**	**1,861,595**	**49,749**
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost					
Government securities	**16,479,778**	**17,374,643**	**15,643,972**	**1,730,671**	**–**
Private bonds and commercial papers	**471,772**	**489,738**	**489,738**	**–**	**–**
	16,951,550	**17,864,381**	**16,133,710**	**1,730,671**	**–**
Loans and receivables					
Commercial lending	**143,681,463**	**132,503,811**	**–**	**–**	**132,503,811**
Consumer lending	**25,013,266**	**29,184,347**	**–**	**–**	**29,184,347**
Customers' liabilities under acceptances and letters of credit/trust receipts	**2,666,933**	**2,562,115**	**–**	**–**	**2,562,115**
Finance lease receivable	**855,988**	**964,199**	**–**	**–**	**964,199**
Loans and receivable financed	**225,304**	**185,635**	**–**	**–**	**185,635**
	172,442,954	**165,400,107**	**–**	**–**	**165,400,107**
Nonfinancial assets					
Investment properties	**439,573**	**700,700**		**-**	**700,700**
	₱208,882,664	**₱202,897,624**	**₱33,257,753**	**₱3,605,466**	**₱166,034,405**
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	**₱37,324,805**	**₱38,412,289**	**₱–**	**₱–**	**₱38,412,289**
Bills Payable (PDIC)	**1,417,536**	**1,452,221**	**–**	**–**	**1,452,221**
Bonds payable	**6,932,424**	**7,017,643**	**–**	**–**	**7,017,643**
Lease liabilities	**1,168,530**	**1,254,350**	**–**	**–**	**1,254,350**
Subordinated debt	**4,974,730**	**5,005,994**	**–**	**–**	**5,005,994**
	₱51,818,025	**₱53,142,497**	**₱–**	**₱–**	**₱53,142,497**

	Consolidated				
	December 31, 2018				
		Fair Value			
	Carrying Value	Total	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
Held-for-trading securities					
Government securities	₱364,165	₱364,165	₱364,165	₱–	₱–
Private bonds and commercial papers	38,639	38,639	38,639	–	–
	402,804	402,804	402,804	–	–
Financial assets - mandatorily measured at FVTPL					
Quoted equity securities	27,171	27,171	27,171	–	–
Unquoted debt securities	442,724	442,724	–	–	442,724
	469,895	469,895	27,171	–	442,724
Derivative assets					
Freestanding derivatives					
Currency forwards and swaps	5,396	5,396	–	5,396	–
	878,095	878,095	429,975	5,396	442,724

(Forward)

	Consolidated				
	December 31, 2018				
		Fair Value			
	Carrying Value	Total	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities at FVOCI					
Debt securities					
Government securities	19,536,190	19,536,190	19,536,190	–	–
Private bonds and commercial papers	1,317,943	1,317,943	1,317,943	–	–
	20,854,133	20,854,133	20,854,133	–	–
Equity securities					
Unquoted equity securities	50,653	50,653	–	–	50,653
	20,904,786	20,904,786	20,854,133	–	50,653
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost					
Government securities	14,760,063	13,479,280	12,087,475	1,391,805	–
Private bonds and commercial papers	357,352	262,900	–	–	262,900
	15,117,415	13,742,180	12,087,475	1,391,805	262,900
Loans and receivables					
Commercial lending	127,872,439	85,742,744	–	–	85,742,744
Consumer lending	22,559,894	16,149,061	–	–	16,149,061
Customers' liabilities under acceptances and letters of credit/trust receipts	3,830,988	4,464,026	–	–	4,464,026
Finance lease receivable	702,489	689,411	–	–	689,411
Loans and receivable financed	191,981	172,039	–	–	172,039
	155,157,791	107,217,281	–	–	107,217,281
Nonfinancial assets					
Investment properties	420,330	774,610		-	774,610
	₱192,478,417	₱143,516,952	₱33,371,583	₱1,397,201	₱108,748,168
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	₱47,410,944	₱43,669,150	₱–	₱–	₱43,669,150
LTNCD	900,000	789,315	–	–	789,315
Bills Payable (PDIC)	4,922,286	4,528,503	–	–	4,528,503
Subordinated debt	4,971,427	2,377,040	–	–	2,377,040
	₱58,204,657	₱51,364,008	₱–	₱–	₱51,364,008

	Parent Company				
	December 31, 2019				
		Fair Value			
	Carrying Value	**Total**	**Quoted Prices in Active Market (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
Held-for-trading securities					
Government securities	**₱464,990**	**₱464,990**	**₱464,990**	**₱–**	**₱–**
Private bonds and commercial papers	**379,612**	**379,612**	**379,612**	**–**	**–**
	844,602	**844,602**	**844,602**	**–**	**–**
Derivative assets					
Freestanding derivatives					
Currency forwards and swaps	**13,200**	**13,200**	**–**	**13,200**	**–**
	857,802	**857,802**	**844,602**	**13,200**	**–**
Investment securities at FVOCI					
Debt securities					
Government securities	**17,289,219**	**17,289,219**	**15,427,624**	**1,861,595**	**–**
Private bonds and commercial papers	**824,621**	**824,621**	**824,621**	**–**	**–**
	18,113,840	**18,113,840**	**16,252,245**	**1,861,595**	**–**
Equity securities					
Unquoted equity securities	**49,749**	**49,749**	**–**	**–**	**49,749**
	18,163,589	**18,163,589**	**16,252,245**	**1,861,595**	**49,749**

(Forward)

	Parent Company				
	December 31, 2019				
		Fair Value			
	Carrying Value	Total	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost					
Government securities	**₱15,820,573**	**₱16,987,617**	**₱15,256,946**	**₱1,730,671**	**₱–**
Private bonds and commercial papers	**471,772**	**489,738**	**489,738**	**–**	**–**
	16,292,345	**17,477,355**	**15,746,684**	**1,730,671**	**–**
Loans and receivables					
Commercial lending	**143,842,291**	**132,503,811**	**–**	**–**	**132,503,811**
Consumer lending	**21,899,040**	**25,647,800**	**–**	**–**	**25,647,800**
Customers' liabilities under acceptances and letters of credit/trust receipts	**2,666,933**	**2,562,115**	**–**	**–**	**2,562,115**
	168,408,264	**160,713,726**	**–**	**–**	**160,713,726**
Nonfinancial assets					
Investment properties	**278,759**	**374,810**	**–**	**–**	**374,810**
	₱204,000,759	**₱197,587,282**	**₱32,843,531**	**₱3,605,466**	**₱161,138,285**
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	**₱35,296,483**	**₱36,367,275**	**₱–**	**₱–**	**₱36,367,275**
Bills Payable (PDIC)	**1,019,830**	**1,022,753**	**–**	**–**	**1,022,753**
Bonds payable	**6,932,424**	**7,017,642**	**–**	**–**	**7,017,642**
Lease liabilities	**1,116,309**	**1,202,520**	**–**	**–**	**1,202,520**
Subordinated debt	**4,974,730**	**5,005,994**	**–**	**–**	**5,005,994**
	₱49,339,776	**₱50,616,184**	**₱–**	**₱–**	**₱50,616,184**

	Parent				
	December 31, 2018				
		Fair Value			
	Carrying Value	Total	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
Held-for-trading securities					
Government securities	₱364,165	₱364,165	₱364,165	₱–	₱–
Private bonds and commercial papers	38,639	38,639	38,639	–	–
	402,804	402,804	402,804	–	–
Financial assets - mandatorily measured at FVTPL					
Unquoted debt securities	442,724	442,724	–	–	442,724
Derivative assets					
Freestanding derivatives					
Currency forwards and swaps	5,396	5,396	–	5,396	–
	850,924	850,924	402,804	5,396	442,724
Investment securities at FVOCI					
Debt securities					
Government securities	19,261,843	19,261,843	19,261,843	–	–
Private bonds and commercial papers	1,305,965	1,305,965	1,305,965	–	–
	20,567,808	20,567,808	20,567,808	–	–
Equity securities					
Unquoted equity securities	50,653	50,653	–	–	50,653
	20,618,461	20,618,461	20,567,808	–	50,653

(Forward)

	Parent				
	December 31, 2018				
		Fair Value			
	Carrying Value	Total	Quoted Prices in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost					
Government securities	₱14,760,063	₱13,479,280	₱12,087,475	₱1,391,805	₱–
Private bonds and commercial papers	357,352	262,900	–	–	262,900
	15,117,415	13,742,180	12,087,475	1,391,805	262,900
Loans and receivables					
Commercial lending	127,803,343	85,742,744	–	–	85,742,744
Consumer lending	20,240,973	16,149,061	–	–	16,149,061
Customers' liabilities under acceptances and letters of credit/trust receipts	3,830,988	4,464,026	–	–	4,464,026
	151,875,304	106,355,831	–	–	106,355,831
Nonfinancial assets					
Investment properties	276,561	343,490	–	–	343,490
	188,738,665	₱141,910,886	₱33,058,087	₱1,397,201	₱107,455,598
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Time	₱46,080,156	₱42,443,391	₱–	₱–	₱42,443,391
LTNCD	900,000	789,315	–	–	789,315
Bills Payable (PDIC)	4,004,768	3,692,794	–	–	3,692,794
Subordinated debt	4,971,427	2,377,040	–	–	2,377,040
	₱55,956,351	₱49,302,540	₱–	₱–	₱49,302,540

As of December 31, 2019 and 2018, no transfers were made among the three levels in the fair value hierarchy.

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and other cash items, due from BSP and other banks, IBLR and SPURA
The carrying amounts approximate fair values considering that these accounts are short term in nature and consist mostly of overnight deposits and floating rate placements.

Debt securities classified as financial assets at FVTPL, investment securities at FVOCI and AC
Fair values are generally based on quoted market prices. When the market prices are not readily available, the Group used adjusted quoted market prices of comparable investments or applied discounted cash flow methodologies.

The fair value of the Parent Company's unquoted debt securities mandatorily measured at FVTPL have been measured based on quotes received from the instruments' issuer. The model and inputs used in the valuation which were developed and determined by the issuer were not made available to the Parent Company. Under such instance, PFRS 13 no longer requires an entity to create quantitative information to comply with the related disclosure requirements.

Equity securities measured at FVOCI and designated at FVTPL
The Group's investments in equity securities include unquoted stocks. As of December 31, 2019 and 2018, unquoted equity securities pertain primarily to shares acquired only in 2018. Based on management's assessment, the recently transacted purchase price in 2018 approximates the fair value of the shares as of December 31, 2019 and 2018.

Loans and receivables
Fair values of the Group's loans and receivables are estimated using the discounted cash flow methodology, using Philippine BVAL Reference Rates plus estimated credit spread. Where the instrument reprices on a quarterly basis or has a relatively short maturity, the carrying amounts approximate fair values.

Derivative instruments
Fair values are estimated based on accepted market valuation models, quoted market prices or prices provided by independent parties, if available. The most frequently applied valuation techniques include forward pricing and swap model using present value calculations.

Deposit liabilities (demand and savings deposits excluding time deposits and LTNCD)
Carrying amount approximates fair values considering that these are currently due and demandable.

Time deposits, LTNCD, Subordinated debt, Bonds payable and lease liabilities
Fair values of liabilities are estimated using the discounted cash flow methodology using the Philippine BVAL Reference Rates with maturities consistent with those remaining for the liability being valued plus estimated credit spread.

Other financial liabilities
For accrued interest and other expenses and other liabilities, carrying amount approximates fair values due to their short term nature.

Bills payable
Carrying amounts approximate fair values considering that these are short-term payables, except for the bills payable obtained as an incentive from PDIC in which fair value is measured at the present value of future cash flows discounted using the Philippine BVAL Reference Rates with maturities consistent with those remaining for the liability being valued plus estimated credit spread.

Investment properties
The fair value of the investment properties, measured at Level 3, has been determined based on valuations made by accredited external and/or in-house appraisers on the basis of recent sales transactions of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. They make use of market data approach which involves correlation and analysis of comparable lots, either recently sold or offered for sale in the market, upon which the market value of subject property is estimated.

The significant unobservable inputs used in the valuation of the Group's investment properties are as follows:

Significant Unobservable Inputs	
Price per square meter	The unit price assigned to the property
Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of lot size differences on land value.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area

Significant Unobservable Inputs

	of the lot which is associated in designing an improvement which conforms to the highest and best use of the property.
Corner influence	Bounded by two (2) roads

6. Operating Segments

The Group's main operating businesses are organized and managed primarily, according to the current organizational structure. Each segment represents a strategic business unit that caters to the Group's identified markets. The Group's business segments are:

a) Commercial Banking - this segment provides lending, trade and cash management services to corporate and institutional customers, which include large corporate, middle market clients and entrepreneurs;

b) Consumer Banking - this segment offers consumer banking services to retail customers. Consumer lending products include real estate loans, salary loans, auto loans and pension loans;

c) Treasury - this segment is responsible for the execution of the Group's strategic treasury objective set forth in the Group's Treasury Operating Plan, which outlines the Group's strategies in terms of proprietary trading, liquidity, risk, capital, tax management, among others. Treasury segment's functions include managing the Group's reserve and liquidity position and maintaining its balance sheet by investing in sovereign and corporate debt instruments, commercial paper and other securities in the Philippines and other emerging markets. The Treasury segment is also responsible for managing the Group's foreign currency exposure, engaging in proprietary trading of currencies and offering foreign exchange instruments to the Group's corporate customers, as well as the Group's investment portfolio, which is managed with a view to maximizing efficiency and return on capital;

d) Branch Banking - this segment offers retail deposit products, including current accounts (interest bearing and non-interest bearing demand deposits), savings accounts and time deposits in pesos and U.S. dollars. Branch banking segment also provides lending to corporate and institutional customers through its own lending centers situated in selected branches; and

e) Others - this segment includes the Group's income from trust activities, remittances and gains on foreclosure.

The President, being the Group's Chief Operating Decision Maker (CODM), monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment assets are those operating assets employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross income and expense.

The Group's revenue-producing assets are located in the Philippines (i.e., one geographical location); therefore, geographical segment information is no longer presented. The Group has no significant customers which contribute 10.00% or more of the consolidated revenue, net of interest expense.

The segment results include internal transfer pricing adjustments across business units as deemed appropriate by management. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to the business units based on a pool rate which approximates the marginal cost of funds.

Segment information of the Group as at and for the years ended December 31, 2019, 2018 and 2017 follow (amounts in millions):

	Consolidated					
	2019					
	Commercial Banking	**Consumer Banking**	**Treasury**	**Branch Banking**	**Others**	**Total Bankwide**
Statement of income						
Net interest income	**₱2,019**	**₱1,555**	**₱754**	**₱5,052**	**₱37**	**₱9,417**
Other income	**195**	**557**	**1,349**	**425**	**204**	**2,730**
Total operating income	**2,214**	**2,112**	**2,103**	**5,477**	**241**	**12,147**
Other operating expense	**631**	**1,006**	**398**	**3,394**	**173**	**5,602**
Provision for credit and impairment losses	**594**	**518**	**27**	**–**	**–**	**1,139**
Provision for income taxes	**159**	**60**	**549**	**191**	**6**	**965**
Net income for the year	**₱830**	**₱528**	**₱1,129**	**₱1,892**	**₱62**	**₱4,441**
Statement of condition						
Total assets	**₱147,225**	**₱25,792**	**₱86,695**	**₱3,808**	**₱2,474**	**₱265,994**
Total liabilities	**605**	**4,940**	**14,218**	**210,711**	**2,361**	**232,835**
Other segment information						
Depreciation and amortization	**7**	**116**	**4**	**459**	**78**	**663**

	Consolidated					
	2018					
	Commercial Banking	Consumer Banking	Treasury	Branch Banking	Others	Total Bankwide
Statement of income						
Net interest income	₱986	₱991	₱693	₱5,092	₱–	₱7,763
Other income	196	412	390	581	225	1,803
Total operating income	1,183	1,403	1,083	5,673	225	9,566
Other operating expense	481	858	406	2,828	189	4,761
Provision for credit and impairment losses	481	81	(48)	220	0	734
Provision for income taxes	131	80	302	263	8	784
Net income for the year	₱89	₱384	₱423	₱2,362	₱28	₱3,287
Statement of condition						
Total assets	₱70,963	₱13,991	₱76,678	₱73,436	₱2,735	₱237,803
Total liabilities	14,971	3,878	34,506	152,530	2,644	208,529
Other segment information						
Depreciation and amortization	6	109	3	210	82	410

**Pertains to impairment of goodwill allocated to the operations of REPL amounting to ₱30.38 million (see Note 13)

	Consolidated					
	2017					
	Commercial Banking	Consumer Banking	Treasury	Branch Banking	Others	Total Bankwide
Statement of income						
Net interest income	₱1,093	₱920	₱772	₱3,728	₱–	₱6,513
Other income	155	467	679	370	251	1,922
Total operating income	1248	1,387	1,451	4,098	251	8,435
Other operating expense	389	739	291	2,598	201	4,218
Provision for credit and impairment losses	358	114	5	376	30*	823
Provision for income taxes	94	86	243	80	6	509
Net income for the year	₱407	₱448	₱912	₱1,044	₱14	₱2,885
Statement of condition						
Total assets	₱110,511	₱19,793	₱63,567	₱3,137	₱2,927	₱199,935
Total liabilities	14,382	3,481	23,724	129,846	1,682	173,096
Other segment information						
Depreciation and amortization	6	161	3	269	65	505

**Pertains to impairment of goodwill allocated to the operations of REPL amounting to ₱30.38 million (see Note 13)*

7. Interbank Loans Receivable and Securities Purchased Under Repurchased Agreements

Interbank loans receivables (IBLR)
Interbank loans receivables of the Group and Parent Company amounted to ₱0.21 billion and ₱0.31 billion as of December 31, 2019 and 2018, respectively.

