

MALASAKIT IN EVERYTHING WE DO

Annual Report 2019



Bank of Commerce

An affiliate of San Miguel Corporation



Table of Contents

2	Company Profile
4	Vision, Mission, and Service Promise
5	Economic Report and Forecast
6	Report from the Chairman and the President & CEO
8	Products and Services
10	Financial Highlights
11	Operational Highlights
16	Corporate Social Responsibility
19	Corporate Governance
28	Consumer Protection
32	Table of Organization
34	Board of Directors
46	Senior Executive Team
50	Management Committees
52	Risk Management
64	Capital Management
67	Internal Audit Division Report
68	Statement of Management's Responsibility for Financial Statements
69	Audited Financial Statements
70	Report of Independent Auditors
73	Statements of Financial Position
75	Statements of Income
76	Statements of Comprehensive Income
77	Statements of Changes in Equity
79	Statements of Cash Flows
81	Notes to the Financial Statements
196	Senior Officers
199	Tribute to Frontliners
201	Branch / ATM Directory
207	Annex A - Material Related Party Transactions



ABOUT THE COVER

MALASAKIT IN EVERYTHING WE DO

Saluting all frontline workers whose courage and selflessness ensure that your essential needs are met during this challenging time.

As we navigate this new normal, Bank of Commerce moves to adapt to changing social times and focus on the horizon of digitalization.

Cover photos by
Bank of Commerce Trust Services Group -
Marketing Officer Earl Cyrus C. Domiquel and
Customer Service Officer Henry B. Ordoñez

ABOUT OUR PAPER

The 2019 Bank of Commerce Annual Report cover and main pages were printed on Tocatta paper certified by the Forest Stewardship Council (FSC). The FSC certification ensures that materials come from responsibly managed forests that provide environmental, social, and economic benefits.

Kodak Sonora process-free plates, non-petroleum-based soy ink, and a Heidelberg carbon neutral offset press were utilized in the printing of this report.

A low-angle photograph of a tall, modern skyscraper with a glass and steel facade. A large, colorful mural is painted on the side of the building, depicting two hands of different skin tones cupping a heart. The sky is blue with some light clouds. A yellow speech bubble is overlaid on the top right of the image.

*As we continue to
practice “malasakit”
in the workplace,
together we
strengthen our
commitment to
each other and the
community we serve*

Company Profile

Bank of Commerce (the Bank) is one of the country's progressive commercial banks and is licensed by the Bangko Sentral ng Pilipinas (BSP). The Bank has been operating since 1963 and traces its origins to the Overseas Bank of Manila with headquarters in Binondo, Manila.

The Bank has since evolved through different phases of growth. In 1980, the Overseas Bank of Manila changed its name to Commercial Bank of Manila. The following year, the Government Service Insurance System (GSIS) acquired the Commercial Bank of Manila and used "ComBank" as the Bank's short name. In 1984, ComBank acquired Royal Savings Bank. The First National Bank of Boston, one of the oldest and leading banks in the United States and a local investment group, acquired ComBank in 1988. The Bank was then renamed Boston Bank of the Philippines.

In November 1991, the Bank changed its official name to Bank of Commerce. With the buyout of the majority interest of the First National Bank of Boston in 1993, Bank of Commerce was placed under complete Filipino ownership. As part of its growth plans, Bank of Commerce acquired Pan Asia Bank and purchased selected assets and liabilities of Trader's Royal Bank in 2001. These takeovers significantly increased the Bank's presence in the banking industry.

Filipino-owned San Miguel Properties, Inc., a subsidiary of San Miguel Corporation (SMC), and San Miguel Corporation Retirement Fund, the registered retirement plan of SMC Group employees, became the controlling shareholders of Bank of Commerce in 2008. San Miguel Properties, Inc. has 39.89% of ownership and San Miguel Corporation Retirement Fund has 39.94% of ownership, as of December 31, 2019. On January 16, 2013, the Securities and Exchange Commission (SEC) approved the extension of the corporate life of Bank of Commerce for another 50 years from December 16, 2013.

Bank of Commerce provides innovative banking solutions and a complete range of products and services in deposit, commercial loans, credit card services, consumer banking, corporate banking, treasury, asset management, transaction banking, and trust and investments. In terms of service reach, the Bank has online banking facilities for retail and corporate clients to transact regular banking services such as bills payment, fund transfers, card loading, and other services via the internet banking platform.

The Bank has a network of 140 Branches and 260 Automated Teller Machines (ATMs) strategically located nationwide, as of December 31, 2019.

About Us

VISION

Provider of exceptional financial services and solutions connecting consumer and business ecosystems that contribute to building the nation.

MISSION

Our mission is to deliver excellent banking experiences through competent and attentive professionals who put customers' needs first.

SERVICE PROMISE

With integrity and financial stability, we commit to deliver superior service to you, our discerning customers.

Through competent and warm professionals who understand, anticipate, and fulfill your needs with a sense of urgency in a safe and guest-friendly environment, we promise you a meaningful banking experience.

We think CUSTOMERS

Economic Report and Forecast

Following the upward revision by the Philippine Statistics Authority (PSA) which used 2018 as a base year for measuring the country's Gross Domestic Product (GDP) from the original 5.9%, the Philippines hit its growth target of 6% in 2019, a respectable growth that keeps its eight-year streak of at least 6% GDP. The growth rate placed the Philippines behind only to Vietnam's 7% and China's 6.1% in the region.

The 6% economic growth was attained with contributions from the agriculture, hunting, forestry, and fishing sector, which went up by 1.5% faster than last year's 0.9% despite the El Niño phenomenon in the first half of the year and the spread of the African Swine Fever. The industry sector contributed also with its 4.9% growth, followed by the services sector as the main growth driver, expanding by 7.1% in 2019 from 6.8% in the previous year.

On the back of higher interest income and trading gains, the banking industry contributed significantly by posting 28.2% higher earnings at PHP230.42 billion from PHP179.71 billion in 2018. According to the Bangko Sentral ng Pilipinas (BSP), operating income of banks in the country jumped to 17.9% at PHP788.02 billion from PHP668.1 billion in 2018. Interest income went up by 24.1% to PHP878.46 billion from PHP708.01 billion, while interest expense almost doubled to PHP279.42 billion from PHP191.09 billion. Fees and commission income also went up while trading income surged by 72.3% to PHP72.65 billion from PHP42.17 billion in 2018.

Meanwhile, foreign exchange inflows from Overseas Filipino Workers' (OFWs) remittances fueled growth of the country's gross international reserves, reaching a record high of USD33.5 billion in 2019, up by 3.9% from the USD32.2 billion recorded in 2018. Sustained growth of personal remittances in 2019 was driven by land-based workers with work contracts of one year or more, accounting for USD25.6 billion. Inflows were mainly from the United States of America (USA) at 37.6%, followed by

Kingdom of Saudi Arabia, Singapore, Japan, United Arab Emirates (UAE), United Kingdom, Canada, Hong Kong, Germany, and Kuwait.

According to the National Economic Development Authority (NEDA), another factor that contributed to the economic growth is the massive government spending spree. However, the 10.5% full-year growth in government spending remained slower than the 13% recorded in 2018. With an economy primarily driven by consumer spending, the country posted a 5.8% growth in household spending, compared to 5.6% in 2018.

For 2020, the government set its original growth target of 6.5% to 7.5%, but the spread of the novel coronavirus disease (COVID-19) prompted economic managers to temper the forecast. According to the Asian Development Bank (ADB), Philippine GDP could expand by 2% while the Department of Finance said it could shrink to 1% or post zero growth.

Despite this, the Philippine economy is facing the pandemic from a position of strength, and the banking industry is up to the task as it remains adequately capitalized. Capital adequacy ratio, a gauge of banks' financial strength, of universal and commercial banks stood at 16% on a consolidated basis as of end-2019, higher than the BSP's 10% minimum threshold and Bank of International Settlements' 8% minimum requirement. The country's banking industry remains stable and resilient to withstand the effects and uncertainties of the global pandemic.

Bank of Commerce believes that every challenge presents an opportunity, provided that the Bank is bold and agile enough to implement banking innovations while remaining true to its core value of putting the interest of customers first. In the face of unprecedented disruptions and setbacks, the inherent *malasakit* translates to ensuring efficient banking services for the Bank's customers during the best or worst of times.

Report from the Chairman and the President & CEO



In 2019, Bank of Commerce saw strong progress in achieving its long-term goals, registering a net profit of PHP653 million.