In 2019, 2018 and 2017, annual interest rates of peso-denominated IBLR range from 2.75% to 5.25%, 2.88% to 5.06%, and 2.53% to 3.38%, respectively, while annual interest rates of dollar-denominated IBLR, range from 0.10% to 2.72%, 0.82% to 2.50%, and 0.42% to 1.53%, respectively.

Securities purchased under repurchased agreements (SPURA)
During 2019 and 2018, the Group availed of SPURA which are overnight placements with the BSP where the underlying securities cannot be sold or re-pledged. Annual interest rates of SPURA in 2019, 2018, and 2017 were 4.00%, 4.75%, and 3.00%, respectively.

As at December 31, 2019 and December 31, 2018, the Group and Parent Company have outstanding SPURA amounting to ₱3.33 billion and ₱2.50 billion, respectively.

8. Trading, Investment and Derivative Securities

This account consists of:

	Consolidated		**Parent Company**	
	2019	2018	**2019**	2018
Financial assets at FVTPL	**₱884,998**	₱878,095	**₱857,802**	₱850,924
Investment securities at FVOCI	**18,163,589**	20,904,786	**18,163,589**	20,618,461
Investment securities at amortized cost	**16,951,550**	15,117,415	**16,292,345**	15,117,415
	₱36,000,137	₱36,900,296	**₱35,313,736**	₱36,586,800

Financial assets at FVTPL
This account consists of:

	Consolidated		**Parent Company**	
	2019	2018	**2019**	2018
Held-for-trading securities				
Government securities	**₱464,990**	₱364,165	**₱464,990**	₱364,165
Private bonds and commercial papers	**379,612**	38,639	**379,612**	38,639
	844,602	402,804	**844,602**	402,804
Financial assets - mandatorily measured at FVTPL				
Quoted equity securities	**27,196**	27,171	–	–
Unquoted debt securities	–	442,724	–	442,724
	27,196	469,895	–	442,724
Derivative assets	**13,200**	5,396	**13,200**	5,396
	₱884,998	₱878,095	**₱857,802**	₱850,924

Held-for-trading securities
Government securities bear interest rates ranging from 1.50% to 8.60% and from 3.00% to 8.60% per annum and have maturities ranging from 2020 to 2046 and from 2018 to 2049 as of December 31, 2019 and 2018, respectively.

Private bonds and commercial papers consist of foreign currency-denominated bonds issued by domestic and foreign corporations with interest rates ranging from 4.88% to 7.38% and 3.37% to 7.50% per annum, and have maturities ranging from 2022 to 2049 and from 2020 to 2049 as of December 31, 2019 and 2018 respectively.

Financial assets – mandatorily measured at FVTPL
This pertains to the Group's investment in quoted equity securities and an unquoted note whose contractual features did not pass the SPPI criterion. Accordingly, the investment is mandatorily classified at FVTPL.

As of December 31, 2019, the quoted equity securities pertain to investments in preferred shares held by AULFC. These investments are designated at FVTPL as the preferred shares are managed on a fair value basis and they contain embedded call options. As of December 31, 2019 and 2018, AULFC earned dividend income amounting to ₱1.65 million and ₱1.62 million, respectively.

Derivatives
As of December 31, 2019 and 2018, the Group's derivatives consist of freestanding foreign currency swap and forward contracts.

The table below shows the fair values of derivative financial instruments recorded as derivative assets or derivative liabilities identified according to types, together with their notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding as at December 31, 2019 and 2018 and are not indicative of either market risk or credit risk.

	2019		2018		
	Assets	**Liabilities**	Assets	Liabilities	**Notional amount or underlying**
Freestanding derivatives					
Currency forwards and swaps sold	**₱12,818**	**₱–**	₱2,445	₱757	**2019: US$50,202 / JPY80,000** 2018: US$35,568 / CNY8,700 / JPY365,000
Currency forwards and swaps bought	**382**	**4,444**	2,951	2,403	**2019: US$20,000 / EUR1,500** 2018: US$1,001 / EUR3,900 / PHP656,444
	₱13,200	**₱4,444**	₱5,396	₱3,160	

The average forward and swap rates (per US$1) for the currency derivatives transactions are as follows:

	2019	2018
Sold	**50.79**	53.05
Bought	**50.80**	52.57

The movements in the valuation of the Group and the Parent Company's derivatives follow:

	2019	2018
Derivative Assets		
Balance at beginning of year	**₱5,396**	₱63,037
Fair value changes during the year	**13,200**	5,396
Settled transactions	**(5,396)**	(63,037)
Balance at end of year	**₱13,200**	₱5,396
Derivative Liabilities		
Balance at beginning of year	**₱3,160**	₱–
Fair value changes during the year	**4,444**	3,160
Settled transactions	**(3,160)**	–
Balance at end of year	**₱4,444**	₱3,160

Fair value gains in the foreign exchange transactions amounting to ₱8.76 million, ₱2.24 million, and ₱9.00 million in 2019, 2018 and 2017, respectively, are recognized under 'Foreign exchange gain - net'.

Investment securities at FVOCI / AFS Investments
This account consists of:

	Consolidated		Parent Company	
	2019	**2018**	**2019**	**2018**
Debt instruments measured at FVOCI				
Government securities	**₱17,289,219**	₱19,536,190	**₱17,289,219**	₱19,261,843
Private bonds and commercial papers	**824,621**	1,317,943	**824,620**	1,305,965
	18,113,840	20,854,133	**18,113,840**	20,567,808
Equity instruments measured at FVOCI				
Unquoted equity securities	**49,749**	50,653	**49,749**	50,653
	₱18,163,589	₱20,904,786	**₱18,163,589**	₱20,618,461

Government securities include fixed rate treasury notes, treasury bills, corporate bonds and notes that bear interest rates per annum ranging from 0.59% to 8.00% in 2019, from 2.36% to 9.50% in 2018 and from 3.28% to 8.50% in 2017, and have maturities ranging from 2020 to 2031 and from 2019 to 2048 as of December 31, 2019 and 2018, respectively.

Private bonds and commercial papers include foreign currency-denominated bonds with annual interest rates ranging from 4.88% to 6.15%, from 3.54% to 6.88%, and from 3.54% to 8.25% in 2019, 2018 and 2017, respectively, and have maturities ranging from 2021 to 2025 and from 2028 to 2048 as of December 31, 2019 and 2018, respectively.

In 2019, the Group sold significant investment securities under investment securities at FVOCI classification to support the Bank's strategy of loan growth and also driven by favorable market conditions.

The analysis in the movements of ECL for these debt instruments measured at FVOCI in 2019 are disclosed in Note 4.

The movements in net unrealized gains (losses) on debt instruments at FVOCI and AFS investments of the Group and the Parent Company follows:

	Consolidated			Parent Company		
	2019*	2018*	2017**	**2019***	2018*	2017**
Balance at beginning of the year	**(₱491,308)**	₱589,344	(₱1,331,777)	**(₱491,308)**	₱589,344	(₱1,331,777)
Movements in fair values during the year	**260,713**	(692,939)	1,519,019	**260,713**	(692,939)	1,517,620
Impairment losses (reversal) recognized in profit or loss	**(296,783)**	(48,190)	5,674	**(296,783)**	(48,190)	5,274
Net gain (loss) realized in profit or loss	**703,625**	(339,523)	(585,348)	**695,448**	(339,523)	(585,348)
Amortization of net unrealized loss on AFS investments previously reclassified to HTM	**–**	–	21,181	**–**	–	21,181
Net change during the year	**667,015**	(1,080,652)	960,526	**658,838**	(1,080,652)	958,727
Share in change in net unrealized gain on FVOCI /AFS investments of subsidiaries	**–**	–	–	**3,189**	–	(3,189)
Net unrealized losses attributable to the non-controlling interest	**4,988**	–	(4,988)	**–**	–	–
Balance at end of year	**₱170,719**	(₱491,308)	(₱376,239)	**₱170,719**	(₱491,308)	(₱376,239)

*Classified as investment securities at FVOCI
**Classified as AFS investments

Equity instruments measured at FVOCI
In 2018, the Group invested in the shares of stocks of a Singapore-based private company amounting to ₱38.37 million and classified the equity instrument at FVOCI. As of December 31, 2019 and 2018, these equity investments have carrying amount of ₱37.66 million and ₱38.57 million, respectively.

Investment Securities at Amortized Costs
As of December 31, 2019, this account consists of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Government securities	**₱16,479,778**	₱14,760,063	**₱15,820,573**	₱14,760,063
Private bonds and commercial papers	**471,420**	75,000	**471,420**	75,000
Unquoted debt securities	**352**	282,352	**352**	282,352
	₱16,951,550	₱15,117,415	**₱16,292,345**	₱15,117,415

Government securities include fixed rate treasury notes and treasury bills that bear annual interest rates ranging from 3.37% to 8.13% and have maturities ranging from 2020 to 2039 as of December 31, 2019 and annual interest rates ranging from 3.37% to 8.05% and maturities ranging from 2022 to 2037 as of December 31, 2018.

Private bonds and commercial papers consist of foreign currency-denominated bonds with annual interest rates ranging from 2.95% to 9.50% and have maturities ranging from 2020 to 2048 in 2019 for the fixed term debt instruments and annual interest rate of 7.15% and maturity of 2020 in 2018 respectively.

Securities pledged as collateral
The Parent Company's investment in Philippine government securities with face value of ₱1.70 billion and ₱1.65 billion as of December 31, 2019 and 2018 and carrying amount of ₱1.97 billion as of both periods, were pledged to PDIC as security for the financial assistance received. The fair value of these government securities as at December 31, 2019 and 2018 amounted to ₱1.99 billion and to ₱1.76 billion, respectively.

RBA's investment in Philippine government securities with face value of ₱0.57 billion and carrying amount of ₱0.66 billion as of December 31, 2019 were pledged to PDIC as security for the financial assistance received. The fair value of these government securities as at December 31, 2019 amounted to ₱0.65 billion.

In addition, the Parent Company's certain investment securities with face value of ₱1.52 billion and ₱ 1.58 billion as of December 31, 2019 and 2018, respectively and carrying values of ₱1.60 billion and ₱1.71 billion as of December 31, 2019 and 2018, respectively. were used as a collateral for its SSURA borrowings. The fair value of these investment securities as at December 31, 2019 and 2018 amounted to ₱1.65 billion and to ₱1.71 billion, respectively (see Note 34)

Interest Income

Details of interest income on investment securities measured using the effective interest rate method of the Group and the Parent Company follow:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Investment securities at FVOCI	**₱906,477**	₱877,717	₱456,736	**₱885,615**	₱868,859	₱445,571
Investment securities at amortized cost	**718,478**	230,727	623,052	**718,479**	230,727	623,052
	₱1,624,955	₱1,108,444	₱1,079,788	**₱1,604,094**	₱1,099,586	₱1,068,623

Interest income on financial assets at fair value through profit or loss follows:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Financial assets at FVTPL	**₱ 89,904**	₱159,884	₱79,391	**₱89,904**	₱159,884	₱79,391

Trading and Securities Gain - net

Details of this account of the Group and Parent Company follow (in millions):

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Financial assets at FVTPL						
Held-for-trading	**₱142.20**	(₱82.77)	₱30.22	**₱142.20**	(₱82.77)	₱30.21
FVTPL - Mandatory	**(0.56)**	16.38	–	**–**	16.38	–
Designated at FVTPL	**–**	–	(0.43)	**–**	–	–
Investment securities at FVOCI	**1,019.51**	335.62	585.35	**1,019.51**	335.62	585.35
	₱1,161.15	₱269.23	₱615.14	**₱1,161.71**	₱269.23	₱615.56

9. Loans and Receivables

This account consists of:

	Consolidated		Parent	
	2019	2018	**2019**	2018
Loans and discounts	**₱168,694,728**	₱150,432,333	**₱165,719,368**	₱148,044,317
Finance lease receivables	**855,988**	702,489	–	–
Loans and receivables financed	**225,304**	191,981	–	–
	169,776,020	151,326,803	**165,719,368**	148,044,317
Less unearned discounts and unearned lease/finance income	**161,693**	151,259	**97,922**	97,952
	169,614,327	151,175,544	**165,621,446**	147,946,365
Customers' liabilities on bills under letters of credit/trust receipts	**2,430,365**	3,830,988	**2,430,365**	3,830,988
Accrued interest receivable	**1,315,188**	1,538,136	**1,179,629**	1,453,118
Accounts receivable	**327,774**	411,486	**288,071**	257,228
Bills purchased (Note 20)	**257,332**	132,232	**257,332**	132,232
Customers' liabilities under acceptances	**236,568**	149,850	**236,568**	149,850
Sales contract receivables	**152,637**	187,608	**136,130**	165,707
Other Receivables-RCOCI	**149,457**	47,104	**149,455**	47,103
	174,483,648	157,472,948	**170,298,996**	153,982,591
Less allowance for credit losses (Note 16)	**1,944,362**	1,771,343	**1,509,090**	1,577,112
	₱172,539,286	₱155,701,605	**₱168,789,906**	₱152,405,479

Loans rediscounted to BSP
In 2018, the Group availed of bills payable from BSP under the rediscounting facility. Bills payable rediscounted have maturities ranging from 29 days to 161 days and annual interest rates ranging from 5.06% to 5.12%. Outstanding balance of loans under collateral amounted to ₱1.60 billion.

Finance Lease Receivables and Loans and Receivable Financed
The table below presents the breakdown of gross and net investment in finance lease receivables by contractual maturity dates as at December 31, 2019 and 2018:

	2019	2018
Gross investment in finance lease receivables:		
Due within one year	**₱375,569**	₱255,673
Due beyond one year but not beyond five years	**480,419**	446,816
	855,988	702,489
Less unearned lease income:		
Due within one year	**₱31,252**	₱738
Due beyond one year but not beyond five years	–	–
	31,252	738
	₱824,736	₱701,751

The table below presents the breakdown of loans and receivables financed of AULFC by contractual maturity dates as at December 31, 2019 and 2018:

	2019	2018
Due within one year	**₱80,785**	₱79,600
Due beyond one year but not beyond five years	**144,519**	112,381
	₱225,304	₱191,981

Interest Income

Details of interest income on loans and receivables of the Group and the Parent Company follow:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Loans and discounts	**₱11,378,703**	₱8,676,738	₱6,513,570	**₱10,842,638**	₱8,208,599	₱6,181,204
Customers' liabilities under acceptances and letters of credit/trust receipts	**250,187**	227,874	189,209	**250,187**	227,874	189,209
Finance lease receivables	**9,866**	14,346	39,871	**–**	–	–
Loans and receivables financed	**53,379**	45,493	22,925	**–**	–	–
Unquoted debt securities	**–**	209,989	19,627	**–**	209,989	19,627
Bills purchased	**2,317**	3,251	6,316	**2,317**	3,251	6,315
	₱11,694,452	₱9,177,691	₱6,791,518	**₱11,095,142**	₱8,649,713	₱6,396,355

As at December 31, 2019 and 2018, 84.80% and 74.29%, respectively, of the total loans and receivables of the Parent Company were subjected to periodic interest repricing.

10. Investments in Subsidiaries

The movements in the investments in subsidiaries of the Parent Company follow:

	2019	2018
Acquisition costs		
Rural Bank of Angeles*	**₱420,000**	₱420,000
RediMoney Express Pte. Ltd.**	**176,916**	176,916
Cavite United Rural Bank***	**156,036**	156,036
Asia United Leasing and Finance Corporation and Subsidiary***	**35,100**	35,100
	788,052	788,052
Accumulated share in net income		
Balance at beginning of year	**560,971**	441,756
Share in net income (loss) for the year	**(174,280)**	119,215
Balance at end of year	**386,691**	560,971
Accumulated share in other comprehensive income		
Balance at beginning of year	**2,716**	(2,646)
Share in:		
Changes in net unrealized gain on FVOCI investments	**3,189**	–
Cumulative translation adjustment	**(1,250)**	3,840
Remeasurement gains (losses) of retirement obligation	**(7,155)**	1,522
Balance at end of year	**(2,500)**	2,716
Allowance for impairment losses		
Balance at beginning of year	**143,106**	30,381
Provision for impairment losses for the year (Note 16)	**–**	112,725
Balance at end of year	**143,106**	143,106
	₱1,029,137	₱1,208,633

* The principal place of business of RBA is at Miranda corner Sto. Entierro Streets, Angeles City, Pampanga.