We have seen key operating and financial metrics improving significantly. The Bank outperformed the universal and commercial banking industry's average profit growth for 2019. Return on Equity improved by 424 bps to 4.1% in 2019 from -0.11% in 2018, surpassing its target of 3.4% by 74 bps.

Because of the stronger financial position, Capital Level rose 4% year-on-year and CAR was up 15.9%, exceeding the minimum regulatory requirement of 10.0%.

Our strong performance may be attributed to the implementation of our organizational and marketing transformation strategies. We saw visible commitment from our top management down to our frontline managers and staff to become customer-centric which fully optimized customer relationship and financial value potential. Branches have become the main driver to engaging our clients as we executed important customer events and activities.

Various sales and marketing initiatives complemented by exemplary customer service resulted in the Branch Banking Group's 14% growth in Total Retail Deposits.

We have also established a strong market position in the Corporate Banking business as we focus on tapping on our parent company, San Miguel Corporation and ecosystem as well as other large corporations. Key to this is the strengthening of our trade and transaction banking services. As of 2019, the Corporate Banking Group gained a 10% favorable variance in interest revenues.

Treasury saw a turnaround in its 2019 performance with trading revenues reaching PHP356 million from a loss in 2018.

The Bank has taken active steps to strengthen partnerships with real estate developers and auto dealers that enabled the Consumer Group to achieve a remarkable 23% growth in Home, Auto, and Salary Loans. The Credit Card Group (CCG) posted a 92.3% growth in its portfolio and 42% growth in new cards issued.

The Bank has also seen the Trust Assets under Management reach 32.25% year-on-year in volume growth.

SikapPinoy, the Bank's flagship remittance product offering for transactions in the Middle East, Europe, Asia, United States, and Canada, facilitated a volume growth of 333% for the Transaction Banking Group.

Net Interest Income also increased by 11.8% while Service and Commission Fees went up by 21.8% in 2019. The collection services grew as well through its Auto Debit

Arrangement (ADA) with Petron Corporation, with 50 more stations opening accounts with the Bank nationwide.

In the midst of this revenue growth and expansion, the Bank continued to monitor the credit quality of its portfolio closely and to provision conservatively. At the end of December 2019, the Net Non-Performing Loan (NPL) Ratio stood at 0.35%. This compares favorably with the 0.72% average for Universal and Commercial Banks as reported by the BSP for the same period. Also for the same period, the Bank's NPL coverage ratio was 145.04% versus the average 108.94% reported by the BSP.

Overall, we have seen key businesses operating at an elevated level and we hope to sustain this momentum.

ON THE HORIZON

As of recent, we have seen the spread of COVID-19 which required extraordinary efforts to ensure the safety of our employees and customers, and we are now immediately building digital and quasi-digital solutions to keep transactions flowing even when physical interactions are impracticable.

To address the fast-moving and unknown variables of an outbreak like COVID-19, Bank of Commerce continues to closely monitor the situation. It has become clear that a change in the way our customers bank is imminent. We are already in the process of changing to meet this new behavior with the technology investments made in 2019. The Bank is about to launch and complete its work in the new wholesale banking system, Trust System and Anti-Money Laundering (AML) System, Personal Online Banking (POB) and Client Onboarding System.

For 2020, we will continue to look for investments to adapt to the new normal. We shall set in motion our digital initiatives to position our Bank in a way that is most advantageous for our customers and employees to do banking conveniently and safely.

In the face of great and unprecedented challenges, Bank of Commerce remains stable and resilient, and is ready for the transformation required to achieve equilibrium to be in a better position for the future.


Jose T. Pardo
Chairman


Michelangelo R. Aguilar
President and CEO

Products and Services



RETAIL PRODUCTS

- Savings Account with Debit Card (Mastercard)
- Savings Account with Passbook
- Savings Account Plus
- Checking Account
- Complete Checking Account
- US Dollar Savings Account
- Euro Savings Account
- Yuan Savings Account
- Junior Smart Savers Savings Account
- One Passbook Investment Account
- Time Deposit
- One-Year Time Deposit
- Future Secure Time Deposit
- US Dollar Time Deposit
- Euro Time Deposit
- SSS Pension Account
- US Veterans Pension Savings Account (PHP and USD)
- Payroll Savings Account
- Philippine Retirement Authority (PRA) Savings and Time Deposit Accounts (PHP and USD)
- Cash Card (Mastercard)

CORPORATE BANKING

- Working Capital Loan
- Term Loan
- Capital Expenditure Financing
- Project Financing

- Small Business Loan – Term Loan
- Small Business Loan – Business Credit Line
- Foreign Currency Denominated Loan
- Trade Financing
- Letters of Credit
- Export Packing Credit
- Export Bills Purchase
- Domestic Bills Purchase

CONSUMER LOANS

- Home Loan
- Auto Loan
- Salary Loan

CREDIT CARD

- Bank of Commerce Mastercard

TRUST PRODUCTS AND SERVICES

- Unit Investment Trust Funds
 - Diversity Money Market Fund
 - Diversity Peso Bond Fund
 - Diversity Dollar Bond Fund
 - Diversity Dividend Focused Fund
- Trust and Other Fiduciary Services
 - Personal Management Trust
 - Employee Benefit Trust
 - Trust Under Indenture

- Collateral Trust
- Special Purpose Trust/Other Institutional Trust
- Investment Management Account
 - Other Agency Accounts
 - Facility / Loan Agency
 - Escrow Agency
 - Buyer and Seller Escrow
 - POEA Escrow
 - BIR Escrow
 - HLURB Escrow
 - Source Code Escrow
 - Other Escrow Accounts

TREASURY PRODUCTS

- Fixed Income Government Securities (Peso / Dollar)
- Corporate Bonds
- Foreign Exchange

TRANSACTION BANKING

Cash Management and Other Services

- Corporate Internet Banking
- Funds Manager Solutions
 - Deposit Inquiry Services
 - Account Transaction History
 - Bank Statement Downloading
 - SOA Download (Multi-cash, MT940 and MT950 formats)
 - Fund Transfer to Own Accounts
- Payments Management Solutions
 - Payroll Crediting Service
 - Auto Credit Arrangement (ACA)
 - Fund Transfer to Third Party Accounts
 - Fund Transfer to Other Banks (PESONet / InstaPay)
 - Manager's Check Cutting Service
 - Corporate Check Cutting Service
- Collections Management Solutions
 - Auto Debit Arrangement (ADA)
- Other Services
 - Direct Fund Transfer Facility
 - Deposit Pick-Up Service
 - Bills Payment Facility
 - Post-Dated Check Warehousing Facility
 - Customs, Duties and Taxes Payments (via BoC PAS5 Facility)
 - BancNet – BIR Electronic Filing and Payment System (BIR eFPS)
 - BancNet – eGovernment Facility (SSS, Pag-IBIG and PhilHealth Payments)

Digital Channels

- Retail Internet Banking
- Point of Sale
- Automated Teller Machines (ATM)
- Fintech / Card Solutions

Remittance Services

- SikapPinoy OFW Account

- SikapPinoy Asenso Program
- Credit to Accounts with Bank of Commerce
- Credit to Accounts with Other Philippine Banks via PESONet
- Credit to Accounts with Other Philippine Banks via InstaPay
- Cash Home Delivery
- Cash Pick-up Services via Bank of Commerce Branches from Partners and Tie-ups:
 - Al Ansari Exchange LLC
 - Al Ghurair Exchange LLP
 - Al Mulla International Exchange Co.
 - Arab National Bank
 - Bank Al Jazira
 - Prabhu Money Transfer
 - TransFast
 - Eastern & Allied Pty Ltd (HaiHa Money Transfer)
 - U Remit International Corp
 - Family Express Canada
 - WorldRemit Ltd
 - MoneyGram
 - Pacific Ace Forex HK Ltd
 - Max Money SDN BHD
- Cash Pick-up Services via Payout Partners:
 - M Lhuillier
 - Cebuana Lhuillier
 - LBC Express
 - Palawan Pawnshop
 - TrueMoney
- eGovernment Payments of OFWs through Remittance Partners:
 - SSS Contributions / Loan Payments
 - PhilHealth Contributions
 - Pag-IBIG Contributions / Loan Payments

International Trade Services

- Import
 - Import Letter of Credit (LC) (Sight / Usance)
 - Payment Abstract Secure (PAS5) Enrollment, and Customs Duties and Taxes Payment
 - Shippers Bond Guarantee
 - Airway Bill Endorsement
 - Foreign Exchange (FX) Purchase for Advance Payment of Importation
 - Negotiation of:
 - Open Account (OA)
 - Documents Against Payment (DP)
 - Documents Against Acceptance (DA)
 - Import Letter of Credit
 - Standby Letter of Credit (SBLC)
- Domestic
 - Domestic Letter of Credit
 - Domestic Standby Letter of Credit
 - Negotiation of Domestic Letter of Credit
- Export
 - Export Bills for Collection
 - Export Bills Purchased
 - Export Advances

Financial Highlights



	2019	2018*
Profitability		
Total Net Interest Income	4.13	3.70
Total Non-Interest Income	1.70	0.64
Total Non-Interest Expenses	(4.67)	(4.28)
Expense from Income Tax	(0.46)	(0.26)
Pre-Provision Profit	0.70	(0.20)
Reversal of (Provision for) Credit and Impairment Losses	(0.05)	0.18
Net Income	0.65	(0.02)
Selected Balance Sheet Data		
Liquid Assets	136.57	144.29
Gross Loans	74.49	72.94
Total Assets	145.03	151.41
Deposits	123.86	131.18
Total Equity	16.09	15.51
Selected Ratios		
Return on Equity	4.13%	-0.11%
Return on Assets	0.44%	-0.01%
CET 1 Capital Ratio (for UBs/KBs)	15.07%	14.07%
TIER 1 Capital Ratio (for UBs/KBs)	15.07%	14.07%
Capital Adequacy Ratio	15.93%	15.06%
Per Common Share Data		
Net Income Per Share:		
Basic	5.8	(0.2)
Diluted	5.8	(0.2)
Book Value	143.4	138.2
Others		
Cash Dividends Declared	N/A	N/A
Headcount	1,897	1,805
Officers	897	836
Staff	1,000	969

(Amounts in PHP billion, Except Ratios, Per Common Share, and Headcount)

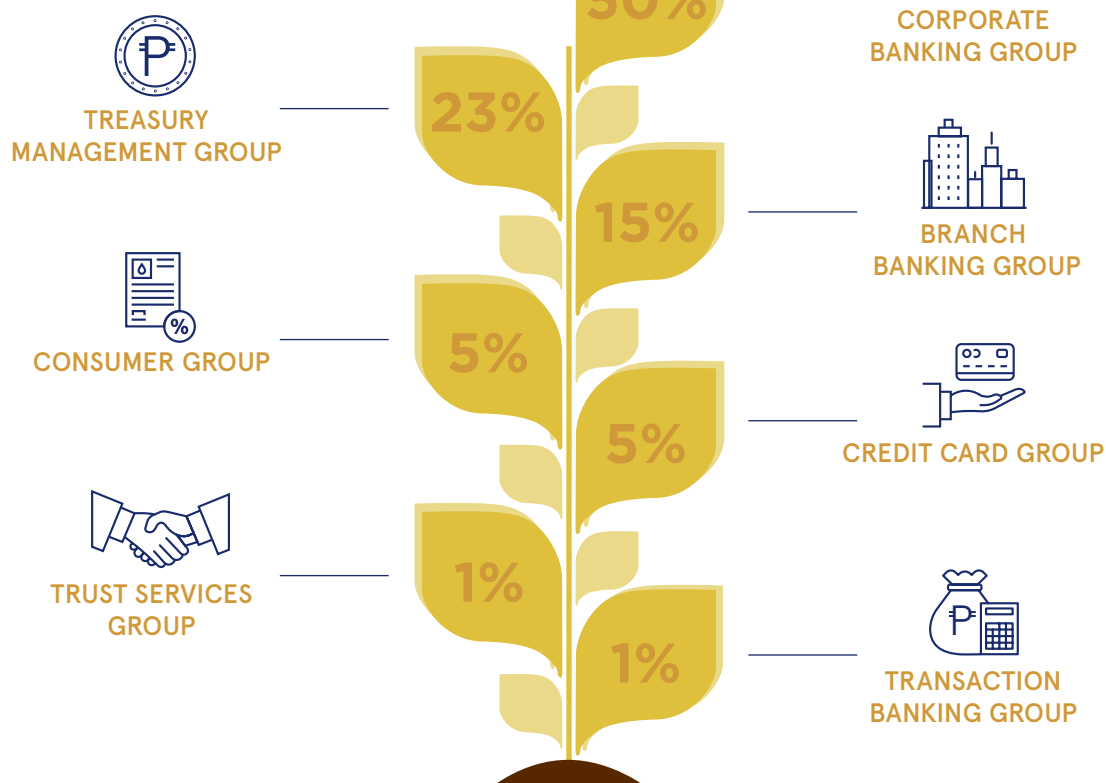
*Restatement of 2018 figures are discussed in Note 35 of the Notes to the Financial Statements.

Operational Highlights

At the heart of our operations is our commitment to work for the benefit of our clients, both internal and external. The Bank remained on a steady path to growth as we aim to enhance processes to serve customers' changing needs, and exceed operational targets to enable the efficient delivery of products and services. We leveraged the strength of each business group to continuously offer a unique and personal banking experience, and a host of financial and investment opportunities for our stakeholders.



CONTRIBUTION OF EACH BUSINESS GROUP TO THE TOTAL BANK INCOME





BRANCH BANKING GROUP

The Branch Banking Group (BBG) maintained its growth momentum in 2019. Through 140 branches strategically located nationwide, BBG on-boarded over 51,000 new depositors and increased its total core deposits by 14%, or nearly PHP10 billion, based on comparative year-to-date Average Daily Balances (ADB). Of this total, BBG posted a Current Account/Savings Account (CASA) growth of 10.7%, or PHP4.3 billion, from core retail and non-borrowing corporate customers alone. Capitalizing on synergies with partner Business Units, BBG generated PHP2.3 billion in 2019 consumer loan bookings, 44% or PHP0.7 billion more than in the previous year. BBG likewise posted record high numbers in Trust referrals, at PHP4.4 billion, and 12,320 in approved credit card applications.

In line with its strategic directions, BBG served as the nucleus of the Bank, with operations and income-generating initiatives collectively conceptualized and executed by an excellent team of senior branch banking officers. Client appreciation and economic briefing events were held in a series of roadshows which brought the Bank's Senior Executive Team and product managers to intimate interactions with customers in high-growth areas such as Quezon City, Makati, Manila, Marikina, Pasig, Alabang, Baguio, Tuguegarao, Cauayan, Cebu, Bacolod, Iloilo, and Davao. BBG also opened a new branch in Sindalan, San Fernando City, Pampanga to further expand its reach in new areas of business in Central Luzon. As our Branches undergo transformative rebranding, our Carmen, Pangasinan branch piloted the Bank's new corporate look and feel which aims to enhance the personalized and convenient banking experience of our clients.

On the operations side, BBG took on the challenge of consistently responding to the call of a culture of compliance, which led to the 100% passing percentage for all Branches in Internal Audit, a first for the Bank in many years, and a much improved performance in regulatory

compliance. This was accomplished despite tighter standards used in Internal Audit Division's audit reviews. To ensure strict adherence to Anti Money Laundering (AML) and other regulatory requirements, various projects were initiated in 2019. There were system enhancements in Risk Profiling, Electronic Approval, Foreign Exchange Monitoring, continuing Customer Information Form (CIF) clean-up as well as systems handling of transactions and its corresponding reporting requirements. To sustain the drive for excellence in branch operations, continuous training and learning sessions were conducted and supported by issuance of bulletins and advisories.

CORPORATE BANKING GROUP

The Corporate Banking Group (CBG) saw its loan portfolio settle at PHP57 billion, almost at par with previous year's level of PHP58 billion, given its focus on account profitability, adherence to a stringent underwriting standards and risk management, recovery of distressed loans, and diversifying its market reach. As of year end, CBG nonetheless was able to achieve a 10% favorable variance in interest revenues.

While CBG still concentrated on financing opportunities for conglomerates and top-tier accounts in the power, real estate, and manufacturing industries, it likewise expanded coverage of small- and medium-sized enterprises primarily in the SMC ecosystem. These enabled CBG to cross sell other bank products, such as cash management, foreign exchange, trade finance, and trust services to a more diversified clientele. In terms of asset quality, CBG saw no new significant past due accounts and was even able to resolve a long-standing problem account.

For 2020, given the expected challenging business environment, CBG intends to concentrate on maintaining relationships with key corporate clients to address its requirements in a timely manner and ensure risk management measures are properly identified to safeguard the Bank's assets and contribute to the attainment of the Bank's goal of sustained business growth.

CONSUMER GROUP

The Consumer Group had a remarkable 2019. The Consumer Loan portfolio grew by 23% or PHP2.6 billion in Home, Auto, and Salary Loans. The strategic organizational changes initiated in 2017 had laid the framework for the utilization of the Bank's branch network as the main channel for the distribution of consumer loan products.