** The principal place of business of RES is at 304 Orchard Road, #02-47 Lucky Plaza, Singapore 238863.

*** The principal place of business of CURB is at 636 Tanzang Luma III, Aguinaldo Hi-way, Imus, Cavite Philippines.

**** The principal place of business of AULFC was at 34th Floor Joy-Nostalg Center, 17 ADB Avenue, Ortigas Center, Pasig City.

Refer to Note 2 for the percentage of ownership of the Parent Company in subsidiaries and their principal activities.

Allowance for impairment losses on investment in REPL
The impairment tests in 2018 and 2017 for the goodwill allocated to REPL resulted in impairment losses amounting to ₱112.73 million and ₱30.38 million, respectively (see Note 13). In the separate financial statements of the Parent Company, the impairment is accounted for as allowance, reduced against the carrying amount of the Parent Company's investment in REPL. The impairment losses are included in 'Provision for credit and impairment losses' in the statement of income.

11. Property and Equipment

The compositions of and movements in the Group's property and equipment follow:

	Consolidated						
	2019						
	Land and Building	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**Transportation Equipment**	**Equipment for Lease**	**Right of Use Asset**	**Total**
Cost							
Balances at January 1	**₱635,733**	**₱1,475,912**	**₱932,079**	**₱368,900**	**₱312,934**	**₱–**	**₱3,725,558**
Effect of adoption of PFRS 16 (Note 2)	–	–	–	–	–	**1,028,023**	**1,028,023**
Balances at January 1, as adjusted	**635,733**	**1,475,912**	**932,079**	**368,900**	**312,934**	**1,028,023**	**4,753,581**
Additions	**11,382**	**124,480**	**75,462**	**110,876**	**26,057**	**356,483**	**704,740**
Disposals/pre-terminations	–	**(7,626)**	**(111)**	**(32,377)**	**(156,658)**	**(1,768)**	**(198,540)**
Balances at December 31	**647,115**	**1,592,766**	**1,007,430**	**447,399**	**182,334**	**1,382,738**	**5,259,781**
Accumulated Depreciation and Amortization							
Balances at January 1	**273,403**	**1,263,384**	**765,732**	**194,220**	**148,521**	–	**2,645,260**
Depreciation and amortization	**31,877**	**127,236**	**76,350**	**62,567**	**48,453**	**295,199**	**641,682**
Disposals	–	**(7,580)**	**(112)**	**(27,987)**	**(99,116)**		**(134,795)**
Balances at December 31	**305,280**	**1,383,040**	**841,970**	**228,800**	**97,858**	**295,199**	**3,152,147**
Allowance for impairment losses	**3,289**	–	–	**e–**	–	–	**3,289**
Net Book Value at December 31	**₱338,546**	**₱209,726**	**₱165,460**	**₱218,599**	**₱84,475**	**₱1,087,539**	**₱2,104,345**

	Consolidated					
	2018					
	Land and Building	Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Equipment for Lease	Total
Cost						
Balances at January 1	₱627,045	₱1,353,879	₱871,857	₱348,998	₱416,274	₱3,618,053
Additions	8,688	128,077	61,765	101,488	22,205	322,223
Disposals	-	(6,044)	(1,543)	(81,586)	(125,545)	(214,718)
Balances at December 31	635,733	1,475,912	932,079	368,900	312,934	3,725,558
Accumulated Depreciation and Amortization						
Balances at January 1	241,531	1,141,426	662,988	215,393	151,547	2,412,885
Depreciation and amortization	31,872	127,350	104,287	56,913	68,582	389,004
Disposals	-	(5,392)	(1,543)	(78,086)	(71,608)	(156,629)
Balances at December 31	273,403	1,263,384	765,732	194,220	148,521	2,645,260
Allowance for impairment losses	3,289	–	–	–	–	3,289
Net Book Value at December 31	₱359,041	₱212,528	₱166,347	₱174,680	₱164,413	₱1,077,009

The compositions of and movements in the Parent Company's property and equipment follow:

	Parent Company 2019					
	Land and Building	**Furniture Fixtures and Equipment**	**Leasehold Improvements**	**Transportation Equipment**	**Right of Use**	**Total**
Cost						
Balances at January 1	**₱615,252**	**₱1,437,030**	**₱896,582**	**₱341,944**	**₱–**	**₱3,290,808**
Effect of adoption of PFRS 16 (Note 2)	–	–	–	–	**992,389**	**992,389**
Balances at January 1, as adjusted	**615,252**	**1,437,030**	**896,582**	**341,944**	**992,389**	**4,283,197**
Additions	–	**114,455**	**65,873**	**102,112**	**327,363**	**609,803**
Disposals	–	**(7,072)**	**(80)**	**(30,727)**	–	**(37,879)**
Balances at December 31	**615,252**	**1,544,413**	**962,375**	**413,329**	**1,319,752**	**4,855,121**
Accumulated Depreciation and Amortization						
Balances at January 1	**267,051**	**1,239,448**	**750,489**	**182,606**	–	**2,439,594**
Depreciation and amortization	**30,796**	**118,919**	**65,669**	**56,160**	**281,309**	**552,853**
Disposals	–	**(7,026)**	**(80)**	**(26,186)**	–	**(33,292)**
Balances at December 31	**297,847**	**1,351,341**	**816,078**	**212,580**	**281,309**	**2,959,155**
Net Book Value at December 31	**₱317,405**	**₱193,072**	**₱146,297**	**₱200,749**	**₱1,038,443**	**₱1,895,966**

	Parent Company 2018				
	Land and Building	Furniture, Fixtures and Equipment	Leasehold Improvements	Transportation Equipment	Total
Cost					
Balances at January 1	₱615,120	₱1,323,650	₱849,165	₱330,470	₱3,118,405
Additions	132	119,510	48,960	92,303	260,905
Disposals	–	(6,130)	(1,543)	(80,829)	(88,502)
Balance at December 31	615,252	1,437,030	896,582	341,944	3,290,808
Accumulated Depreciation and Amortization					
Balances at January 1	236,262	1,123,062	651,680	207,804	2,218,808
Depreciation and amortization	30,789	121,660	100,352	52,628	305,429
Disposals	–	(5,274)	(1,543)	(77,826)	(84,643)
Balances at December 31	267,051	1,239,448	750,489	182,606	2,439,594
Net Book Value at December 31	₱348,201	₱197,582	₱146,093	₱159,338	₱851,214

Gain (loss) on sale of property and equipment is included under 'Miscellaneous income' in the statements of income and is disclosed in Note 27.

As at December 31, 2019 and 2018, the costs of fully depreciated property and equipment still in use amounted to ₱1.98 billion and ₱1.66 billion, respectively for the Group, and ₱1.98 billion and ₱1.65 billion, respectively for the Parent Company.

12. Investment Properties

The components of and movements in this account follow:

	Consolidated		
	2019		
	Land	**Buildings and Improvements**	**Total**
Cost			
Balances at January 1	**₱360,759**	**₱146,500**	**₱507,259**
Additions	**48,421**	**83,278**	**131,699**
Disposals	**(65,678)**	**(59,045)**	**(124,723)**
Balances at December 31	**343,502**	**170,733**	**514,235**
Accumulated Depreciation and Amortization			
Balances at January 1	–	**49,756**	**49,756**
Depreciation and amortization	–	**15,854**	**15,854**
Disposals	–	**(23,922)**	**(23,922)**
Balances at December 31	–	**41,688**	**41,688**
Allowance for Impairment Losses (Note 16)			
Balances at January 1	**37,010**	**163**	**37,173**
Provision for impairment losses	–	–	–
Disposals	**(4,199)**	–	**(4,199)**
Balances at December 31	**32,811**	**163**	**32,974**
Net Book Value at December 31	**₱310,691**	**₱128,882**	**₱439,573**

	Consolidated		
	2018		
	Land	Buildings and Improvements	Total
Cost			
Balances at January 1	₱421,682	₱161,618	₱583,300
Additions	32,817	52,761	85,578
Disposals	(93,740)	(67,879)	(161,619)
Balances at December 31	360,759	146,500	507,259
Accumulated Depreciation and Amortization			
Balances at January 1	–	54,525	54,525
Depreciation and amortization	–	15,464	15,464
Disposals	–	(20,233)	(20,233)
Balances at December 31	–	49,756	49,756
Allowance for Impairment Losses (Note 16)			
Balances at January 1	18,220	163	18,383
Provision for impairment losses	18,790	–	18,790
Disposals	–	–	–
Balances at December 31	37,010	163	37,173
Net Book Value at December 31	₱323,749	₱96,581	₱420,330

	Parent Company		
	2019		
	Land	**Buildings and Improvements**	**Total**
Cost			
Balances at January 1	**₱216,232**	**₱127,236**	**₱343,468**
Additions	**18,017**	**81,127**	**99,144**
Disposals	**(46,298)**	**(59,359)**	**(105,657)**
Balance at December 31	**187,951**	**149,004**	**336,955**

(Forward)

	Parent Company		
	2019		
	Land	**Buildings and Improvements**	**Total**
Accumulated Depreciation and Amortization			
Balances at January 1	**₱–**	**₱40,993**	**₱40,993**
Depreciation and amortization	**–**	**13,774**	**13,774**
Disposals	**–**	**(22,017)**	**(22,017)**
Balance at December 31	**–**	**32,750**	**32,750**
Allowance for Impairment Losses (Note 16)			
Balances at January 1	**27,350**	**–**	**27,350**
Provision for impairment losses	**–**	**–**	**–**
Disposals	**(1,904)**	**–**	**(1,904)**
Balance at December 31	**25,446**	**–**	**25,446**
Net Book Value at December 31	**₱162,505**	**₱116,254**	**₱278,759**

	Parent Company		
	2018		
	Land	Buildings and Improvements	Total
Cost			
Balances at January 1	₱241,275	₱137,371	₱378,646
Additions	44,253	50,380	94,633
Disposals	(69,296)	(60,515)	(129,811)
Balance at December 31	216,232	127,236	343,468
Accumulated Depreciation and Amortization			
Balances at January 1	–	46,259	46,259
Depreciation and amortization	–	13,140	13,140
Disposals	–	(18,406)	(18,406)
Balance at December 31	–	40,993	40,993
Allowance for Impairment Losses (Note 16)			
Balances at January 1	10,955	–	10,955
Provision for impairment losses	18,790	–	18,790
Disposals	(2,395)	–	(2,395)
Balance at December 31	27,350	–	27,350
Net Book Value at December 31	₱188,882	₱86,243	₱275,125

The Group's and Parent Company's investment properties consist entirely of real estate properties and improvements thereon acquired in settlement of loans and receivables. As at December 31, 2019 and 2018, the aggregate fair value of the investment properties amounted to ₱700.70 million and ₱774.61 million, respectively, for the Group and ₱374.81 million and ₱343.49 million for the Parent Company, respectively.

The gain (loss) upon foreclosure and dacion of investment properties and chattels and the gain (loss) on the sale or disposal of investment properties and chattels are both presented under 'Miscellaneous income' (see Note 27).

Direct operating expense on the investment properties not generating rental income in 2019, 2018 and 2017, amounted to ₱17.10 million, ₱21.83 million and ₱29.96 million, respectively, for the Group and P14.98 million, ₱18.58 million and ₱27.02 million, respectively, for the Parent Company.

13. Goodwill

This account represents goodwill of the Group and Parent Company allocated to the following CGUs:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Branch Banking Group	**₱1,577,081**	₱1,577,081	**₱1,577,081**	₱1,577,081
Rural Bank of Angeles (RBA)	**372,656**	372,656	**–**	–
Redimoney Express Pte Ltd (formerly Pinoy Express Pte Ltd.) (REPL) – net of allowance for impairment losses amounting to ₱143.11 and as of December 31, 2019 and 2018.	**11,709**	11,709	**–**	–
	₱1,961,446	₱1,961,446	**₱1,577,081**	₱1,577,081

The goodwill allocated to the Branch Banking Group of the Parent Company amounting to ₱1.58 billion arose from the acquisition of Asiatrust Development Bank (ATB) in 2013.

The goodwill allocated to RBA represents the goodwill of ₱306.45 million and ₱66.20 million from the acquisition of RBA and CBP, respectively. Subsequently, CBP was merged to RBA. RBA is considered as the single CGU for purposes of impairment assessment.

The goodwill from the above acquisitions can be attributed to factors such as increase in geographical presence and customer base due to branches acquired.

The goodwill allocated to the remittance business of REPL arose from the acquisition of PEPL. The goodwill is attributed to expected synergies of the remittance operations of the REPL and the Parent Company.

The goodwill impairment tests in 2019 and 2018 did not result in impairment loss of the goodwill allocated to the Branch Banking Group and RBA as the recoverable amounts for the respective CGUs were higher than their carrying amounts.

In 2018, the Bank recognized impairment loss on goodwill allocated to REPL amounting to ₱112.73 million, included in 'Provision for credit and impairment losses' in the statement of income. The impairment loss is driven by lower projected cash flows in the Group's business plan as a result of increased competition in the market. As of December 31, 2019, and 2018, the remaining amount of goodwill of ₱11.7 million is considered not material.

Key assumptions used in value-in-use calculation
The recoverable amount of the CGUs has been determined based on a value-in-use calculation using cash flow projections from the financial budgets and the Group's strategic plan covering three to five- year periods, which are approved by senior management. Future cash flows and growth rates were determined based on past experience and strategies developed.

The calculation of value-in-use of the CGU is most sensitive to revenue/volume growth rate, discount rate, and steady growth rate used to extrapolate the cash flow projections beyond the budget period.

Revenue growth, discount and long-term growth rates
Revenue growth rate is based on the volume of loans and other transactions, interest rates and service fees granted to the markets or customers serviced by RBA and REPL, and the operations of the Branch Banking Group. In addition, the Group also considers the current perspective and the short-term and medium-term outlook for the industry to which the CGUs are operating, e.g. technological advancements, new products and services and competitions. Furthermore, the revenue growth rate reflects the Group's forecast of its strategic plans.

The discount rates used for the computation of the net present value is the cost of equity for the Branch Banking Group and RBA, while weighted average cost of capital for REPL. These are determined by reference to the comparable companies and reflect the current market assessment of the risks specific to each of the CGUs. In 2019, the discount rates applied to the cash flow projections are 11.65%, 10.10% and 9.09% for the Branch Banking Group, RBA and REPL, respectively. In 2018, the discount rates applied to the cash flow projections are 13.50%, 13.00% and 8.70% for the Branch Banking Group, RBA and REPL, respectively.

Long-term growth rates ranging from 3.06% to 6.35% for 2019 and from 3.00% to 6.00% for 2018 have been determined by management based on the historical average growth rates and market outlook for the services, industry and country in which the CGUs are operating.

Sensitivity to changes in assumptions
With regard to the assessment of value-in-use of the Branch Banking Group and RBA, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill and the branch licenses, as discussed in Note 14, to materially exceed its recoverable amount.

14. **Intangible Assets**

Intangible assets consist of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Branch licenses	**₱1,875,780**	₱1,878,050	**₱1,874,980**	₱1,877,250
Software costs - net	**127,894**	99,627	**127,584**	99,340
	₱2,003,674	₱1,977,677	**₱2,002,564**	₱1,976,590

Branch licenses
For purposes of impairment testing, the branch licenses have been allocated to the branch operations of the Parent Company's Branch Banking Group. The impairment tests in 2019 and 2018 did not result in an impairment loss as the recoverable amount is higher than the carrying amount of the cash generating unit. The key assumptions used in the calculation of the Branch Banking Group's value-in-use are disclosed in Note 13.