With a beefed-up Organic Channels Division, the Group actively partnered with Branch Banking to market consumer loan products to its valued customers around the country. The Bank held major client events in selected regional markets which further boosted its presence in the consumer banking space.

Partnering with real estate developers continued to provide the Bank a steady source of home loan turn-ins. Consistent with its strategy to use the branches as the nucleus of its distribution network, the Bank further expanded its developer list with companies recommended by the local branch officers. Total home loans grew by 22% in 2019 as both developer-generated loans and branch-sourced loans showed significant growth.

Dealer relationships also deepened with the Bank adding more account officers. This enabled the Bank to cover a larger geographical area and enhanced product penetration. Auto loans grew by 28% in 2019 as dealer-generated loans supplemented the outstanding growth contribution of Organic Channels.

CREDIT CARD GROUP

The Credit Card portfolio grew by 92.3% in 2019, or a total of over PHP1.37 billion as compared to PHP710.44 million in 2018. Total card spend reached PHP3.8 billion, or a 67% increase compared to the same period last year, driven by strong installment billings, promotional tie-ups, and seasonal usage campaigns. Gross income reached PHP252.5 million, or an increase of 47% compared to 2018.

Total cards issued have reached over 71,000, and new cards issued grew by 42% compared to the same period last year. Various targeted sales and marketing campaigns, with the significant sales participation of Branch Banking, contributed to the improvement in the overall business performance of CCG.

TRANSACTION BANKING GROUP

2019 is the year of transformation for the Transaction Banking Group (TBG). Main thrust was to be at the heart and core of every customer's need, may it be retail or corporate clients, local or globally based. Key innovation continues to be the main pillar for rolling out product solutions that address the basic needs of the market. With this in mind, TBG's remittance business grew by leaps and bounds in 2019, with volume growth of 333% whereby PHP7.3 billion foreign flows from Overseas Filipino Workers (OFWs) was coursed through the Bank. Income doubled by the end of the year, as we aggressively promoted SikapPinoy as one of the most convenient ways of remitting transactions in the Middle East, Europe, Asia, USA, and Canada. Key relationships in the Middle East were further strengthened with the top-tier banks of the Kingdom of Saudi Arabia such as Bank Aljazira (Fawri), Bank Al Bilad (Enjaz), and Arab National Bank (Telemoney). The SikapPinoy Asenso Program was launched initially as a means for OFWs to save and borrow for a specific business franchise acquisition. Product enhancements under the Asenso Program will be generated to include investments and other financial services that address the needs of our 'kababayans'.

In 2019, issuances for Mastercard Debit Cards grew by 17%, whereby 62,092 retail customers performed Automated Teller Machine (ATM) cash withdrawals and online purchases. Enrollment for Cash Card has also seen triple growth in the past year. Targeted towards the new generation, the new Junior Saver Smart Savings Account Debit Card is equipped with EMV chip technology allowing accountholders below 12 years old an opportunity to become financially savvy by knowing the benefits of saving and usage of cash for emergency purposes.

For our Retail Internet Banking (RIB) platform, new enrollment increased by 35% from previous year, with a total of PHP3.65 billion transactional flow processed through the channel for bills payment and fund transfers within the Bank or via other banks through InstaPay and PESONet. In 2020, the Bank will launch "BankCom Personal" mobile banking platform with new functionalities and services.

In relation to growing our collection services for corporates further, our Auto Debit Arrangement (ADA) with Petron Corporation grew by 20% in 2019, with 50 more stations opening accounts with the Bank nationwide. Besides the advantage of payments through check issuances, Petron dealers will find more banking convenience with the establishment of Bank of Commerce's Cash Deposit Machine in their own stations. A business credit facility will also be made available should there be a need for financial assistance in stimulating cash flow.

Efficiency for receivables was made available through the Auto Credit Facilities for various cooperatives and distribution entities. The convenience of check issuance through releasing branches of Bank of Commerce nationwide is also made possible. Furthermore, in lieu of promoting electronic settlements, corporate clients can use InstaPay and PESONet through our Corporate Internet Banking platform. Plans to create "BankCom Business," an open platform with new features for corporate transactions, will be implemented.





As part of the digitalization strategy of the Bank, Bank of Commerce embarked on a new system for trade to automate processing of bank guarantees, letters of credit, and eventually, supply chain. TBG will continue to look for ways and means to provide for the changing cash flow requirements of our customers.

TREASURY MANAGEMENT GROUP

Following a year of elevated prices, the Philippines enjoyed a more stable inflation rate in 2019. Fuel prices were less volatile due to calmer world oil prices. The Rice Tariffication Law also put food inflation under control. With this, the Bangko Sentral ng Pilipinas (BSP) cut its overnight rate by a total of 75 basis points and slashed the reserve requirement ratio by 400 basis points. This environment favored the local bond market and the Bank was able to capitalize on this development. Despite lower inflation numbers, cost of money remained high in the early part of 2019 as banks competed for cash to meet demand for loans. The Bank saw that this may strain its net interest margin (NIM) growth. In response, the Bank decided to re-balance its asset portfolio to favor high margin assets to maximize its NIM. This move put less pressure on the Bank's cost of funds while being able to book higher yielding assets. In the process, Treasury realized more gains from the sale of its securities holdings. At the same time, to further secure its NIM, the Bank applied for authority to issue a Long-Term Negotiable Certificate of Time Deposits (LTNCTD) with the BSP. The authority was granted in November 2019.

The liquidity management function adopted a more dynamic cash flow and interest rates forecasting and focused more on increasing share of retail deposits, lengthening the tenor of deposit liabilities and reducing fund concentration on financial corporates, aimed at further strengthening the resilience of the liquidity risk profile of the bank. In addition, Treasury worked

closely with Risk Management, and the various business units, to analyze and understand the underlying liquidity characteristics and funding requirements of the business portfolios. As a result of this proactive yet prudent liquidity risk management and Asset-Liability Management, a higher net interest margin of 3.45% was achieved for the year as compared to the previous year, without exposing the Bank to undue risks from the interest rate volatility. The year also ended with a more diversified and stable funding base, lower funding costs, sufficient "cushion" of unencumbered, high quality liquid assets (HQLA) and overall, stronger liquidity and funding profile.

On the global front, the US-China trade tension took the headlines. This threatened US growth and prompted the Fed to cut its policy rate by 75 basis points. Yields of the 10-year US Treasury benchmark eventually followed to reach a low of 1.42% in the same year. The Bank's global bond holdings benefitted from lower benchmarks and stable credit spreads adding further to its year-end income.

Meanwhile, the Peso outperformed most of its regional peers in 2019 as demand for the US Dollar slowed. It was also helped by better trade deficit as imports grew less than expected. The continued expansion in OFW remittance further strengthened the Peso. All these confined the USD/PHP spot market in a range for most of the second half of 2019. Notwithstanding this, Treasury's currency trading business was able to maximize the muted volatility in the Foreign Exchange (FX) market and generated decent trading gains in proprietary trading.

Expanding its Foreign Exchange (FX) flows business remained at the forefront of Treasury Management Group's (TMG) initiatives in 2019. On top of the ongoing upgrade of its system (OPICS), it also embarked on providing an efficient electronic trading platform to its clients and branches. Its development is still in progress and is expected to see initial deployment in 2020.

TRUST SERVICES GROUP

The Trust Services Group (TSG) continues its upward growth momentum, as it seeks to expand its client reach and expand its product platform. The trust business grew 32.25% year-on-year in volume growth ending at PHP41.43 billion, and 29.93% year-on-year in revenue at PHP108 million.

A new trust system is being implemented and is to go live in September 2020. With a wider product platform through partnerships, augmented knowledge and skills of trust marketing personnel, and the capabilities and efficiencies that will be achieved with the new trust system, TSG is well poised for growth and increased profitability for 2020 and beyond.

SUPPORT INITIATIVES

INFORMATION TECHNOLOGY SERVICES DIVISION

The Information Technology Services Division (ITSD) contributed to operational efficiency by providing continuous support for the Bank's Information Technology (IT) requirements while moving towards the completion of the Bank's 2018-2020 IT plan.

Network infrastructure and technology upgrades were conducted in the Head Office, Branch and Automated Teller Machine (ATM) Data Communications Facilities, and Production and Disaster Recovery Datacenter Sites. ITSD upheld cost efficiency by converging and reducing additional leased line providers for Branches. Data Center and Disaster Recovery Site Network Equipment upgrades were implemented to enable 10G connection. Power 7 Server environment running SIBS was upgraded to Power 9 and Private Cloud Implementation via Nutanix Server (Nutanix, Power 9) was successfully implemented last year.