Software costs

The movements in software costs of the Group and the Parent Company follow:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Cost				
Balance at January 1	**₱330,211**	₱299,907	**₱325,973**	₱295,890
Additions and others	**70,235**	30,782	**70,137**	30,561
Disposals	**(18,309)**	(478)	**(18,309)**	(478)
Balance at December 31	**382,137**	330,211	**377,801**	325,973
Accumulated Amortization				
Balance at January 1	**230,584**	195,254	**226,633**	191,321
Amortization	**41,968**	35,511	**41,894**	35,493
Disposals	**(18,309)**	(181)	**(18,310)**	(181)
Balance at December 31	**254,243**	230,584	**250,217**	226,633
Net Book Value at December 31	**₱127,894**	₱99,627	**₱127,584**	₱99,340

15. **Other**

Other assets consist of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Sundry debits	**₱220,886**	₱62,742	**₱220,886**	₱62,742
Prepaid expense	**129,752**	68,820	**122,080**	58,724
Rental deposits	**96,017**	89,680	**93,464**	89,680
Chattels - net	**27,455**	20,994	**8,853**	11,374
Input VAT	**11,868**	–	**–**	–
Deferred input VAT	**10,379**	12,173	**–**	–
Miscellaneous Assets - net	**34,853**	198,411	**40,096**	45,689
	₱531,210	₱452,820	**₱485,379**	₱268,209

In 2019 and 2018, additions to chattels in settlement of loan accounts amounted to ₱51.39 million and ₱24.63 million, respectively for the Group and 22.14 million and ₱20.15 million, respectively for the Parent Company.

Net book values of chattels sold/disposed in 2019 and 2018 amounted to ₱31.71 million and ₱61.49 million, respectively for the Group and ₱22.10 and ₱58.77 million, respectively for the Parent Company.

Deferred input VAT pertains to VAT paid by AUFMSI, the Group's subsidiary engaged in operating lease business, on purchase of equipment for lease classified as "capital assets" for tax reporting purposes, which will be realized on a straight-line basis over 60 months.

16. Allowance for Credit Losses on Investment Securities at Amortized Cost, on Investment Securities at FVOCI and Allowance for Impairment Losses on Nonfinancial Assets

Changes in the credit and impairment losses follow:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Balances at beginning of year, previously reported				
Loans and discounts				
Corporate lending	**₱1,281,109**	₱2,053,919	**₱1,281,109**	₱2,053,919
Consumer lending	**427,497**	511,239	**292,462**	379,010
	1,706,606	2,565,158	**1,573,571**	2,432,929
Finance lease receivables	**27,006**	31,731	**–**	–
Loans and receivables financed	**9,856**	5,130	**–**	–
Customers' liabilities on bills under letters of credit/trust receipts	**2,312**	38,557	**2,312**	38,557
Loan Commitments	**7,055**	–	**7,055**	–
Accounts receivable and accrued interest receivable	**25,564**	29,293	**1,229**	13,126
	1,778,399	2,669,869	**1,584,167**	2,484,612
Financial Assets at FVOCI investments	**308,539**	9,732	**308,539**	9,332
Investment properties	**37,173**	18,383	**27,350**	10,955
Other assets (Note 15)	**–**	8,084	**–**	–
Goodwill (Note 13)	**143,106**	30,381	**–**	–
Investment in subsidiaries (Note 10)	**–**	–	**143,106**	30,381
	2,267,217	2,736,449	**2,063,162**	2,535,280
Effect of adoption of PFRS 9	**–**	(384,255)	**–**	(403,274)
Balances at beginning of year, as restated	**2,267,217**	2,352,194	**2,063,162**	2,132,006
Provision for credit and impairment losses	**1,138,565**	796,825	**703,664**	608,691
Disposal/ redemption***	**(325,962)**	(58,517)	**(325,962)**	(58,517)
Write-offs	**(943,684)**	(823,650)	**(747,530)**	(619,383)
Foreign exchange differences	**(9,246)**	365	**(9,245)**	365
Balances at end of year	**2,126,890**	2,267,217	**1,684,089**	2,063,162
Loans and discounts				
Corporate lending	**1,260,706**	1,281,109	**1,256,170**	1,281,109
Consumer lending	**577,033**	425,497	**229,266**	292,462
	1,837,739	1,706,606	**1,485,436**	1,573,571
Finance lease receivables	**30,723**	27,006	**–**	–
Loans and receivables financed	**13,109**	9,856	**–**	–
Customers' liabilities on bills under letters of credit/trust receipts	**2,312**	2,312	**2,312**	2,312
Loan commitments*	**6,103**	7,055	**6,103**	7,055
Accounts receivable and accrued interest receivable	**60,478**	25,564	**21,342**	1,229
	1,950,465	1,778,399	**1,515,194**	1,584,167
Investment Securities at FVOCI investments**	**344**	308,539	**344**	308,539
Investment properties (Note 12)	**32,975**	37,173	**25,446**	27,350
Other assets (Note 15)	**–**	–	**–**	–
Goodwill (Note 13)	**143,106**	143,106	**–**	–
Investment in subsidiaries (Note 10)	**–**	–	**143,106**	143,106
	₱2,126,890	₱2,267,217	**₱1,684,089**	₱2,063,162

**ECL on loan commitments is recognized as liability and presented in "Other liabilities"*
***ECL on investment securities at FVOCI is recorded against "Other comprehensive income"*
***Disposal/redemption represents primarily reversal of ECL provision on FVOCI investment securities

Below is the breakdown of provision for (reversal of) credit and impairment losses:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Loans and discounts						
Commercial lending	**₱592,315**	₱492,249	₱567,597	**₱591,827**	₱492,249	₱567,597
Consumer lending	**462,936**	215,725	277,329	**63,050**	27,591	228,772
	1,055,251	707,974	844,926	**654,877**	519,840	796,369
Finance lease receivables	**22,798**	–	1,067	**–**	–	–
Loans and receivables financed	**3,252**	–	(1,067)	**–**	–	–
Customers' liabilities under acceptances and letters of credit/ trust receipts	**2,312**	–	(58,025)	**2,312**	–	(58,025)
Accounts receivable and accrued interest receivable	**27,677**	5,526	353	**19,200**	5,526	353
	1,111,290		787,254	**676,389**	525,366	738,697
Investment securities at FVOCI/ AFS investments*	**27,275**	(48,190)	5,674	**27,275**	(48,190)	5,274
Investment properties	**–**	18,790	–	**–**	18,790	–
Goodwill	**–**	112,725	30,381	**–**	–	–
Investment in subsidiaries	**–**	–	–	**–**	112,725	30,381
	₱1,138,565	₱796,825	₱823,309	**₱703,664**	₱608,691	₱774,352

**Provision for credit and impairment losses of investment securities at FVOCI investments excludes the reversal of impairment losses related to the securities sold during the year, which is included as part of 'Trading and securities gain – net'*

The analysis of changes in the gross carrying amounts of investment securities at FVOCI, investment securities at AC and loans and receivables, and the corresponding ECL allowances further broken down to loan products is disclosed in Note 4.

17. Deposit Liabilities

As at December 31, 2019 and 2018, 36.48% and 45.87% respectively, of the total deposit liabilities of the Parent Company are subject to periodic interest repricing. Deposit liabilities bear annual interest at rates ranging from 0.00% to 0.75% in 2019, 2018 and 2017 for the Group and from 0.00% to 0.125% in 2019, 2018 and 2017 for the Parent Company's peso and foreign currency-denominated deposit liabilities.

Under existing BSP regulations, non-FCDU deposit liabilities of the Bank are subject to unified reserve requirement equivalent to 20.0% from May 30, 2014 to March 1, 2018 (under BSP Circular 832), 19.0% from March 2, 2018 to May 31, 2018 (under BSP Circular 997), and 18.0% from June 1, 2018 and thereafter (under BSP Circular 1004). In 2019, reserve requirements were further reduced to 17.0% effective May 23, 2019; 16.5% effective June 28, 2019; and 16.0% effective July 26, 2019 (under BSP Circular 1041), 15.0% effective October 3, 2019 (under BSP Circular 1056), and 14.0% from December 6, 2019 and thereafter (under BSP Circular 1063).

As of December 31, 2019 and 2018, the Parent Company, RBA and CURB are in compliance with such regulations.

As of December 31, 2019 and 2018, Due from BSP of the Parent Company amounting to ₱24.14 billion and ₱28.95 billion, respectively, were set aside as reserves for deposit liabilities.

Long Term Negotiable Certificate of Deposits (LTNCD)
On November 25, 2013, the Parent Company issued 3.50% fixed coupon rate LTNCD at par value of ₱900.00 million with fixed annual coupon rate of 3.5% which matured in February 2019. The

issuance of the LTNCD under the terms approved by the BOD was approved by the BSP on October 24, 2013.

Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Savings	**₱2,013,169**	₱773,322	₱403,645	**₱2,010,964**	₱771,102	₱402,012
Time	**1,547,130**	1,222,467	818,970	**1,466,992**	1,181,282	790,386
Demand	**255,026**	450,483	250,842	**254,796**	450,265	250,662
LTNCD	**6,213**	31,500	31,500	**6,213**	31,500	31,500
	₱3,821,538	₱2,477,772	₱1,504,957	**₱3,738,965**	₱2,434,149	₱1,474,560

18. Bills Payable and Securities Sold Under Repurchase Agreements

This account consists of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
PDIC	**₱1,417,536**	₱933,258	**₱1,019,830**	₱933,258
SSURA	**1,202,250**	1,660,985	**1,202,250**	1,660,985
Banks	**559,650**	1,049,282	–	210,319
BSP Rediscounting	–	1,200,206	–	1,200,206
Others	**28,555**	78,555	–	–
	₱3,207,991	₱4,922,286	**₱2,222,080**	₱4,004,768

PDIC

The Parent Company and one of its subsidiaries, RBA, have borrowings from PDIC as of December 31, 2019. The Parent Company's borrowing from PDIC with face value amounting to ₱1,277.00 million bears low interest rate and was recognized at present value of ₱540.23 million on the date the financial assistance was received in 2012 resulting in a difference of ₱736.77 million . In 2019, RBA availed of the financial assistance from PDIC amounting to ₱635.07 million which also bears low interest rate and was recognized at present value of ₱385.45 million on the date the financial assistance was received, resulting in a difference of ₱249.62 million.

The difference of ₱736.77 million and ₱249.62 million between the value of the bills payable and the related proceeds from the PDIC financial assistance for the Parent Company and RBA, respectively, are accounted for as government grant and was recorded as 'Unearned income' under the 'Other liabilities' account (see Note 21). These are amortized using the effective interest rate of 10.32% and 5.22% for the Parent Company and RBA, respectively, until the maturity of the borrowings from PDIC. In addition, Philippine government securities are pledged to PDIC as security for the financial assistance received (see Note 8).

The carrying amount of the bills payable to PDIC as of December 31, 2019 and 2018 amounted to ₱1,019.83 million and ₱933.26 million, respectively, for the Parent Company and ₱397.71 million and nil, respectively, for RBA.

Under the terms of the financial assistance's agreement of RBA with PDIC, RBA has to meet certain conditions, including required level of CAR. As of December 31, 2019, RBA's CAR is below the requirement under the Agreement. Accordingly, RBA's BOD approved to settle the financial assistance with PDIC by assigning the collateralized government securities to former.

Securities sold under repurchase agreement (SSURA)
SSURA represents borrowings that are collateralized by investment securities subject to repurchase agreement with face value of ₱1.52 billion and ₱1.58 billion as of December 31, 2019 and 2018, respectively and carrying values of ₱1.60 billion and ₱1.71 billion as of December 31, 2019 and 2018, respectively. The fair value of these investment securities as at December 31, 2019 and 2018 amounted to ₱1.65 billion and to ₱1.71 billion, respectively (see Note 34). These are subject to annual fixed interest rates ranging from 1.41% to 2.35% and from 1.41% to 2.80% in 2019 and 2018, respectively.

Banks
Bills payable to foreign and local banks represent interbank borrowings that are subject to fixed annual interest rates ranging from 4.90% to 5.0% for the Group in 2019 and from 0.97% to 6.00% and from 1.41% to 3.41% for the Group and Parent Company, respectively in 2018.

BSP rediscounting
In 2018, the Group availed of bills payable from BSP under the rediscounting facility. Bills payable rediscounted have maturities ranging from 29 days to 161 days and annual interest rates ranging from 5.06% to 5.12%.

Others
Others represents unsecured peso borrowings from individuals with annual interest rates ranging from of 3.00% to 9.00% in 2019 and 2.25% to 9.00% in 2018 and 2017.

In 2019, 2018 and 2017, the interest expense on bills payable and SSURA amounted to ₱135.59 million, ₱83.46 million, and ₱65.67 million, respectively, for the Group, and ₱81.12 million, ₱45.63 million, and ₱34.34 million, respectively for the Parent Company. The accretion of the borrowing from PDIC, included in interest expense, amounted to ₱105.98 million, ₱78.19 million and ₱70.62 million for the Group in 2019, 2018 and 2017, respectively, and ₱86.57 million, ₱78.19 million and ₱70.62 million for the Parent Company in 2019, 2018 and 2017, respectively.

19. Bonds Payable and Subordinated Debt

₱7 Billion Bonds Due 2022
On November 7, 2019, the Parent Company issued ₱7.0 billion fixed rate bonds due in November 2022. The bond, which is listed in Philippine Dealing & Exchange Corporation, with issue price at 100% and interest rate of 4.625% per annum, payable on a quarterly in arrears in February 7, May 7, August 7, and November 7 of each year, commencing on February 7, 2020. The Parent Company incurred debt issue costs amounting to ₱71.3 million. As of December 31, 2019, bonds payable amounted to ₱6.93 billion.

Interest expense on bonds payable (included in Interest expense on bills payable, subordinated debt and other borrowings in the statements of income) in 2019 amounted to ₱52.29 million. As of December 31, 2019, unamortized bond issuance costs amounted to ₱67.58 million.

Tier 2 Subordinated Debt due 2025
On November 25, 2015, the Parent Company issued 5.625% coupon rate (EIR of 5.73%) Tier 2 unsecured subordinated note (the 2025 Notes) with par value of ₱5.00 billion, maturing on November 25, 2025, but callable after the fifth anniversary of the issue date. The 2025 Notes

qualify as Tier 2 capital pursuant to BSP Circular No. 781 (Basel III), BSP Circular No. 826 on risk disclosure requirements for the loss absorption features of capital instruments, and other related circulars and issuances of the BSP.

The issuance of the foregoing subordinated debt under the terms approved by the BOD was approved by the BSP on October 12, 2015.

The proceeds from the issuance of the 2025 Notes amounted to ₱4.96 billion, net of issuance cost of ₱38.39 million.

Unless the 2025 Notes are previously redeemed, the 2025 Notes are repayable to the Noteholders at 100.00% of their face value or at par on the maturity date of November 25, 2025.

From and including the issue date to, but excluding the reset date and unless earlier redeemed, the 2025 Notes bear interest at the rate of 5.625% per annum and shall be payable quarterly in arrears on February 25, May 25, August 25, and November 25 of each year, which commenced on February 25, 2015. Unless the 2025 Notes are previously redeemed, the interest rate will be reset at the equivalent of the simple average of the prevailing 5-year PDST-R2 at reset date plus spread.

The 2025 Notes are redeemable at the option of the Parent Company in whole but not in part on the call option date at 100% of the face value plus accrued and unpaid interest, subject to the following conditions:

a. the Parent Company has obtained prior supervisory approval of the BSP prior to the exercise of the early redemption option of the 2025 Notes.

b. the Parent Company either: (1) replaces the 2025 Notes being redeemed with new capital securities which are of the same or better quality, on such terms and conditions which are sustainable for the income capacity of the Parent Company; or (2) demonstrates that its capital position is well above the minimum capital requirements after the exercise of the early redemption option.

Furthermore, upon the occurrence of a tax redemption event or a regulatory redemption event, the Parent Company may, subject to compliance with BSP rules and BSP approval, and upon prior approval of the BSP and with prior written notice to the trustee and registrar, redeem all and not less than all of the outstanding 2025 Notes prior to the stated maturity by paying the noteholder the redemption amount which is equal to 100% of the principal amount of the 2025 Notes together with accrued but unpaid interest (if any) payable on up to (but excluding) the date on which the 2025 Notes are redeemed pursuant to a redemption option, in either case, as the same may have been reduced pursuant to a write-down.

The 2025 Notes also have a loss absorbency feature which means that the 2025 Notes are subject to a non-viability write-down in case of a trigger event. Non-viability is defined as a deviation from a certain level of Common Equity Tier 1 (CET1) Ratio or inability of the Parent Company to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A trigger event is deemed to have occurred when the Parent Company is considered non-viable as determined by the BSP.

Upon the occurrence of a trigger event, the principal amount of the 2025 Notes may be written down to the extent required by the BSP, which could go to as low as zero. Additional Tier 1 (“AT1”) capital instruments shall be utilized first before Tier 2 capital instruments are written-off or written down, until the viability of the Bank is re-established. In the event the Parent Company does not have AT1 capital instruments, then the write-down shall automatically apply to Tier 2 capital, including the 2025 Notes.

As of December 31, 2019, and 2018, the Parent Company's subordinated debt amounted to ₱4.97 billion.