Improvements on the Bank's IT network and physical security layers were done by upgrading existing firewalls, improving network segmentation, and replacing outdated finger scan and alarm systems. Other necessary technology upgrades were made including the use of Windows 10 (from Windows 7) for Bank-owned desktops and laptops, and Branch Distribution System (BDS) tellering. The Bank also launched its new corporate website with a dynamic interface providing ease of navigation for product and promo information.

ITSD led in the roll-out of newer IT system software and hardware infrastructure for its Core Banking, Teller, Treasury, and Check Image Verification Systems.

In 2020, ITSD will continue to be an enabler of the Bank's five-year IT investment plan, which includes the upgrade of the Bank's ATM switch server environment (Stratus), wholesale banking system (Finastra), new Trust System, new AML System, Personal Online Banking (POB), and Client Onboarding system.

Against disruptions and challenges, ITSD will remain the key driver in providing digital conveniences to meet changing customer needs with improved banking technology and services.

HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT DIVISION

Talent acquisition, learning and development, retention, support to the businesses, and compliance were the priorities of Human Resources (HR) in 2019.

There was a 5% growth in manpower as compared to 2018, at an overall headcount of 1,897. Recruitment's Share The Passion Referral Program still ranked first among the candidate sources, followed by online recruitment searches. Partnerships with colleges and universities continued to be of value in providing the Bank with qualified candidates.

The Bank continued to provide employees with core, functional, and leadership programs conducted internally, externally, and online.

Employee and labor relations also kept HR busy to ensure resolution of employee concerns and issues and at the same time balancing these with understanding the business needs as well as referencing to policies and procedures. Bank-sponsored employee activities also helped maintain wellness and engagement of employees.

Payroll of our officers was successfully transferred from another bank to Bank of Commerce which has resulted in and will result in additional income for the Bank in terms of CASA and electronic payment transactions via the Retail Internet Banking.

With the goal of transforming the organization with a performance- and compliance-driven culture, HR, together with Compliance, Audit, Risk, Branch Banking, and Corporate Banking, were tasked by the President to incorporate a Governance Key Result Area (KRA) in the performance appraisal system. The governance rating is based on a merit and demerit system and will be provided by Audit, Compliance, and Risk.



Corporate Social Responsibility



The spirit of “malasakit” was constantly in motion through the Bank’s corporate social responsibility (CSR) initiatives. Going beyond the delivery of basic needs, the Bank, through its volunteers, reached out to various sectors across the country to carry out programs that empower communities with values, knowledge, and skills to uplift their quality of life. More importantly, the commitment to continue with these initiatives is expected to create a long-lasting impact on the socio-economic status of target beneficiaries.

Community development. Financial literacy. Volunteerism. These have always been the key focus areas of the Bank in its CSR activities. By working with organizations which work in line with these objectives, the Bank’s volunteers engaged in opportunities to support learning among the youth, ensure the proper nutrition of disadvantaged families, and aid in financial education initiatives.

TEAM MALASAKIT

Brigada Eskwela

Sto. Niño Elementary School, Marikina City

Brigada Eskwela is part of the Department of Education's Adopt-a-School Project, which invites companies to support public senior high schools in implementing the K12 program.

A strong partnership on Brigada Eskwela has enabled the Bank to make valuable contributions in restoring a proper learning environment for public school students. For the past four years, Brigada Eskwela has remained the biggest annual CSR activity organized by San Miguel Foundation, Inc. (SMFI) in terms of volunteer count.

In 2019, the Bank's volunteers helped in the rehabilitation of classrooms at Sto. Niño Elementary School in Marikina City, where they cleaned up learning areas and repaired equipment. These activities ensured that the school remained conducive to learning in time for the opening of the school year 2019-2020.

Better World Community

Tondo, Manila

Better World Community, an initiative by SMFI, is a learning and livelihood center for families in Manila. This is a food bank which aims to serve at least one million meals per year to children in Tondo, Manila for the next 10 years.

Since the launch of Better World Community in 2019, the Bank has pledged its full support to the program. The Bank volunteers participated in profiling families in Manila to help determine and secure their health and nutritional requirements, which are necessary in developing methods to alleviate their socio-economic status. To make the Christmas holiday celebration more meaningful, the Bank provided gift packs for family beneficiaries.

Mano Amiga (Helping Hand) Co-teach Program

Mano Amiga (Helping Hand) empowers people and communities through education and development programs focused on enabling every individual to achieve their fullest potential. Mano Amiga is an affordable K-to-12 school with international standards. By providing scholarships and sustainable livelihood, the school allows low-income families to have the capability to break out of poverty.

Being teachers for a day, the Bank's volunteers interacted with students during Mano Amiga's Co-teach Program. Participants in this activity included students from grades five, six, and nine, who were taking up various lessons in arts and music. By allowing them to take a break from their usual classroom activity, the students were able to learn and appreciate the arts through fun and interesting ways with the help of the Bank's employees.



International Coastal Cleanup

International Coastal Cleanup Day is an annual event for the preservation and protection of our oceans and waterways, organized by the Department of Environment and Natural Resources (DENR).

The Bank's volunteers joined local and international participants to show their support for this global movement. They gathered at the Las Piñas - Parañaque Critical Habitat and Ecotourism Area (LPPCHEA) together with SMFI and San Miguel Corporation (SMC) subsidiaries. Aside from collecting trash along the Manila Bay coastline to minimize pollution in the area, the Bank's volunteers also documented these in order to help identify ways to eliminate ocean trash in the future.

Usap Tayo Sessions

Through the initiative of SMFI, the Usap Tayo program aims to gain insights and gather different perspectives on important issues involving key segments of SMC's employees.

The Bank's volunteers participated in two intimate focus group discussions. Financial planning served as the main topic for working millennials who shared their understanding and learned more about investing wisely, developing careers, nurturing relationships, and achieving work-life balance. Working single parents exchanged views on parenting styles, financial management, company benefits, and other issues that matter most to their unique lifestyle.

INTERNATIONAL CARE MINISTRIES FOUNDATION, INC. (ICMFI)

Transform and Family Academy Programs

The International Care Ministries Foundation, Inc. (ICMFI) is a long-time partner of the Bank. ICMFI's Transform and Family Academy programs are Community Development Programs for strengthening families living in extreme poverty and empowering them to make measurable progress on their journey to success.

For the past five years, the Bank has consistently shown its commitment to this partnership, while continuing to support the sustainable programs that have changed the lives of Filipino families for the better.

The Transform program aids Filipino families living on less than PHP24 a day with no access to adequate shelter and food. Through an intensive 16-week, life-skills capacity-building course, the program helps them establish networks; learn the importance of values and health and obtain livelihood skills. It also provides nutrition supplements, medical kits, and livelihood resources.

In support of the Transform program, the Bank raised funds and repacked nutritious meals for communities in Dumaguete, Iloilo, and Davao City.

The Family Academy program, on the other hand, takes a two-generational approach to early education over an eight-month program. It presents a math and phonics curriculum for parents, so they can become their child's first teachers. It also has a livelihood curriculum that helps them develop small business skills. The parents learned about health and safety and received values lessons to help them strengthen their relationships within and outside their families.

Under the Family Academy program, the Bank sponsored a total of 140 families who live in makeshift homes and rely on farming and manual labor for their livelihood. A total of 105 participants also took out Business-in-a-Box loans with the necessary materials to start their own businesses.



WORLD VISION

Community-Managed Savings and Credit Association (CoMSCA)

Bohol

World Vision's Community-Managed Savings and Credit Association (CoMSCA) is a system of creating a local pool of capital to provide members access to funds so they can meet predictable expenses, reduce shocks to vulnerable livelihoods, facilitate household cash flow management, and make short-term investments in income-generating activities.

Previously, the Bank assisted 553 members from Molinete, Laurel, Batangas who learned the basics of saving and spending, as well as the proper use of their savings for education, household and family needs, and economic and livelihood activities.

In 2019, on its second partnership with World Vision, the Bank chose to support a community in Bohol. This is a year-long project that aims to create livelihood opportunities for increased family's income, to improve and restore their health, to enhance and develop their skills so they become community leaders, to build disaster-resilient communities, and lastly, to instill a sense of ownership and accountability in each member of the community.

ASENSO PROGRAM

(Access to credit, Support, capacity ENhancement and Soft loans)

Pili, Camarines Sur

Access to credit, Support, capacity ENhancement and Soft loans (ASENSO) is a financial inclusivity program that aims to uplift Filipinos living below the poverty line.