Interest expense (included in Interest expense on bills payable, subordinated debt and other borrowings in the statements of income) for the subordinated debt amounted to ₱284.55 million, ₱281.25 million, and ₱284.55 million in 2019, 2018 and 2017, respectively. Amortization of debt issue costs included in interest expense amounted to ₱3.49 million, ₱3.30 million and ₱3.30 million and in 2019, 2018 and 2017, respectively

20. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Accrued interest payable	**₱310,235**	₱443,314	**₱280,334**	₱424,250
Accrued taxes & licenses	**150,514**	133,812	**139,491**	125,830
Accrued other expense	**797,206**	816,851	**749,348**	774,435
	₱1,257,955	₱1,393,977	**₱1,169,173**	₱1,324,515

Accrued other expenses include accruals for rent, training expenses, repairs and maintenance, membership fees and dues, professional fees and insurance. As of December 31, 2019, accrued rent pertains to rent of short-term leases and low value assets.

21. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Accounts payable	**₱2,212,199**	₱1,941,978	**₱2,091,060**	₱1,855,217
Lease liability (Note 24)	**1,168,530**	–	**1,116,310**	–
Unearned income	**506,790**	343,742	**257,170**	343,742
Retirement Liability (Note 25)	**456,109**	109,242	**442,224**	103,029
Deposit on lease contracts	**274,048**	263,244	**–**	–
Bills Purchased - contra (Note 9)	**257,322**	132,232	**257,332**	132,232
Acceptance Payable (Note 9)	**236,568**	149,850	**236,568**	149,850
Withholding taxes payable	**57,811**	68,308	**53,754**	61,913
Derivative liabilities (Note 8)	**4,444**	3,160	**4,444**	3,160
Deferred tax liabilities (Note 28)	**–**	3,299	**–**	–
Miscellaneous	**323,811**	673,434	**216,106**	429,687
	₱5,497,632	₱3,688,489	**₱4,674,968**	₱3,078,830

Unearned income represents the difference in the fair value and the related proceeds of the loan from PDIC related to ATB acquisition and Cooperative Bank of Pampanga by the Group and PDIC loan borrowings by RBA. Interest income, representing the amortization of unearned income and included in 'Others' under interest income in the profit or loss, amounted to ₱105.98 million, ~~₱~~78.19 million and ₱70.62 million for the Group in 2019, 2018, and 2017, respectively and ₱86.57 million, ₱78.19 million and ₱70.62 million for the Parent Company in 2019, 2018 and 2017, respectively.

Miscellaneous liabilities of the Group is comprised mainly of the Parent Company's collections in favor of SSS and PHIC that are remitted by the Parent Company to the respective agencies on a bi-monthly basis, and advances of AULFC from individual shareholders (see Note 30).

22. Maturity Profile of Assets and Liabilities

The following tables show an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the statement of condition date:

	Consolidated					
	2019			2018		
	Due within one year	**Due beyond one year**	**Total**	Due within one year	Due beyond one year	Total
Financial Assets						
Cash and other cash items	**₱4,050,052**	**₱–**	**₱4,050,052**	₱3,764,798	₱–	₱3,764,798
Due from BSP	**39,089,525**	**–**	**39,089,525**	29,011,848	–	29,011,848
Due from other banksp	**3,662,395**	**–**	**3,662,395**	3,551,322	–	3,551,322
IBLR and SPURA	**3,541,226**	**–**	**3,541,226**	2,808,893	–	2,808,893
Financial assets at FVTPL	**884,998**	**–**	**884,998**	878,095	–	878,095
Investment securities at FVOCI	**18,163,589**	**–**	**18,163,589**	20,904,786	–	20,904,786
Investment securities at amortized cost	**546,870**	**16,404,680**	**16,951,550**	463,996	14,653,419	15,117,415
Loans and receivables - gross	**49,536,266**	**125,109,075**	**174,645,341**	44,564,283	113,059,924	157,624,207
	119,474,921	**141,513,756**	**260,988,676**	105,948,021	127,713,343	233,661,364
Nonfinancial Assets						
Property and equipment	**–**	**5,259,781**	**5,259,781**	–	3,725,558	3,725,558
Investment properties	**–**	**514,235**	**514,235**	–	507,260	507,260
Deferred tax assets	**–**	**71,298**	**71,298**	–	14,539	14,539
Intangible assets	**–**	**2,257,917**	**2,257,917**	–	2,208,261	2,208,261
Goodwill	**–**	**2,104,552**	**2,104,552**	–	2,104,552	2,104,552
Other assets	**–**	**531,210**	**531,210**	–	452,820	452,820
	–	**10,738,993**	**10,738,993**	–	9,012,990	9,012,990
	₱119,474,921	**₱152,252,749**	**271,727,669**	₱105,948,021	₱136,726,333	242,674,354
Allowance for credit and impairment losses			**2,123,731**			1,954,911
Unearned discounts and unearned lease/finance income			**161,693**			151,259
Accumulated depreciation and amortization			**3,448,078**			2,925,601
			5,733,502			5,031,771
			₱265,994,167			₱237,642,583

	Consolidated					
	2019			2018		
	Due within one year	**Due beyond one year**	**Total**	Due within one year	Due beyond one year	Total
Financial Liabilities						
Deposit liabilities	**₱195,315,244**	**₱14,910,625**	**₱210,225,869**	₱178,762,222	₱14,321,646	₱193,083,868
Unsecured Subordinated debt	**–**	**4,974,730**	**4,974,730**	–	4,971,427	4,971,427
Bills payable	**768,551**	**2,439,440**	**3,207,991**	1,557,892	3,364,394	4,922,286
Manager's checks	**717,310**	**–**	**717,310**	319,387	–	319,387
Accrued interest and other expenses	**1,080,292**	**27,149**	**1,107,441**	1,171,961	88,205	1,260,166
Bonds payable	**–**	**6,932,424**	**6,932,424**	–	–	–
Derivative liabilities	**4,444**	**–**	**4,444**	3,160	–	3,160
Other liabilities	**3,627,661**	**854,530**	**4,482,191**	3,160,738	–	3,160,738
	201,513,502	**30,138,898**	**231,652,400**	184,975,360	22,745,672	207,721,032
Nonfinancial Liabilities						
Income tax payable	**21,169**	**–**	**21,169**	46,889	–	46,889
Accrued taxes and other liabilities	**705,402**	**456,109**	**1,161,511**	545,861	112,541	658,402
	₱202,240,073	**₱30,595,007**	**₱232,835,080**	₱185,568,110	₱22,858,213	₱208,426,323

	Parent Company					
	2019			2018		
	Due within one year	**Due beyond one year**	**Total**	Due within one year	Due beyond one year	Total
Financial Assets						
Cash and other cash items	**₱4,018,694**	**₱–**	**₱4,018,694**	₱3,720,202	₱–	₱3,720,202
Due from BSP	**39,003,212**	**–**	**39,003,212**	28,949,346	–	28,949,346
Due from other banks	**3,364,310**	**–**	**3,364,310**	3,400,480	–	3,400,480
IBLR and SPURA	**3,541,226**	**–**	**3,541,226**	2,808,893	–	2,808,893
Financial assets at FVTPL	**857,802**	**–**	**857,802**	850,923	–	850,923
Investment securities at FVOCI	**18,163,589**	**–**	**18,163,589**	20,618,461	–	20,618,461
HTM investments	**507,476**	**15,784,869**	**16,292,345**	463,996	14,653,419	15,117,415
Loans and receivables - gross	**47,170,375**	**123,226,544**	**170,396,919**	46,603,015	107,477,528	154,080,543
	116,626,684	**139,011,413**	**255,638,097**	107,415,316	122,130,947	229,546,263
Nonfinancial Assets						
Property and equipment	**–**	**4,855,121**	**4,855,121**	–	3,290,808	3,290,808
Investment properties	**–**	**336,955**	**336,955**	–	344,904	344,904
Deferred tax assets	**–**	**150,627**	**150,627**	–	132,642	132,642
Investments in subsidiaries	**–**	**1,172,243**	**1,172,243**	–	1,351,739	1,351,739
Intangible assets	**–**	**2,252,780**	**2,252,780**	–	2,203,223	2,203,223
Goodwill	**–**	**1,577,081**	**1,577,081**	–	1,577,081	1,577,081
Other assets	**–**	**485,379**	**485,379**	–	266,773	266,773
	–	**10,830,186**	**10,830,186**	–	9,167,170	9,167,170
	₱116,626,684	**₱149,841,599**	**266,468,283**	₱107,415,316	₱130,435,635	238,713,433
Allowance for credit and impairment losses			**1,677,642**			1,747,568
Unearned discounts and unearned lease/finance income			**97,922**			97,952
Accumulated depreciation and amortization			**3,242,122**			2,707,220
			5,017,686			4,552,740
			₱261,450,597			₱234,160,693

(Forward)

	Parent Company					
	2019			2018		
	Due within one year	**Due beyond one year**	**Total**	Due within one year	Due beyond one year	Total
Financial Liabilities						
Deposit liabilities	**₱192,948,424**	**₱14,796,214**	**₱207,744,638**	₱176,122,059	₱15,227,070	₱191,349,129
Bills payable	–	**2,222,080**	**2,222,080**	1,479,337	2,525,431	4,004,768
Bonds payable	–	**6,932,424**	**6,932,424**	–	–	–
Manager's checks	**717,310**	–	**717,310**	319,387	–	319,387
Derivative liabilities	**4,444**	–	**4,444**	3,160	–	3,160
Accrued interest and other expenses	**1,019,781**	**9,900**	**1,029,682**	1,188,480	10,205	1,198,685
Unsecured Subordinated debt	–	**4,974,730**	**4,974,730**	–	4,971,427	4,971,427
Other liabilities	**3,055,148**	**854,530**	**3,909,678**	2,446,707	–	2,446,707
	197,745,108	**29,789,878**	**227,534,986**	181,559,130	22,734,133	204,293,263
Nonfinancial Liabilities						
Income tax payable	–	–	–	41,184	–	41,184
Accrued taxes and other liabilities	**458,113**	**442,224**	**900,337**	651,764	103,029	754,793
	458,113	**442,224**	**900,337**	692,948	103,029	795,977
	₱198,203,222	**₱30,232,103**	**₱228,435,323**	₱181,592,057	₱22,932,491	₱205,089,240

23. **Equity**

Capital stock consists of (amounts in thousands, except for par value and number of shares):

	Shares		Amount	
	December 31			
	2019	2018	**2019**	2018
Common - ₱10.00 par value				
Authorized	**500,000,000**	500,000,000	₱5,000,000	₱5,000,000
Issued and outstanding				
Balance at the beginning and end of the year	**485,310,538**	485,310,538	₱4,853,311	₱4,853,311

With the approval of the SEC on May 6, 2013, a total of 88,000,000 offer shares consisting of 80,000,000 firm shares and 8,000,000 optional shares pursuant to the over-allotment option were issued and offered by the Parent Company, with ₱10.00 par value per share through an initial public offering at ₱95.00 per share from May 7 to 14, 2013. The Parent Company's shares were listed and commenced trading at the PSE on May 17, 2013.

The net proceeds from the IPO amounted to ₱7.46 billion, net of direct costs related to equity issuance of ₱0.48 billion.

Retained Earnings

On May 30, 2019, the BOD of the Parent Company approved the declarations of cash dividends amounting to ₱873.56 million (or ₱1.80 per share) payable on July 11, 2019 and October 16, 2019 to stockholders of record as of July 17, 2019 and September 20, 2019, respectively.

On May 10, 2018 and July 31, 2018, the BOD of the Parent Company approved the declarations of cash dividends amounting to ₱485.31 million (or ₱1.00 per share) and ₱291.19 million or (₱0.60 per share) to stockholders of record as of May 15, 2018 and August 3, 2018, payable on May 31, 2018 and August 10, 2018, respectively.

On June 22, 2017 and September 25, 2017, the BOD of the Parent Company approved the declarations of cash dividends amounting to ₱485.31 million (or ₱1.00 per share) and ₱242.66 million or (₱0.50 per share) to stockholders of record as of July 7, 2017 and October 6, 2017, payable on July 26, 2017 and October 26, 2017, respectively.

Capital Management
The primary objective of the Group's capital management is to ensure that the Parent Company complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities and assessments of prospective business requirements or directions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

Regulatory Qualifying Capital
Under existing BSP regulations, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's unimpaired capital (regulatory net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS in some respects.

Effective January 1, 2014, the Group complied with BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides 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 sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50% and also introduced a capital conservation buffer of 2.50% comprised of CET1 capital. The existing requirement for Total Capital Adequacy Ratio (CAR) remains unchanged at 10.00% and these ratios shall be maintained at all times.

Basel III also requires that existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital. In addition, capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals) and before the effectivity of BSP Circular No. 781, are recognized as qualifying capital until December 31, 2015. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

On June 27, 2014, the BSP issued Circular No. 839, REST Limit for Real Estate Exposures which provides the implementing guidelines on the prudential REST limit for universal, commercial, and thrift banks on their aggregate real estate exposures. The Group should maintain CET1 and CAR levels at the regulatory prescribed minimums, on a solo and consolidated basis, even after the simulated results of a 25.00% write-off to the Group's real estate exposures. These shall be complied with at all times.

Capital adequacy ratio (CAR)
The capital-to-risk assets ratio reported to the BSP as of December 31, 2019 and 2018 based on Basel III are shown in the table below (amounts in millions):

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Tier 1 capital	**₱28,734**	₱28,817	**₱27,563**	₱23,352
CET1 Capital*	**28,734**	28,817	**27,563**	23,352
Tier 2 capital	**6,647**	6,209	**6,594**	6,178
Total regulatory capital	**₱35,381**	₱35,026	**₱34,157**	₱29,530
Risk weighted assets	**₱196,696**	₱202,637	**₱191,202**	₱197,961

**net of regulatory adjustments to CET1 Capital*

Capital ratios				
Total regulatory capital expressed as percentage of total risk weighted assets	**17.99%**	15.11%	**17.86%**	14.92%
Total CET1 expressed as percentage of total risk weighted assets	**14.61%**	12.05%	**14.42%**	11.80%
Total tier 1 expressed as percentage of total risk weighted assets	**14.61%**	12.05%	**14.42%**	11.80%

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations.

Under Basel III, the regulatory qualifying capital of the Parent Company consists of CET1 capital, which comprises paid-up common stock, surplus including current year profit, surplus reserves, other comprehensive income (net unrealized gains or losses on FVOCI securities and cumulative foreign currency translation) and non-controlling interest less required deductions such as unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI), deferred income tax, other intangible assets, defined benefit pension fund assets and goodwill. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes subordinated debt and general loan loss provision.

Risk-weighted assets are determined by assigning defined risk weights to the balance sheet exposure and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.00% to 150.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors.

The risk-weighted CAR is calculated by dividing the sum of its Tier 1 and Tier 2 capital by its risk-weighted assets, as defined under BSP regulations. The determination of compliance with regulatory requirements and ratios is based on the amount of the Group's and Parent Company's 'unimpaired capital' (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting practices which differ from PFRS in some respects.

As at December 31, 2019 and 2018, the Group and the Parent Company were in compliance with the minimum CAR, as reported to the BSP.

With the issuance of BSP Circular No. 639 covering the Internal Capital Adequacy Assessment Process (ICAAP) in 2009, which supplements the BSP's risk-based capital adequacy framework under Circular No. 538, the Group has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group on an ongoing basis. 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 edicts.

Basel III Leverage Ratio (BLR)
BSP Circular Nos. 881 and 990 cover the implementing guidelines on the BLR framework designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

As of December 31, 2019, and 2018, the details of BLR reported to BSP are shown in the table below; (amounts in millions, except for percentages):

	Consolidated		**Parent Company**	
	2019	2018	**2019**	2018
Tier 1 capital	**₱28,734**	₱24,409	**₱27,563**	₱23,352
Exposure measure	**266,792**	238,503	**261,230**	234,106
Leverage ratio	**10.77%**	10.23%	**10.55%**	9.98%

Under the framework, BLR is defined as the capital measure divided by the exposure measure. Capital measure is Tier 1 capital. Exposure measure is the sum of on-balance sheet exposures, derivative exposures, security financing exposures and off-balance sheet items.

Liquidity Coverage Ratio (LCR)
BSP Circular No. 905 provides the implementing guidelines on LCR and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high quality liquid assets to total net cash outflows which should not be lower than 100.00%. Compliance with the LCR minimum requirement commenced on January 1, 2018 with the prescribed minimum ratio of 90.00% for 2018 and 100.00% effective January 1, 2019. As of December 31, 2019 and 2018, the LCR in single currency as reported to the BSP, was at 160.19% and 137.30%, respectively, for the Group, and 162.39% and 138.68%, respectively, for the Parent Company.