A partnership between the Bank and SMFI, ASENSO grants beneficiaries access to credit and financial capacity. Microenterprises in Pili, Camarines Sur were able to gain access to this loan program and expand the capacity of their agricultural business activities.



Corporate Governance



MANUAL ON CORPORATE GOVERNANCE

As mandated under prevailing Securities and Exchange Commission (SEC) memorandum and provisions of the New Manual of Regulations for Banks (MORB), Bank of Commerce has adopted a Manual on Corporate Governance. The Manual is updated annually or when necessary to incorporate significant changes brought about by laws, regulations or best practices. The latest updated Manual of Corporate Governance was approved by the Board of Directors in August 2019.

The Manual also incorporates the applicable provisions of the General Banking Law of 2000. The Manual contains the principles of sound corporate governance which shall be adhered to by all directors, officers, and employees of Bank of Commerce as they practice their respective duties and responsibilities.

It is a valuable reference in the implementation of sound governance policies and practices, and serves as a guide to the attainment of the Bank's vision, mission, and strategic objectives. Thus, it emphasizes the Board of Directors' commitment to prudently manage the Bank, thereby preserving the trust and confidence reposed on it by its clients and other stakeholders. Aside from highlighting the Board of Directors' duties and responsibilities, it also contains the qualification of directors/independent directors, advisers and consultants.

In 2014, prior to the regulatory mandate of banks to adopt an overarching policy on handling related party transactions, Bank of Commerce put in place a policy on dealings with related parties. Cognizant that transactions between and among related parties create business synergy and economic benefits, the policy included the creation of a Board-level Related Party Transactions Committee (RPTCom) which was enhanced and amended to include the requirements under BSP Circular 895 of 2015 and BSP Circular 969 of 2017 and later issuances. The policy provides guidelines on the definition of a Related Party Transaction and who are considered Related Parties of the Bank. It also includes San Miguel Corporation's conglomerate structure and a database of the Bank's related parties which concerned business units can refer to in determining if an account is a Related Party. The policy also defines guidelines for handling related party transactions, and the guidelines on ensuring arm's length terms, including conflicts of interest or potential conflicts of interest to ensure that related party transactions are entered into on terms not less favorable to the Bank and are consistent with the interest of the Bank and its shareholders. Furthermore, it sets the limits and materiality thresholds for Related Party Transactions to be vetted by the RPTCom and approved by the Board.

The Bank's RPT policy and database of Related Parties are updated annually or as often as necessary to incorporate changes pursuant to regulatory issuances and corporate structures.

BOARD GOVERNANCE

Setting the tone from the top, the Board of Directors (the Board) is primarily responsible for the sound governance of the Bank. It approves and oversees the implementation of the Bank's strategic objectives. Cognizant of its duty of setting the policies for the accomplishment of corporate objectives, the Board also provides an independent check on Management. It is also the Board's responsibility to foster the long-term success of the Bank, and sustain its competitiveness and profitability in a manner consistent with its corporate objectives, and the best interest of the stockholders and other stakeholders.

BOARD OF DIRECTORS

The Bank's Board of Directors is comprised of fifteen (15) members. The Board is a healthy mix of individuals with diverse experiences, backgrounds, and perspectives. Five (5) of the total Board seats are independent directors. This number of independent directors is compliant with the representation of independent directors required by the BSP and SEC. The membership of the Board is a combination of executive and non-executive directors such that no director or small group of directors dominates the decision-making process. All directors were chosen based on their qualifications, namely: integrity, probity, market reputation, conduct and behavior, relevant education and training, physical and mental fitness, knowledge, and experience. They possess such qualifications and stature that enable each of them to effectively participate in the deliberations of the Board. Prior to election as a Director or appointment to a senior officer position, any nominee or candidate passes through the evaluation of the Nominations, Compensation, and Remuneration Committee (NCRC).

The Chairman of the Board provides leadership in the Board of Directors. He ensures effective functioning of the Board including maintaining a relationship of trust with members of the Board. Consistent with the Corporate Governance Principles under the MORB, the Chairman of the Board is an independent director who has not served as CEO of the Bank within the past three (3) years. In his absence, the Vice Chairman of the Board is responsible for overall governance. The Bank's Chief Executive Officer is responsible for day-to-day management of the Bank.

The Bank's Independent Directors, apart from possessing minimal shareholding, are independent of management and free from any business or other relationship with the Bank, other than transactions which are conducted at

arm's length and could not interfere with their exercise of independent judgment when carrying out their responsibilities as directors. Further, they are not retained professional advisers or consultants of the Bank, not a nominee of any director or substantial stockholder, or member of any advisory board. Independent Directors only serve as such for a maximum cumulative term of nine (9) years reckoned from 2012, after which, they shall be perpetually barred from serving as Independent Directors but may continue to serve as a regular director of the Bank.

The above is consistent with SEC Advisory dated 31 March 2016, independent directors elected in 2012 may be re-elected until 2017, when the two-year cooling-off period shall commence. If there are no suitable replacements, said independent directors may be re-elected in 2017 until 2021, at which time, they may no longer be qualified as independent directors for the same companies. The said re-election in 2017 until 2021 shall be with prior written notice and justification to the SEC.

The Board has adopted guidelines on the maximum number of directorships in other entities that its members can hold, taking into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities as director of the Bank.

Directors are expected to act in the best interest of the Bank and in a manner characterized by transparency, accountability, and fairness. As a member of the Board upon which the corporate powers of the Bank is bestowed and exercised, and through which the Bank's strategic objectives, risk strategy, corporate governance and corporate values are set, a Director should exude leadership, observe prudence, exercise sound and objective judgment, and maintain integrity in directing the Bank towards sustained progress. The Board formulates the Bank's vision, mission, strategic objectives, policies, and procedures that guide its activities, including the means to effectively monitor Management's performance.

To effectively carry out their duties and responsibilities, the members of the Board attend a program on corporate governance conducted by a duly accredited training provider by the BSP. To maintain their professional integrity, enhance their skills and knowledge, understand the activities that the Bank is engaged in or intends to pursue as well as the developments in the banking industry and changes in regulatory landscape, members of the Board of Directors attend seminars, lectures or symposia as part of their continuing education or training. The Board has likewise adopted a policy on continuing education and training across all segments of the Bank's manpower complement, commensurate with their duties and responsibilities in order to keep abreast with developments in the banking industry, ensure that skills and knowledge remain relevant, and that requirements of the law, rules, and regulations are understood and complied with.

For the year 2019, the Board held twelve (12) meetings:

Composition	Attendance	%
Jose T. Pardo (Chairman, Independent Director)	12/12	100%
Francis C. Chua (Vice Chairman, Non-Executive Director)	10/12	83%
Michelangelo R. Aguilar (President and CEO, Executive Director)	12/12	100%
Roberto C. Benares (Former President and CEO, Non-Executive Director)	11/12	91%
Amor C. Iliscupidez (Non-Executive Director)	12/12	100%
Marito L. Platon (Non-Executive Director)	12/12	100%
Benedicta A. Du-Baladad (Non-Executive Director)	11/12	91%
Jose C. Nograles (Independent Director)	12/12	100%
Carolina G. Diangco (Non-Executive Director)	12/12	100%
Melinda S. Gonzales-Manto (Independent Director)	12/12	100%
Mariano T. Katipunan, Jr. (Non-Executive Director)	11/12	91%
Fe B. Barin (Non-Executive Director)	12/12	100%
Alexander R. Magno (Non-Executive Director)	12/12	100%
Aniano A. Desierto (Independent Director)	12/12	100%
Rebecca Maria A. Ynares (Independent Director)	9/12	75%