Net Stable Funding Ratio (NSFR)
On June 6, 2018, the BSP issued BSP Circular No.1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards NSFR. The NSFR is aimed to promote long term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off balance sheet activities. It complements the LCR, which promotes short term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100 percent (100%) at all times. The implementation of the minimum NSFR shall be phased in to help ensure that covered banks can meet the standard through reasonable measures without disrupting credit extension and financial market activities. An observation period was set from July 1 to December 31, 2018. Effective, January 1, 2019, banks shall comply with the prescribed minimum ratio of 100%. As of December 31, 2019 and 2018, the NSFR as reported to the BSP, was at 139.13% and 137.21%, respectively, for the Group, and 138.72% and 135.11%, respectively, for the Parent Company.

24. **Leases**

As Lessee

The Group and Parent Company leases the premises of most of its branches, as well as those of its subsidiaries. The lease periods range from 3 to 15 years, renewable upon mutual agreement of the parties. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 3.00% to 10.00%. In 2019, 2018 and 2017, rent expense recognized in the statements of income amounted to ₱107.81 million, ₱398.26 million and ₱374.22million, respectively, for the Group and ₱98.93million, ₱380.91 million and ₱358.33million, respectively, for the Parent Company. In 2019, the rent expense represents the leases of 'short-term leases' and 'leases of low-value assets'.

The following are the amounts recognized in statement of income in 2019:

	Consolidated	Parent Company
Depreciation expense of right-of-use assets included in property and equipment	**₱295,199**	**₱281,309**
Interest expense on lease liabilities	**81,884**	**78,926**
Rent expense relating to leases of short-term and low-value assets	**107,806**	**98,930**
Total amount recognized in statement of income	**₱484,889**	**₱459,165**

As of December 31, 2019, the movement in leased liabilities (included in 'Other Liabilities' in 21) are as follows:

	Consolidated	Parent Company
Balances as at January 1, 2019, upon adoption of PFRS 16	**₱1,060,495**	**₱1,024,861**
Additions	**347,975**	**320,678**
Interest expense	**81,884**	**78,926**
Payments	**(321,824)**	**(308,155)**
	₱1,168,530	**1,116,310**

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2019:

	Consolidated	Parent
1 year or less	**₱348,273**	**₱332,386**
More than 1 year to 2 years	**311,329**	**297,762**
More than 2 years to 3 years	**273,302**	**262,954**
More than 3 years to 4 years	**210,197**	**201,601**
More than 4 years to 5 years	**105,489**	**99,214**
More than 5 years	**129,539**	**125,370**
	₱1,378,129	**₱1,319,287**

As at December 31, 2018, the future minimum rentals payable by the Group and Parent Company are as follows:

	Consolidated	Parent
Within one year	**₱386,835**	**₱372,066**
After one year but not more than five years	**1,009,803**	**974,964**
More than 5 years	**101,247**	**98,347**
	₱1,497,885	**₱1,445,377**

As Lessor
Asia United Fleet Management Services, Inc., a wholly-owned subsidiary of AULFC, is involved in the operating lease of automobiles, with lease terms of maximum of three (3) years. Operating lease income from lease of automobiles included under 'Miscellaneous Income' amounted to ₱43.62 million, ₱75.97 million and ₱140.68 million in 2019, 2018 and 2017, respectively (Note 27).

As at December 31, 2019 and 2018, the future minimum rental receivable of the Group are as follows:

	2019	2018
Within one year	**₱16,470**	₱52,696
After one year but not more than five years	**13,296**	16,501
	₱29,766	₱69,197

25. Retirement Plan

The Parent Company formalized its retirement plan in July 2010 covering substantially all its officers and regular employees, including key management personnel of the subsidiaries. Under these retirement plans, all covered officers and employees are entitled to cash benefits after satisfying certain age and service requirements. The latest actuarial valuation studies of the retirement plan, performed by an independent third party, were made as at December 31, 2019.

The Company's retirement plan is a non-contributory defined benefit plan with a single lump sum payment covering retirement and ancillary benefits. The Trust and Investments Group of the Parent Company performs trust functions and manages the assets of the retirement fund.

As at December 31, 2019 and 2018, the subsidiaries have no formal retirement plan for its employees. The retirement obligations recognized by RBA and CURB, in particular, are based on the minimum regulatory benefits under Republic Act 7641 or *Retirement Pay Law.* The regulatory benefit is paid in lump sum upon retirement.

The cost of defined benefit retirement plans as well as the present value of the benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used are shown below:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Discount rate	**5.30% - 5.50%**	7.70%	**5.40%**	7.70%
Future salary increases	**6.00% - 8.00%**	6.00% - 8.00%	**8.00%**	8.00%
Average remaining working life	**9.1 – 12.9**	12	**12.9**	12

The amounts of retirement liability recognized in the statements of condition (included under 'Other liabilities') as of December 31, 2019 and 2018 follow (see Note 21):

	Consolidated		Parent	
	2019	2018	**2019**	2018
Present value of defined benefit obligation	**₱1,182,705**	₱716,364	**₱1,168,820**	₱710,151
Fair value of plan assets	**726,596**	607,122	**726,596**	607,122
Retirement liability	**₱456,109**	₱109,242	**₱442,224**	₱103,029

Changes in the present value of the defined benefit obligation as of December 31, 2019 and 2018 recognized in the statements of condition follow:

	Consolidated	
	2019	2018
Balance at beginning of year	**₱716,364**	₱669,061
Current service cost	**85,461**	88,501
Interest cost	**55,097**	39,370
Benefits paid directly by the Group	**(21,275)**	(18,307)
Settlement (gains)	**(1,506)**	(422)
Settlement benefits paid by the Company	**–**	(561)
Remeasurement (gains) losses:		
Actuarial gains arising from changes in financial assumptions	**334,181**	(113,293)
Experience adjustments	**14,383**	52,015
Balance at end of year	**₱1,182,705**	₱716,364

	Parent Company	
	2019	2018
Balance at beginning of year	**₱710,151**	₱662,496
Current service cost	**84,109**	86,977
Interest cost	**54,682**	39,060
Benefits paid directly by the Parent Company	**(21,275)**	(18,307)
Settlement (gains)	**–**	(422)
Settlement benefit	**–**	(561)
Remeasurement (gains) losses:		
Actuarial gains (losses) arising from changes in financial assumptions	**326,770**	(111,107)
Experience adjustments	**14,383**	52,015
Balance at end of year	**₱1,168,820**	₱710,151

Changes in the fair value of the plan assets are as follows:

	Consolidated/Parent Company	
	2019	2018
Balance at beginning of year	**₱607,122**	₱517,961
Contributions	**85,000**	87,000
Interest income	**46,748**	30,560
Return on plan assets excluding amount in net interest income	**(12,274)**	(28,399)
Balance at end of year	**₱726,596**	₱607,122

The amounts of defined benefit cost that is included under 'Compensation and Fringe Benefits' in the statements of income are as follows:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Current service cost	**₱85,461**	₱88,501	₱88,116	**₱84,109**	₱86,977	₱85,590
Net interest cost	**8,349**	8,810	10,981	**7,934**	8,500	10,817
	₱93,810	₱97,311	₱99,097	**₱92,043**	₱95,477	₱96,407

The amounts of defined benefit cost which is included in other comprehensive income related to remeasurements of retirement plan follow:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Remeasurement gains (loss) during the year	**(₱360,838)**	₱32,879	₱50,581	**(₱353,427)**	₱30,693	₱51,587
Income tax effect	**106,254**	9,863	15,476	**106,028**	9,208	15,476
	(254,584)	23,016	35,105	**(247,399)**	₱21,485	36,111
Share in retirement gains (loss) on remeasurement of retirement plan of subsidiaries during the year	**–**	–	–	**(7,155)**	1,522	(1,001)
	(₱254,584)*	₱23,016**	₱35,105*	**(₱254,554)**	₱23,007	₱35,110

**Includes remeasurement losses attributable to the non-controlling interest amounting to ₱30 and ₱5 in 2019 and 2017, respectively.*
***Includes remeasurement gains attributable to the non-controlling interest amounting to ₱9 in 2018*

The fair values of plan assets by each class as at the end of the reporting periods are as follow:

	Consolidated/Parent Company	
	2019	2018
Cash and cash equivalents	**₱124,847**	₱108,041
Investment in unit investment trust funds	**35,176**	14,102
Debt instruments:		
Private securities	**234,607**	205,527
Government securities	**78,583**	64,597
Equity instruments	**252,712**	214,064
Accrued trust fees	**(836)**	(659)
Others	**1,507**	1,450
	₱726,596	₱607,122

Cash and cash equivalents include cash in special deposit accounts, special savings deposit, and time deposit accounts. Investments in debt instruments under private securities consist of investment in commercial papers and interest receivables while the investments in debt instruments under government securities pertain to investments in retail treasury bonds. Equity instruments consist of shares traded in the local stock exchange.

The composition of debt and equity investments at the end of the reporting period by industry classification is as follows:

	Consolidated/Parent Company	
	2019	2018
Debt instruments:		
Government securities	**₱78,583**	₱64,597
Private securities		
Financial intermediaries	**88,390**	20,000
Holding firms	**75,000**	65,000
Real estate, renting and business services	**54,000**	54,000
Public utilities	**–**	50,508
Others	**17,217**	16,019
	₱313,190	₱270,124
Equity instruments		
Holding firms	**₱111,224**	₱76,008
Public utilities	**40,563**	42,041
Financial intermediaries	**20,953**	18,585
Real estate, renting and business services	**18,761**	14,380
Others	**61,211**	63,050
	₱252,712	₱214,064

All equity and debt instruments held, except various receivables, have quoted prices in active market. The remaining plan assets are carried at their carrying amounts since the carrying amounts approximate the fair values.

The plan assets have diverse investments and do not have any concentration risk.

The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation (PBO) as of December 31, 2019 assuming if all other assumptions were held constant:

		Increase (Decrease) in PBO	
		Consolidated	**Parent Company**
Discount rates	+ 100 bps	**(₱163,533)**	**(₱160,997)**
	- 100 bps	**202,316**	**199,070**
Future salary increases	+ 100 bps	**194,918**	**191,781**
	- 100 bps	**(161,337)**	**(158,827)**
Turnover rate	125%	**(65,262)**	**(62,431)**
	75%	**76,096**	**72,259**

26. Service Charges, Fees and Commissions

This account consists of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Service charges	**₱431,362**	₱379,446	₱388,412	**₱389,758**	₱352,972	₱336,404
Fees	**241,678**	199,677	170,667	**244,062**	207,145	169,894
Commissions	**205,696**	246,391	202,691	**205,696**	246,391	202,691
	₱878,736	₱825,514	₱761,770	**₱839,516**	₱806,508	₱708,989

27. Miscellaneous Income and Miscellaneous Expenses

Miscellaneous income consists of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Recoveries	**₱72,377**	₱159,892	₱151,087	**₱67,843**	₱158,339	₱10,408
Rental income	**52,389**	85,312	54,082	**9,777**	9,347	6,099
Gain on foreclosure and dacion transactions	**49,397**	7,084	8,166	**30,517**	7,084	4,066
Gain on disposal of property and equipment	**44,950**	9,749	46,323	**9,187**	9,749	43,827
Gain on sale of investment properties and chattels	**42,668**	52,745	26,779	**16,749**	52,745	1,778
Revenue sharing	**30,653**	34,471	–	**30,653**	34,471	–
Dividend income	**3,242**	4,421	13,948	**1,622**	2,801	11,489
Others	**78,395**	110,363	49,386	**5,998**	6,651	28,801
	₱374,071	₱464,037	₱349,771	**₱172,346**	₱281,187	₱106,468

Others include volume rebates on telegraphic transfers and penalties collected on past due loans.

Miscellaneous expenses consist of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
BSP supervision fees and other compliance costs	**₱162,325**	₱145,200	₱51,099	**₱161,403**	₱144,453	₱50,416
Advertising and publicity	**127,874**	61,169	42,776	**127,657**	60,966	42,678
Entertainment, amusement and recreation	**78,726**	60,741	57,689	**78,224**	59,178	54,753
Fuel and lubricants	**75,322**	64,458	50,075	**62,393**	43,032	43,032
Stationery and supplies used	**65,161**	59,628	52,449	**59,128**	55,265	48,974
Information technology	**51,311**	50,220	34,562	**49,595**	49,465	33,657
Commission expense	**38,339**	27,682	20,320	**38,260**	27,682	20,320
Membership fees and dues	**25,548**	24,233	24,845	**25,374**	23,976	24,574
Bank charges	**24,194**	20,344	20,602	**24,153**	20,344	20,602
Litigation/acquired asset expense	**16,462**	8,355	14,953	**13,042**	5,637	9,167
Brokerage fees	**15,951**	5,300	5,118	**15,951**	5,300	5,118
Others	**188,888**	56,321	141,467	**189,232**	58,771	127,243
	₱870,101	₱583,651	₱515,955	**₱844,412**	₱554,069	₱480,534

Others include expenses incurred on donations and PCHC processing fees.

28. Provision for Income Taxes

Provision for income tax consists of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Current						
RCIT	**₱656,945**	₱564,753	₱411,115	**₱625,009**	₱553,048	₱385,515
Final tax	**258,812**	139,754	141,033	**254,969**	136,286	137,312
MCIT	**–**	–	5,100	**–**	–	–
	915,757	704,507	557,248	**879,978**	689,334	522,827
Deferred	**49,495**	16,084	10,522	**88,043**	16,084	4,573
	₱965,252	₱720,591	₱567,770	**₱968,021**	₱705,418	₱527,400

Provision (benefit) for deferred tax charged directly to OCI, arising from net remeasurement gains (loss) on retirement plan for the Group and Parent Company, amounted to (₱106.25 million), = P9.86 million, and ₱15.48 million and (₱106.03 million), ₱9.21 million, and ₱15.48 million in 2019, 2018 and 2017, respectively (see Note 25).

The components of deferred tax asset (liability) follow:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Deferred tax asset on:				
Allowance for impairment and credit losses	**₱472,042**	₱506,771	**₱439,822**	₱478,321
Lease liabilities	**339,936**	–	**334,893**	–
Retirement liability	**132,589**	30,253	**132,667**	30,909
Excess of tax base of loans and receivables acquired from business combination	**38,975**	31,485	**21,648**	21,648
Unearned income	**3,042**	–	–	–
Accrued rent expense	–	14,357	–	14,357
Others	–	25,733	–	22,496
	986,044	608,599	**929,030**	567,731
Less: Deferred tax liability on:				
Branch licenses acquired from business combinations	**₱546,000**	₱546,000	**₱426,000**	₱426,000
Right-of-use asset	**315,874**	–	**311,533**	–
Fair value adjustment on asset foreclosures and dacion transactions – net of accumulated depreciation	**22,709**	20,139	**10,707**	–
Issuance cost of bonds payable	**20,273**	–	**20,273**	–
Issuance cost of Tier 2 notes	**7,425**	8,572	**7,425**	8,572
Fair value adjustment on derivatives – net	**2,465**	517	**2,465**	517
Gain on sale of investment properties through sales contract receivable for tax purposes	–	18,832	–	–
	914,746	594,060	**778,403**	435,089
	₱71,298	₱14,539	**₱150,627**	₱132,642

The Group did not set up deferred tax assets on the following deductible temporary differences and excess MCIT of the subsidiaries:

	Consolidated	
	2019	2018
Allowance for credit and impairment losses	**₱290,580**	₱261,854
Deferred service fees	**33,387**	29,003
PFRS 16 related adjustments	**21,735**	–
Retirement liability	**11,573**	4,180
Accrued expenses	**6,381**	3,070
Excess of tax base over the fair value of loans and receivables acquired from business combination:	**5,613**	58,124
Excess of MCIT over RCIT	–	4,692
Accrued rent	–	844

A reconciliation of income before income tax computed at the statutory tax rate to effective income tax follows:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Statutory income tax	**₱1,621,822**	₱1,202,417	₱1,016,610	**₱1,624,438**	₱1,205,628	₱999,651
Additions (reductions) in income tax resulting from:						
FCDU income	**(474,566)**	(405,872)	(411,888)	**(474,566)**	(405,872)	(411,888)
Tax-paid and tax-exempt income	**(363,217)**	(157,907)	(73,156)	**(356,111)**	(154,439)	(71,707)
Nondeductible expenses	**149,991**	111,879	73,208	**80,755**	95,866	58,536
Nontaxable share in net loss (income) of subsidiaries	**–**	–	–	**52,284**	(35,765)	(47,192)
Change in unrecognized deferred tax assets and others	**31,222**	(29,926)	(37,004)	**41,221**	–	–
Effective income tax	**₱965,252**	₱720,591	₱567,770	**₱968,021**	₱705,418	₱527,400

Under Philippine tax laws, the RBU of the Parent Company and its subsidiaries are subject to income taxes. Income taxes include corporate income tax and final taxes which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from FCDU transactions.

Republic Act (RA) No. 9397, *An Act Amending National Internal Revenue Code*, provides that the Regular Corporate Income Tax (RCIT) rate shall be 30.00%. The regulations also provide for MCIT of 2.00% on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group's income tax liability and taxable income, respectively, over a three-year period from the year of inception.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10.00% gross income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units is subject to a 15.00% final tax. Income derived by the FCDU from foreign currency transactions with non-residents, Offshore Banking Units (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.

29. Trust Operations

Securities and other properties held by the Parent Company in fiduciary or agency capacity for its customers are not included in the accompanying statements of condition since these are not resources of the Parent Company (see Note 31). In connection with the trust functions of the Parent Company, government securities owned by the Parent Company with face value amounting to ₱260.30 million and ₱81.62 million as at December 31, 2019 and 2018, respectively, are deposited with the BSP.

In compliance with existing banking regulations, the Parent Company transferred from surplus free to surplus reserve ₱4.06 million, ₱1.83 million and ₱2.13 million in 2019, 2018 and 2017 corresponding to 10.00% of the net profit realized from its trust operations. The total amount of surplus appropriated for trust operations shall not exceed 20.00% of the Parent Company's authorized capital stock and cannot be paid out as dividends.

Income from trust operations amounted to ₱71.50 million, ₱47.05 million and ₱54.78 million in 2019, 2018 and 2017, respectively.

30. **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 Parent Company's related parties include:

- key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members,
- subsidiaries, joint ventures and associates and their respective subsidiaries, and
- post-employment benefit plans for the benefit of the Parent Company's employees.

The Parent Company has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

Transactions with Retirement Plans
Under PFRS, certain post-employment benefit plans are considered as related parties. The Group has business relationships with a number of related party retirement plans pursuant to which it provides trust and management services to these plans.

As of December 31, 2019 and 2018, the following are the fund assets of the retirement plan with the Trust and Investments Group of the Parent Company, relating to securities issued by the Parent Company.

	Consolidated/Parent Company	
	2019	2018
Savings and time deposits with the Parent Company	**₱124,713**	₱107,417
Unsecured subordinated debt	**20,000**	21,285
Investment in unit investment trust funds	**33,599**	15,423
Long term negotiable certificate of deposits	**–**	6,245
Investment in common equity shares	**90,705**	85,671
	₱269,017	₱236,041

The following are the amounts recognized by the retirement plan arising from its transactions with the Parent Company for the years ended December 31, 2019, 2018 and 2017.

	Consolidated/Parent Company		
	2019	2018	2017
Trust fees	**₱3,209**	₱2,824	₱2,177
Interest income on savings deposit	**3,715**	1,116	1,132
Interest income on investments in LTNCD	**48**	243	240
Interest income on investments in Tier 2 subordinated debt	**1,125**	1,260	1,125
Unrealized gain (loss) on investments in equity shares	**5,154**	5,540	(420)
Dividend Income	**1,320**	1,254	60

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 Group, directly or indirectly. The Group considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24.

The compensation of the key management personnel of the Group follows (in millions):

	2019	2018	2017
Short-term employee benefits	**₱230**	₱187	₱164
Post-employment benefits	**22**	18	16
	₱252	₱205	₱180

Remunerations given to directors of the Group, which were approved by the Board Remuneration Committee amounted ₱4.19 million, ₱4.08 million and ₱3.66 million in 2019, 2018 and 2017, respectively.

The Parent Company and the subsidiaries share the same key management personnel and directors. Hence, the compensation of key management personnel and remunerations given to directors of the subsidiaries are paid directly and recorded by the Parent Company. The Parent Company does not provide allocation of these expenses to the subsidiaries.

Other Related Party Transactions
Transactions between the Parent Company and its subsidiaries meet the definition of related party transactions. The Group and the Parent Company settles their related party transactions in cash.

Related party transactions of the Parent Company by category of related party are presented below (amounts in millions):

	December 31, 2019		
Category	**Amount/ Volume**	**Outstanding Balances**	**Nature, Terms and Conditions**
Shareholders with significant influence			
Deposit liabilities		**₱355.52**	With annual fixed interest rates from 0.000% to 1.875%
Deposits	**1,635.94**		
Withdrawals	**1,640.81**		
Key Management Personnel			
Loans and receivables		**₱19.74**	Employee loan under BSP approved plan with annual interest rate of 8% and average maturity of 3 years.
Issuances/availments	**4.41**		
Repayments	**3.81**		
Deposit liabilities		**46.77**	With annual fixed interest rates from 0.000% to 0.125%
Deposits	**621.10**		
Withdrawals	**651.25**		
Other Related Parties			
Loans and receivables		**21.57**	Secured with annual fixed interest rates from 4.00% to 5.00% with term of 180 days or less.
Issuances/availments	**21.57**		
Repayments	**0.10**		
Guarantees and Commitments		**3.16**	Secured by Margin Deposit
Deposit liabilities		**674.55**	With annual fixed interest rates from 0.0% to 1.75%
Deposits	**7,187.42**		
Withdrawals	**7,126.47**		

Category	Amount/ Volume	Outstanding Balances	Nature, Terms and Conditions
		December 31, 2018	
Shareholders with significant influence			
Deposit liabilities		₱360.39	With annual fixed interest rates from 0.000% to 1.875%
Deposits	2,996.55		
Withdrawals	3,188.64		
Guarantees and Commitments		5.83	Secured by Margin Deposit
Key Management Personnel			
Loans and receivables		₱19.14	Employee loan under BSP approved plan with annual interest rate of 8% and average maturity of 3 years.
Issuances/availments	3.02		
Repayments	4.58		
Deposit liabilities		76.91	With annual fixed interest rates from 0.000% to 0.125%
Deposits	540.48		
Withdrawals	499.78		
Other Related Parties			
Loans and receivables		0.10	Secured ₱0.37 million with annual fixed interest rates from 4.00% to 8.50% with term of 1 to 2 years.
Issuances/availments	15.17		
Repayments	30.46		
Guarantees and Commitments		3.51	
Deposit liabilities		613.61	With annual fixed interest rates from 0.0% to 1.75%
Deposits	5,329.66		
Withdrawals	4,030.45		

Interest income earned from the above loans and receivables and interest expense incurred on deposit liabilities in 2019, 2018 and 2017 follow (in millions):

	Significant Investor			Key Management Personnel			Other Related Parties		
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017
Interest income	**₱–**	₱–	₱–	**₱0.87**	₱–	₱1.52	**₱0.10**	₱1.97	₱4.28
Interest expense	**0.41**	0.42	1.06	–	0.02	0.12	**2.23**	2.40	18.80

Other related parties pertain to the Parent Company's shareholders other than those considered as shareholders with significant influence.

Related party transactions of the Parent Company with the subsidiaries are as follow:

Category	**Amount/ Volume**	**Outstanding Balances**	**Nature, Terms and Conditions**
		December 31, 2019	
Subsidiaries			
Deposit liabilities		**₱165.08**	
Deposits	**7,102.99**		These are demand and savings deposits by the subsidiaries with the Parent Company with fixed annual interest rates ranging from 0.00% to 0.13%
Withdrawals	**7,060.88**		
Interest expense	**8.53**		

Category	Amount/ Volume	Outstanding Balances	Nature, Terms and Conditions
		December 31, 2018	
Subsidiaries			
Deposit liabilities		₱155.38	These are demand and savings deposits by the subsidiaries with the Parent Company with fixed annual interest rates ranging from 0.00% to 0.13%
Deposits	5,997.98		
Withdrawals	5,963.32		
Rent income	0.18		Rent income earned on the office premises leased out to AULFC

Transactions with subsidiaries have been eliminated in the consolidated financial statements.

Other related party transactions of subsidiaries with related parties other than the Parent Company include advances from non-controlling shareholders of AULFC amounting to ₱60.00 million as at December 31, 2019 and 2018. These are unsecured, non-interest bearing advances which are due and demandable and are recorded under 'Other liabilities' in the consolidated statements of condition (see Note 21).

31. Commitments and Contingent Liabilities

In the normal course of the Group's operations, there are various outstanding contingent liabilities and bank guarantees which are not reflected in the accompanying financial statements. The Group does not anticipate material unreserved losses as a result of these transactions.

The Group has several loan-related suits, pending cases and claims arising from the Group's normal course of business. The effects of these, if any, are not reflected in the financial statements. As of December 31, 2019 and 2018, management assessed that estimates of potential financial impact of these contingencies are not yet determinable. Further, in the opinion of management and in consultation with its legal counsel, the suits and claims, if decided adversely, will not involve sums having a material effect on the financial statements.

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

	2019	2018
Trust department accounts	**₱23,687,378**	₱17,205,226
Spot Exchange Sold	**3,998,363**	661,782
Spot Exchange Bought	**3,569,701**	1,163,068
Standby letters of credit	**2,400,594**	2,184,596
Forward Exchange Sold	**2,663,904**	2,399,247
Unused commercial letters of credit	**1,968,451**	1,728,642
Forward Exchange Bought	**1,135,148**	1,214,578
Outstanding guarantees issued	**916,292**	477,654
Inward bills for collection	**204,753**	162,949
Outward bills for collection	**21,261**	49,525
Late deposits/payment received	**2,616**	127,819
Others	**794**	822

Others include items held for safekeeping and items held as collateral.

32. Earnings Per Share

Earnings per share amounts were computed as follows:

	2019	2018	2017
a. Net income attributable to equity holders of the Parent Company	**₱4,446,772**	₱3,313,341	₱2,800,755
b. Total weighted average number of outstanding common	**485,311**	485,311	485,311
c. Basic/Diluted EPS* (a/b)	**₱9.16**	₱6.83	₱5.77

**In 2019, 2018, and 2017, there were no outstanding dilutive potential common shares.*

33. Notes to Statements of Cash Flows

Non-cash activities

The following is the summary of noncash activities:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Noncash investing activities						
Additions to investment properties and chattels in settlement of loans (Note 12)	**₱93,201**	₱78,495	₱71,789	**₱90,762**	₱87,450	₱53,073
Recognition of new Right-of-use asset	**356,483**	–	–	**327,363**	–	–
Disposal of investment properties through sales contract receivable	**24,413**	–	34,939	**24,413**	–	34,939
Disposal of property, plant and equipment on account	**300**	–	105,573	**300**	–	–
Noncash financing activities						
Transfer to surplus reserves	**167,389**	979,991	(2,125)	**167,389**	979,991	(2,125)

Cash and cash equivalents

The amounts of interbank loans receivable considered as cash and cash equivalents follow:

	Consolidated/Parent Company	
	2019	2018
Interbank loans receivable	**₱3,541,226**	₱2,808,893
Less: Interbank loans receivable with maturity of more than three months	**1,321**	2,071
	₱3,539,905	₱2,806,822

Changes in liabilities from financing activities

The following are the changes in the Group's and Parent Company's financing liabilities for the years ended December 31, 2019 and 2018:

	2019				
	Consolidated				
	January 1, 2019	**Cash flows**	**Adoption of PFRS 16**	**Dividends declaration and accretion**	**December 31, 2019**
Bills payable and SSURA	**₱4,922,286**	**(₱1,800,867)**	**₱–**	**₱86,572**	**₱3,207,991**
Bonds payable	–	**6,928,718**	–	**3,706**	**6,932,424**
Subordinated debt	**4,971,427**	–	–	**3,303**	**4,974,730**
Lease liabilities	–	**(321,824)**	**1,408,470**	**81,884**	**1,168,530**
Dividends payable (Note 23)	–	**(873,559)**	–	**873,559**	–
Total liabilities from financing activities	**₱9,893,713**	**₱3,932,468**	**₱1,408,470**	**₱1,049,024**	**₱16,283,675**

	2019				
	Parent Company				
	January 1, 2019	**Cash flows**	**Foreign exchange movement**	**Dividends declaration and accretion**	**December 31, 2019**
Bills payable and SSURA	**₱4,004,769**	**(₱1,869,259)**	**₱–**	**₱86,570**	**₱2,222,080**
Subordinated debt	**4,971,427**	**–**	**–**	**3,303**	**4,974,730**
Bonds payable		**6,928,718**	**–**	**3,706**	**6,932,424**
Lease liabilities		**(308,155)**	**1,345,539**	**78,926**	**1,116,310**
Dividends payable (Note 23)	**–**	**(873,559)**	**–**	**873,559**	**–**
Total liabilities from financing activities	**₱8,976,196**	**₱3,877,745**	**₱1,345,539**	**₱1,046,064**	**₱15,245,544**

	2018				
	Consolidated				
	January 1, 2018	Cash flows	Foreign exchange movement	Dividends declaration and accretion	December 31, 2018
Bills payable and SSURA	₱3,851,105	₱992,995	₱–	₱78,188	₱4,922,288
Subordinated debt	4,968,122	–	–	3,305	4,971,427
Dividends payable (Note 23)	–	(776,497)	–	776,497	–
Total liabilities from financing activities	₱8,819,227	₱216,498	₱–	₱857,990	₱9,893,715

	2018				
	Parent Company				
	January 1, 2018	Cash flows	Additions	Dividends declaration and accretion	December 31, 2018
Bills payable and SSURA	₱2,789,532	₱1,137,049	₱–	₱78,188	₱4,004,769
Subordinated debt	4,968,122	–	–	3,305	4,971,427
Dividends payable (Note 23)	–	(727,967)	–	727,967	–
Total liabilities from financing activities	₱7,757,654	₱409,082	₱–	₱809,460	₱8,976,196

Others pertains the declaration of dividends in 2017 which the Group classifies as financing activity. The Group and Parent Company classify interest paid on these financing liabilities as cash flows from operating activities.

34. Offsetting of Financial Assets and Financial Liabilities

The effects of rights of offset for financial instruments under an enforceable master netting agreements or similar arrangements are disclosed below:

Financial liabilities

					Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
	Financial assets recognized at end of reporting period by type	**Gross carrying amounts (before offsetting)**	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position [a-b]**	**Financial instruments**	**Fair value of financial collateral**	**Net exposure [c-d]**
		[a]	**[b]**	**[c]**	**[d]**		**[e]**
2019	**SSURA**	**₱1,202,250**	**₱–**	**₱1,202,250**	**₱1,519,050**	**₱1,645,587**	**₱–**
2018	SSURA	₱1,660,985	₱–	₱1,660,985	₱1,577,400	₱1,712,588	₱–

Securities sold under agreements to repurchase are subject to right of set-off in the event of default.

35. Events After End of the Reporting Period

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020. Beginning May 16, 2020, NCR was put under modified enhanced community quarantine until May 31, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

36. Approval for the Release of the Financial Statements

The accompanying financial statements of the Group and the Parent Company as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 were approved and authorized for issue by BOD through the Audit Committee on May 22, 2020.

37. Supplementary Information Required Under BSP Circular 1074

On February 7, 2020, the BSP issued Circular No. 1074 to amend certain provisions of the MORB and Manual of Regulations for Foreign Exchange Transactions (MORFXT). The Circular provides for new and amended disclosure requirements to the audited financial statements, which are to be presented either (i) on specific notes to the financial statements, or (ii) in a separate note containing supplementary information as required by the BSP. This supplementary information is not a required disclosure under PFRS.

In compliance with the requirements set forth by Circular No. 1074, hereunder are the supplementary information:

Financial Performance Indicators

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Return on average equity	**14.24 %**	11.73%	11.17%	**14.32%**	11.89%	11.14%
Return on average assets	**1.76%**	1.50%	1.55%	**1.79%**	1.54%	1.56%
Net interest margin on average earning assets	**4.70%**	4.43%	4.55%	**4.55%**	4.22%	4.26%

The following formulas were used to compute the indicators:

Performance Indicator	BSP Prescribed Formula
Return on Average Equity	Net Income (or Loss) after Income Tax x 100 Average Total Capital Accounts*
Return on Average Assets	Net Income (or Loss) after Income Tax x 100 Average Total Assets*
Net Interest Margin	Net Income Income x 100 Average Interest Earning Assets*

**Average amount is calculated based on current year-end and previous year-end balances*

Capital Instruments

The Parent Company's capital instruments consists of the following:

Capital stock

As of December 31, 2019 and 2018, the Parent Company has outstanding capital stock shown below:

	Shares		Amount	
	December 31			
	2019	2018	**2019**	2018
Common - ₱10.00 par value				
Authorized	**500,000,000**	500,000,000	₱5,000,000	₱5,000,000
Issued and outstanding				
Balance at the beginning and end of the year	**485,310,538**	485,310,538	₱4,853,311	₱4,853,311

Tier 2 Subordinated debt due 2025

As of December 31, 2019, and 2018, the Parent Company's subordinated debt amounted to ₱4.97 billion. A summary of the terms and conditions are as follows:

The 2025 Notes are redeemable at the option of the Parent Company in whole but not in part on the call option date at 100% of the face value plus accrued and unpaid interest, subject to the following conditions:

a. the Parent Company has obtained prior supervisory approval of the BSP prior to the exercise of the early redemption option of the 2025 Notes.

b. the Parent Company either: (1) replaces the 2025 Notes being redeemed with new capital securities which are of the same or better quality, on such terms and conditions which are sustainable for the income capacity of the Parent Company; or (2) demonstrates that its capital position is well above the minimum capital requirements after the exercise of the early redemption option.