SECURITY OWNERSHIP OF DIRECTORS

Name of Director	Number of Direct and Indirect Shares Held	Number of Years Served	Percentage of Shares	Changes in the Composition
Jose T. Pardo	1	16	0.00%	Elected as Director, October 21, 2003; as Chairman, July 19, 2011; and re-elected every year thereafter during the Annual Stockholders' Meeting (ASM). Re-elected last April 30, 2019
Francis C. Chua	1	11	0.00%	Elected as Director, May 20, 2008 and re-elected every year thereafter during the ASM. Re-elected last April 30, 2019
Michelangelo R. Aguilar	1	1 year 6 months	0.00%	Elected as Director, June 26, 2018 and as President/CEO on July 16, 2018. Re-elected as Director during ASM, last year April 30, 2019
Roberto C. Benares	1	6	0.00%	Elected as Director, April 30, 2013; as President,/CEO, August 1, 2013; retired as President/CEO last July 15, 2018 and was appointed Director effective July 16, 2018; and elected as Director during the ASM, last year April 30, 2019
Amor C. Iliscupidez	1	11	0.00%	Elected as Director, May 20, 2008 and re-elected every year thereafter during the ASM. Re-elected last April 30, 2019
Marito L. Platon	1	9	0.00%	Elected as Director, April 30, 2010 and re-elected every year thereafter during the ASM. Re-elected last April 30, 2019
Benedicta A. Du-Baladad	1	5	0.00%	Elected as Director, January 31, 2014 and re-elected every year thereafter during the ASM. Re-elected last April 30, 2019
Jose C. Nograles	1	3	0.00%	Elected as Director, April 20, 2015 and re-elected every year thereafter during the ASM. Re-elected last April 30, 2019
Carolina G. Diangco	1	7	0.00%	Elected as Director, April 24, 2012 and re-elected every year during the ASM. Re-elected last April 20, 2018. Resigned in July 15, 2018 and appointed as BOD Adviser effective July 16, 2018 but re-elected as Director last September 25, 2018 and as Director during the ASM. Re-elected last April 30, 2019
Melinda S. Gonzales-Manto	1	6	0.00%	Elected as Director, April 30, 2013 and re-elected every year thereafter during the ASM. Re-elected last April 30, 2019
Mariano T. Katipunan, Jr. representing Caritas Health Shield, Inc.	1	1 year 8 months	0.00%	Elected as Director, May 29, 2015, replaced by Mr. Ronnie U. Collado as Caritas' nominee last June 27, 2017 and reinstated as Caritas' nominee last April 20, 2018 during the ASM and re-elected as the same nominee last April 30, 2019
Fe B. Barin	1	5	0.00%	Elected as Director, April 24, 2014; re-elected every year thereafter during ASM. Re-elected last April 30, 2019
Alexander R. Magno	1	5	0.00%	Elected as Director, August 1, 2014 and re-elected every year thereafter during the ASM. Re-elected last April 30, 2019
Aniano A. Desierto	1	6	0.00%	Elected as Director, August 1, 2013 and re-elected every year thereafter during the ASM. Re-elected last April 30, 2019
Rebecca Maria A. Ynares	1	3	0.00%	Elected as Director, July 26, 2016 and re-elected every year thereafter during the ASM. Re-elected last April 30, 2019

BOARD COMMITTEES

The Board has constituted the following committees to assist in its supervision over the Bank's activities and to guide Management in implementing sound corporate governance: Executive Committee; Audit Committee; Board Risk Oversight Committee; Corporate Governance Committee; Nominations, Compensation, and Remuneration Committee; Trust and Investment Committee; Related Party Transactions Committee; and Information Technology Steering Committee. These committees regularly convene as mandated in their respective Charters.

In the appointment of members of each committee, knowledge, skills, training, and experience, among others, are considered to ensure an optimal mix of knowledge and experience to allow the members to be critical, fully understand and objectively evaluate the issues and promote healthy and objective discussions.

EXECUTIVE COMMITTEE

The Executive Committee (Excom) is empowered to approve and/or implement all corporate acts within the competence of the Board of Directors (BOD) except those acts expressly reserved by the Corporation Code for the Board of Directors.

The Committee is composed of five (5) members and held twenty nine (29) meetings in 2019.

Composition	Attendance	%
Francis C. Chua <i>Non-Executive Director, Chairman</i>	28/29	96%
Michelangelo R. Aguilar <i>Executive Director, Member</i>	25/29	86%
Amor C. Iliscupidez <i>Non-Executive Director, Member</i>	27/29	93%
Fe B. Barin <i>Non-Executive Director, Member</i>	29/29	100%
Roberto C. Benares* <i>Non-Executive Director, Member</i>	7/9	77%
Carolina G. Diangco* <i>Non-Executive Director, Member</i>	21/21	100%

* Carolina G. Diangco replaced Roberto C. Benares in May 2019

AUDIT COMMITTEE

The Audit Committee oversees the Institution's financial reporting policies, practices and controls, monitoring and evaluation of internal control system's adequacy and effectiveness, the internal audit functions, the appointment, conduct and reporting of the external auditors, as well as implementation of corrective actions.

The Committee is composed of five (5) members, three (3) of whom, including the committee chairman, are independent directors. It held twelve (12) regular meetings and one (1) special meeting in 2019.

Composition	Attendance	%
Melinda S. Gonzales-Manto <i>Independent Director, Chairman</i>	13/13	100%
Jose C. Nograles <i>Independent Director, Member</i>	13/13	100%
Rebecca Maria A. Ynares <i>Independent Director, Member</i>	12/13	92%
Benedicta A. Du-Baladad <i>Non-Executive Director, Member</i>	12/13	92%
Mariano T. Katipunan, Jr. <i>Non-Executive Director, Member</i>	11/13	85%
Aurora T. Calderon <i>Adviser</i>	11/13	85%
Cecile L. Ang <i>Adviser</i>	11/13	85%
Evita C. Caballa <i>Corporate Secretary</i>	12/13	92%

BOARD RISK OVERSIGHT COMMITTEE

The Board Risk Oversight Committee (BROC) is responsible for the development and supervision of the risk management program of the Bank and its trust unit.

The Committee is composed of five (5) members, majority of whom are independent directors. Its chairman is a non-executive director. It held twelve (12) meetings in 2019.

Composition	Attendance	%
Jose C. Nograles <i>Independent Director, Chairman</i>	12/12	100%
Marito L. Platon <i>Non-Executive Director, Member</i>	12/12	100%
Roberto C. Benares* <i>Non-Executive Director, Member</i>	6/8	75%
Melinda S. Gonzales-Manto <i>Independent Director, Member</i>	12/12	100%
Rebecca Maria A. Ynares <i>Independent Director, Member</i>	11/12	92%
Carolina G. Diangco* <i>Non-Executive Director, Member</i>	3/4	75%

*Roberto C. Benares replaced Carolina G. Diangco in May 2019

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee (CGCom) assists the Board in fulfilling its corporate governance responsibilities. It is responsible for ensuring the Board's effectiveness and

due observance of corporate governance principles and guidelines across all levels of the Bank's personnel. The Committee is composed of five (5) members, majority of whom, including the committee chairman, are independent directors. It held twelve (12) meetings in 2019.

Composition	Attendance	%
Jose T. Pardo <i>Independent Director, Chairman</i>	12/12	100%
Marito L. Platon <i>Non-Executive Director, Member</i>	11/12	91%
Fe B. Barin <i>Non-Executive Director, Member</i>	12/12	100%
Jose C. Nograles <i>Independent Director, Member</i>	12/12	100%
Aniano A. Desierto <i>Independent Director, Member</i>	12/12	100%

NOMINATIONS, COMPENSATION, AND REMUNERATION COMMITTEE

The Nominations, Compensation, and Remuneration Committee (NCRC) 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 is composed of six (6) members, two (2) of whom, including the committee chairman, are independent directors. It held nine (9) meetings in 2019.

Composition	Attendance	%
Jose T. Pardo <i>Independent Director, Chairman</i>	9/9	100%
Amor C. Iliscupidez <i>Non-Executive Director, Member</i>	9/9	100%
Alexander R. Magno <i>Non-Executive Director, Member</i>	9/9	100%
Aniano A. Desierto <i>Independent Director, Member</i>	9/9	100%
Carolina G. Diangco <i>Non-Executive Director, Member</i>	9/9	100%
Ferdinand K. Constantino <i>Adviser, Member</i>	8/9	88%

TRUST AND INVESTMENTS COMMITTEE

The Trust and Investments Committee (TIC) is primarily responsible for overseeing the trust and other fiduciary activities of the Bank.

The Committee is composed of five (5) members, two (2) of whom are non-executive directors, including its

chairman who is an independent director, the President of the Bank who is also a director, and the Bank's Trust Officer. It held twelve (12) meetings in 2019.

Composition	Attendance	%
Jose T. Pardo <i>Independent Director, Chairman</i>	12/12	100%
Amor C. Iliscupidez <i>Non-Executive Director, Member</i>	12/12	100%
Michelangelo R. Aguilar <i>Executive Director, Member</i>	12/12	100%
Alexander R. Magno <i>Non-Executive Director, Member</i>	12/12	100%
Gamalielh Ariel O. Benavides <i>Chief Trust Officer, Member</i>	12/12	100%

RELATED PARTY TRANSACTIONS COMMITTEE

The Related Party Transactions Committee (RPTCom) assists the Board in fulfilling its responsibility of ensuring that transactions with related parties are handled in an efficient and prudent manner, with integrity, and in compliance with relevant laws and regulations to protect the interest of depositors, creditors, and other stakeholders.