Furthermore, upon the occurrence of a tax redemption event or a regulatory redemption event, the Parent Company may, subject to compliance with BSP rules and BSP approval, and upon prior approval of the BSP and with prior written notice to the trustee and registrar, redeem all and not less than all of the outstanding 2025 Notes prior to the stated maturity by paying the noteholder the redemption amount which is equal to 100% of the principal amount of the 2025 Notes together with accrued but unpaid interest (if any) payable on up to (but excluding) the date on which the 2025 Notes are redeemed pursuant to a redemption option, in either case, as the same may have been reduced pursuant to a write-down.

The 2025 Notes also have a loss absorbency feature which means that the 2025 Notes are subject to a non-viability write-down in case of a trigger event. Non-viability is defined as a deviation from a certain level of Common Equity Tier 1 (CET1) Ratio or inability of the Parent Company to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A trigger event is deemed to have occurred when the Parent Company is considered non-viable as determined by the BSP.

Upon the occurrence of a trigger event, the principal amount of the 2025 Notes may be written down to the extent required by the BSP, which could go to as low as zero. Additional Tier 1 ("AT1") capital instruments shall be utilized first before Tier 2 capital instruments are written-off or written down, until the viability of the Bank is re-established. In the event the Parent Company does not have AT1 capital instruments, then the write-down shall automatically apply to Tier 2 capital, including the 2025 Notes.

Concentration of Credit Exposures

As at December 31, 2019 and 2018, information on the concentration of credit as to industry of loans and receivables (gross of unearned discount and unearned lease/finance income and before allowance for credit losses) follows:

	Consolidated			
	2019		2018	
	Amount	**%**	Amount	%
Real estate activities	**₱34,432,973**	**19.71%**	₱26,736,497	16.96%
Wholesale and retail trade, repair of motor vehicles, motorcycles	**32,352,028**	**18.52%**	27,529,612	17.47%
Electricity, gas, steam and air-conditioning supply	**20,822,365**	**11.92%**	22,125,446	14.04%
Manufacturing	**14,925,000**	**8.54%**	16,034,373	10.17%
Arts, entertainment and recreation	**10,748,994**	**6.15%**	8,938,917	5.67%
Transportation and storage	**9,033,330**	**5.17%**	7,868,704	4.99%
Construction	**8,170,976**	**4.68%**	9,902,064	6.28%
Accommodation and food service activities	**7,285,427**	**4.17%**	5,466,973	3.47%
Other service activities	**6,744,291**	**3.86%**	7,783,082	4.94%
Agriculture, forestry and fishing	**6,069,489**	**3.47%**	3,835,979	2.43%
Auto loans	**5,275,320**	**3.02%**	5,681,213	3.60%
Financial and insurance activities	**4,652,189**	**2.66%**	3,975,218	2.52%
Professional, scientific and technical activities	**4,302,019**	**2.46%**	4,089,868	2.59%
Salary-based general-purpose consumption loans	**3,144,101**	**1.80%**	3,053,603	1.94%
Information and communication	**2,497,143**	**1.43%**	1,480,665	0.94%
Water supply, sewerage, waste management and remediation activities	**1,123,289**	**0.64%**	139,789	0.09%
Credit card	**708,825**	**0.41%**	621,358	0.39%
Administrative and support service activities	**545,354**	**0.31%**	515,561	0.33%
Education	**484,548**	**0.28%**	436,395	0.28%
Human health and social work activities	**460,234**	**0.26%**	842,118	0.53%
Loans to non-resident corporations	**409,177**	**0.23%**	391,932	0.25%
Mining and quarrying	**219,524**	**0.13%**	17,600	0.01%
Motorcycle loans	**194,865**	**0.11%**	139,003	0.09%
Other loans to individuals for personal use purposes	**78,125**	**0.04%**	18,237	0.01%
Public administration and defense; compulsory social security	**35,891**	**0.02%**	–	0.00%
TOTAL	**₱174,715,476**	**100.00%**	₱157,624,207	100.00%

	Parent			
	2019		2018	
	Amount	**%**	Amount	%
Real estate activities	**₱34,343,329**	**20.15%**	₱26,548,510	17.23%
Wholesale and retail trade, repair of motor vehicles, motorcycles	**32,111,929**	**18.85%**	27,260,864	17.69%
Electricity, gas, steam and air-conditioning supply	**20,822,365**	**12.22%**	21,826,570	14.17%
Manufacturing	**14,859,331**	**8.72%**	15,831,002	10.27%
Arts, entertainment and recreation	**10,748,994**	**6.31%**	8,881,015	5.76%
Transportation and storage	**8,650,868**	**5.08%**	7,642,516	4.96%
Construction	**8,170,976**	**4.80%**	9,850,077	6.39%
Accommodation and food service activities	**7,285,427**	**4.28%**	5,449,973	3.54%
Other service activities	**6,211,811**	**3.65%**	7,213,801	4.68%
Auto loans	**5,191,878**	**3.05%**	5,681,213	3.69%
Financial and insurance activities	**4,671,542**	**2.74%**	3,950,127	2.56%
Professional, scientific and technical activities	**4,302,019**	**2.52%**	4,078,881	2.65%
Agriculture, forestry and fishing	**3,182,463**	**1.87%**	2,239,975	1.45%
Salary-based general-purpose consumption loans	**3,136,785**	**1.84%**	3,033,843	1.97%
Information and communication	**2,497,143**	**1.47%**	1,480,665	0.96%
Water supply, sewerage, waste management and remediation activities	**1,123,289**	**0.66%**	139,539	0.09%
Credit card	**708,825**	**0.42%**	621,358	0.40%
Administrative and support service activities	**545,354**	**0.32%**	515,561	0.33%
Education	**484,548**	**0.28%**	436,316	0.28%
Human health and social work activities	**460,234**	**0.27%**	841,696	0.55%
Loans to non-resident corporations	**425,072**	**0.25%**	391,932	0.25%
Mining and quarrying	**219,524**	**0.13%**	17,500	0.01%
Motorcycle loans	**194,729**	**0.11%**	129,372	0.08%
Public administration and defense; compulsory social security	**35,891**	**0.02%**	–	0.00%
Other loans to individuals for personal use purposes	**12,594**	**0.01%**	18,237	0.01%
TOTAL	**₱170,396,919**	**100.00%**	₱154,080,543	100.00%

The BSP considers that loan concentration exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio.

Breakdown of Total Loans as to Security and Status
The following are the details of the loans and receivables for BSP reporting.

As to security
As at December 31, 2019 and 2018, the details of the secured and unsecured loans and receivables, net of unearned discounts and unearned lease/finance income and before allowance for credit losses are as follows:

	Consolidated			
	2019		**2018**	
	Amount	**%**	**Amount**	**%**
Secured:				
Deposit hold-out and others	**₱15,023,782**	**8.61%**	₱14,569,006	9.25%
Real estate	**11,524,147**	**6.60%**	7,774,023	4.94%
Chattel	**6,023,209**	**3.45%**	7,295,831	4.63%
	32,571,137	**18.66%**	29,638,860	18.82%
Unsecured	**141,982,645**	**81.34%**	127,834,088	81.18%
	₱174,553,783	**100.00%**	₱157,472,948	100.00%

	Parent Company			
	2019		2018	
	Amount	%	Amount	%
Secured:				
Deposit hold-out and others	**₱13,942,132**	**8.19%**	₱14,561,870	9.46%
Real estate	**10,397,343**	**6.11%**	7,701,444	5.00%
Chattel	**6,023,209**	**3.54%**	6,181,794	4.01%
	30,362,683	**17.83%**	28,445,108	18.47%
Unsecured	**139,936,313**	**82.17%**	125,537,483	81.53%
	₱170,298,997	**100.00%**	₱153,982,591	100.00%

As to status

Non-performing loans (NPLs) of the Group and ParentCompany as of December 31, 2019 and 2018 are presented below, net of specific allowance for credit losses in compliance with BSP Circular 855, respectively. (amounts in thousands).

	Consolidated		Parent Company	
	2019	2018	2019	2018
Total NPLs	**₱2,614,356**	₱3,022,124	**₱2,425,067**	₱2,843,724
Less specific allowance for credit losses	**940,163**	1,049,613	**784,812**	870,833
	₱1,674,192	₱1,972,511	**₱1,640,255**	₱1,972,891

The NPLs reported above consists of both corporate and consumer loans.

As at December 31, 2019 and 2018, secured and unsecured NPLs follow:

	Consolidated		Parent Company	
	2019	2018	2019	2018
Unsecured	**₱1,217,346**	₱1,277,910	**₱1,263,475**	₱1,695,600
Secured	**1,397,009**	1,744,214	**1,161,592**	1,148,124
	₱2,614,356	₱3,022,124	**₱2,425,067**	₱2,843,724

Under BSP Circular No. 941, *Amendments to the Regulations on Past Due and Non-performing Loans*, effective January 1, 2018, the outstanding balance of loans, investments, receivables, or any financial asset, including restructure loans, shall be considered past due when any principal and/or interest or installment due, or portions thereof, are not paid at their contractual due date.

Furthermore, they are considered non-performing, even without any missed contractual payments, when it is considered impaired under PFRS 9, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other financial assets, 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.

<u>Information on related party loans</u>

As required by BSP, the Parent Company discloses loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the Parent Company. In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower.

BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said Circular:

	Parent Company	
	2019	**2019**
Total outstanding DOSRI accounts	**₱21,566**	₱9,441
% of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	**–**	–
% of DOSRI accounts granted after under BSP Circular No. 423 to total loans	**0.01%**	0.01%
% of DOSRI accounts to total loans	**0.01%**	0.01%
% of unsecured DOSRI accounts total DOSR loans	**–**	–
% of past due DOSRI loans to total DOSRI loans	**–**	–
% of nonperforming DOSRI loans to total DOSRI loans	**–**	–

The Parent Company's subsidiaries and affiliates do not have loans, other credit accommodations and guarantees to DOSRI during 2019 and 2018.

BSP Circular No. 560 provides the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. Under the said Circular, the total outstanding loans, other credit accommodations and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank as reported to the BSP. As at December 31, 2019 and 2018, the Parent Company is in compliance with these requirements.

BSP issued Circular No. 654 allowing a separate individual limit of twenty-five percent (25.00%) to loans of banks and quasi-banks to their subsidiaries and affiliates engaged in energy and power generation. As at December 31, 2019 and 2018, the Parent Company does not have any subsidiary or affiliate that is engaged in energy and power generation.

Secured Liability and Assets Pledged as Security

SSURA

The Parent Company's bills payable under repurchase agreements amounted to ₱1.20 billion and ₱1.66 billion as of December 31, 2019 and 2018. These borrowings are collateralized by investment securities at amortized cost with face value of ₱1.52 billion and ₱1.58 billion as of December 31, 2019 and 2018, respectively and carrying values of ₱1.60 billion and ₱1.71 billion as of December 31, 2019 and 2018, respectively. The fair value of these investment securities as at December 31, 2019 and 2018 amounted to ₱1.65 billion and to ₱1.71 billion, respectively.

Bills payable with PDIC
The Parent Company and one of its subsidiaries, RBA, have borrowings from PDIC. The Parent Company's borrowing from PDIC has face value amounting to ₱1.28 billion and carrying amount of ₱1.11 billion and ₱0.93 billion as of December 31, 2019 and 2018, respectively. The Parent Company's investment in Philippine government securities under investment securities at amortized cost with face value of ₱1.70 billion and carrying amount of ₱1.97 billion and ₱2.02 billion as of December 31, 2019 and 2018, respectively, were pledged to PDIC as security for the financial assistance received. The fair value of these government securities as at December 31, 2019 and 2018 amounted to ₱1.99 billion and to ₱1.80 billion, respectively.

RBA's borrowing from PDIC has face value amounting to ₱0.63 billion and carrying amount of ₱0.40 billion as of December 31, 2019. RBA's investment in Philippine government securities under investment securities at amortized cost with face value of ₱0.57 billion and carrying amount of ₱0.66 billion as of December 31, 2019 were pledged to PDIC as security for the financial assistance received. The fair value of these government securities as at December 31, 2019 amounted to ₱0.65 billion.

Commitments and Contingent Liabilities
Following is a summary of the Parent Company's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2019	2018
Trust department accounts	**₱23,687,378**	₱17,205,226
Spot Exchange Sold	**3,998,363**	661,782
Spot Exchange Bought	**3,569,701**	1,163,068
Standby letters of credit	**2,400,594**	2,184,596
Forward Exchange Sold	**2,663,904**	2,399,247
Unused commercial letters of credit	**1,968,451**	1,728,642
Forward Exchange Bought	**1,135,148**	1,214,578
Outstanding guarantees issued	**916,292**	477,654
Inward bills for collection	**204,753**	162,949
Outward bills for collection	**21,261**	49,525
Late deposits/payment received	**2,616**	127,819
Others	**794**	822

Others include items held for safekeeping and items held as collateral.

38. **Supplementary Information Under Revenue Regulations 15-2010**

On November 25, 2010, the Bureau of Internal Revenue issued Revenue Regulations (RR) 15-2010 to amend certain provisions of RR 21-2002. RR 15-2010 provides that starting 2010 the notes to financial statements shall include information on taxes and licenses paid or accrued during the taxable year.

The Parent Company reported and/or paid the following types of taxes in 2019:

Taxes and Licenses
In 2019, taxes and licenses of the Parent Company, which includes all other taxes, local and national, consist of:

	Amount
Gross receipts tax (GRT)	₱584,423
Documentary stamp tax	313,740
Real property tax	26,320
Business permit and licenses	15,084
Others	1,997
	₱941,564

z
The Parent Company is subject to GRT on its gross income from Philippine sources. GRT is imposed on interest, fees and commissions from lending activities at 5% or 1%, depending on the loan term, and at 7% on non-lending fees and commissions, trading and foreign exchange gains and other items constituting gross income.

	Gross Receipts	Gross Receipts Tax
Income derived from lending activities	₱12,169,926	₱548,045
Other income	519,679	36,378
	₱12,689,605	₱584,423

Withholding Taxes
Details of total remittances in 2019 and balances as at December 31, 2019 are as follows:

	Total Remittance	Balance
Final withholding taxes	₱668,154	₱41,442
Withholding taxes on compensation and benefits	161,569	8,196
Expanded withholding taxes	39,175	4,116
	₱868,898	₱53,754

Tax Assessments and Cases
As of December 31, 2019, the Parent Company has not received any final assessment notices from the BIR and it has no tax cases, litigation and/or prosecution in court or bodies outside BIR.

Corporate Information

Corporate Headquarters

Asia United Bank Corporation
Joy~Nostalg Center, No. 17 ADB Avenue,
Ortigas Center, Pasig City Philippines
(02) 8631-3333 / (02) 8638-6888
www.aub.com.ph

Stock Listing

Asia United Bank (AUB) common shares are listed and traded at the Philippine Stock Exchange (PSE) under the ticker symbol "AUB"

Annual Stockholders' Meeting

May 30, 2019 (Thursday), 9:00 AM
Joy Ballroom 5/F Joy~Nostalg Center
17 ADB Avenue Ortigas Center,
Pasig City 1600, Philippines

Shareholders

The number of common shareholders of record as of December 31, 2019 was 118.

Market Information

Following are the high and low closing prices of AUB shares as reported in the PSE for each quarter of the years ending in 2017, 2018, and 2019.

Year	Quarter	Share Price (PhP)		
		High	Low	Close
2017	Q1	47.5	47.2	47.2
	Q2	55.8	55.0	55.7
	Q3	59.9	59.2	59.3
	Q4	59.8	57.9	59.8
2018	Q1	59.7	59.0	59.7
	Q2	59.5	59.5	59.5
	Q3	59.2	58.8	59.2
	Q4	59.3	58.1	59.3
2019	Q1	58.7	58.0	58.7
	Q2	58.4	57.5	58.4
	Q3	56.0	54.0	56.0
	Q4	53.1	53.1	53.1

Annual Report in SEC Form 17-A

The financial report included in this report follows the information contained in the Bank's SEC Form 17-A as required by and submitted to the Securities and Exchange Commission.

PR and Corporate Communications

Marketing Group
33/F Joy-Nostalg Center, 17 ADB Avenue,
Ortigas Center, Pasig City, Philippines
Tel. Nos. (632) 8638-8888 or (632) 8631-3333

Shareholder Assistance and Services

33/F Joy-Nostalg Center, 17 ADB Avenue,
Ortigas Center, Pasig City, Philippines
Email: investorrelationsoffice@aub.com.ph
Tel. Nos. (632) 8638-8888 or 8631-3333 local 169

AUB

ASIA UNITED BANK

www.aub.com.ph