For this purpose, the RPTCom evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. It likewise evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under identical circumstances.

The Committee is composed of six (6) members, three (3) of whom including the Chairman are independent directors. It held thirteen (13) meetings in 2019.

Composition	Attendance	%
Aniano A. Desierto <i>Independent Director, Chairman</i>	13/13	100%
Melinda S. Gonzales-Manto <i>Independent Director, Member</i>	13/13	100%
Marito L. Platon <i>Non-Executive Director, Member</i>	13/13	100%
Rebecca Maria A. Ynares <i>Independent Director, Member</i>	11/13	84%
Roberto C. Benares <i>Non-Executive Director, Member</i>	10/13	76%
Antonio M. Cailao <i>Adviser, Member</i>	12/13	92%

INFORMATION TECHNOLOGY STEERING COMMITTEE

The Information Technology Steering Committee (ITSC), as tasked by the Board of Directors, has the responsibility for IT oversight function to cohesively monitor IT performance and institute appropriate actions to ensure that the Bank's technology strategy and significant technology investments support the Bank's business needs, strategies and objectives.

Composition	Attendance	%
Roberto C. Benares* <i>Non-Executive Director, Chairman</i>	8/12	66%
Marito L. Platon** <i>Non-Executive Director, Vice-Chairman</i>	8/8	100%
Michelangelo R. Aguilar <i>Executive Director, Member</i>	12/12	100%
Cecile L. Ang*** <i>Adviser</i>	7/8	87%

*Roberto C. Benares was appointed as ITSC Chairman in May 2019

**Marito L. Platon was appointed as ITSC Vice-Chairman in May 2019

***Cecile L. Ang was appointed as ITSC Adviser in May 2019

THE CORPORATE SECRETARY

The Corporate Secretary plays a significant role in ensuring that the Board is able to effectively fulfill its responsibilities. The Office of the Corporate Secretary prepares the agenda and sends out the required notices and the materials for discussion prior to the meeting, and distributes the minutes of the previous meeting. The Office is responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Bank.

Loyal to the mission, vision, and objectives of the Bank, the Corporate Secretary works fairly and objectively with the Board, Management, stockholders, and other stakeholders. She is aware of the laws, rules, and regulations essential to the performance of the duties and responsibilities, and ensures that all the Board procedures, rules, and regulations are strictly followed by the members.

THE COMPLIANCE OFFICER

The Board appointed a Chief Compliance Officer (CCO) who directly reports to the Board of Directors through the Corporate Governance Committee (CGCom). The CCO is responsible for coordinating, monitoring, and facilitating the Bank's compliance with existing laws, rules, and regulations.

As such, she has the skills and expertise to provide appropriate guidance and direction to the Bank on the development, implementation, and maintenance of the Compliance Program. The CCO is delegated with appropriate authority and provided with necessary support and resources to ensure that compliance with laws, rules and regulations, and observance of best practices are carried out by the entire Bank. If any breach or violation of significant regulation is found, the matter is reported to the appropriate Board Committee or to the Board, together with a recommendation to prevent any recurrence and pursue disciplinary action, when called for.

The CCO oversees the identification and management of the Bank's compliance risk, supervises the functions of the compliance staff, and liaises with the BSP on compliance issues. The CCO is primarily responsible for ensuring the integrity and accuracy of documentary submissions to the BSP.

THE CHIEF RISK OFFICER

The Board also appointed a Chief Risk Officer (CRO) who is independent from executive, operations, and revenue-generating functions, and possesses sufficient stature and authority within the Bank. Without compromising his independence, the CRO has the ability to engage in discussion with the Board, Chief Executive Officer, and other Senior Management members on key risk issues and to access such information as he deems necessary to form his judgment. The CRO has direct access to the Board and reports at least monthly to the Board Risk Oversight Committee. The CRO is responsible for identifying, measuring, and monitoring key risk exposures and for assessing whether decisions to accept particular risks are consistent with the risk appetite approved by the Board.

The CRO is responsible for overseeing the risk management function and supports the Board of Directors in the development of the risk appetite and risk appetite statement of the Bank and in further translating the risk appetite into a risk limits structure. The CRO likewise proposes enhancements to risk management policies, processes, and systems to ensure that the Bank's risk management capabilities are sufficiently robust and effective to fully support strategic objectives and risk-taking activities.

BOARD AND SENIOR MANAGEMENT PERFORMANCE EVALUATION

The Board holds monthly meetings to enable directors to discharge their mandated duties and responsibilities of overseeing and monitoring the implementation of the Bank's strategic objectives and ensuring that its business is consistently carried out within compliance and corporate

governance standards. Special meetings are also held from time to time as the need arises. In addition to the Board meetings, the directors attend the meetings of their respective Board Committees.

The Board of Directors annually assesses its performance and effectiveness as a body, as well as the performance of various committees and the individual director through self, peer, committee, and board evaluation system facilitated by the Corporate Governance Committee. Results of the annual performance evaluation of the board and board-level committees are presented to and discussed with the Board.

As provided for in the Bank's By-Laws, dividends may be declared from the surplus profits arising from the business of the Bank at such time and in such percentage as the Board of Directors may deem proper. No dividends may be declared that will impair the capital of the Bank and Stock dividends shall be declared in accordance with the law.

The Senior Executive Team (SET) performance is also assessed annually by the President and CEO, except for the Heads of the independent units (Internal Audit Division, Compliance Division, Risk Management Division, and Trust Services Group) who are evaluated by their respective Board committees.

REMUNERATION AND SUCCESSION PLAN/PROGRAM

The Bank has a sustainable succession planning program in place. Each year, incumbents are assessed on their readiness to assume Senior Management positions. On an annual basis, the Human Resource Management and Development Division (HRMDD) sends an evaluation form to the Group/Division Heads of each unit requesting them to identify and assess their successors. The information gathered from respondents are collated into a succession Table of Organization/Plan of the Bank that is presented to the Nominations, Compensation, and Remuneration Committee (NCRC) and to the Board for notation.

PROCESS IN DETERMINING THE REMUNERATION OF THE PRESIDENT AND SENIOR OFFICERS OF THE BANK

The Bank has a salary structure in place that is used in determining the remuneration of all employees. Each rank has a minimum and a maximum pay rate. The hiring

of Senior Officers with ranks of Assistant Vice President to President & CEO is presented to the Nominations, Compensation, & Remuneration Committee (NCRC) for evaluation of his qualification and fitness for the position and endorsed to the BOD.

Remuneration of employees including the President and CEO and Senior Officers is determined on the basis of their current pay, scope of work, rank's performance, and the Bank's salary scale.

The Bank has an existing retirement program for its employees which was established and became effective in March 1990. Every regular and permanent employee is entitled to the retirement benefits under the program in accordance with the conditions applicable at the time of the employee's separation from the Bank which may be due to normal retirement, early/optional retirement, death, permanent and/or total disability, or separation. The Bank bears the full cost of providing the benefits in the Plan.

In 2019, the level of remuneration for the most senior executive officers of the Bank is as follows:

Name	Rank	Total Annual Compensation	Total Bonuses
Michelangelo A. Aguilar	President and CEO	PHP61,488,588	PHP9,222,745
Felipe Martin F. Timbol	EVP		
Manuel A. Castañeda III	EVP		
Edward Dennis J. Zshornack	SVP		
Rafael C. Bueno, Jr.	SVP		

TRAINING PROGRAM FOR DIRECTORS AND SENIOR MANAGEMENT

Directors and members of Senior Management undergo periodic training programs particularly focused on regulatory policy updates and requirements, typically the likes of Anti-Money Laundering (AML) and terrorist financing. Members of the senior management team are required to take the AML and Information Security courses annually. Core, functional, and leadership programs are also part of the Bank's training program.

RETIREMENT AGE OF BOARD AND SENIOR MANAGEMENT

The Directors are elected during the annual meeting of stockholders, or at any special meeting called for that

purpose, and hold office for one (1) year and serve until their successors shall have been duly elected.

A retirement plan for all employees was established and became effective in March 1990 with amendments thereafter. Based on the Bank's retirement plan with amendments after 1990, the normal retirement age for all employees (including Senior Management) is 60 years old. The plan includes benefits on Early Retirement, Resignation, Death/Total and Permanent Disability, Optional Retirement, and Involuntary Separation.

ADEQUATE AND TIMELY INFORMATION

Complete, adequate, and timely information on matters to be taken up during Board and committee meetings is important to enable the members of the Board to properly fulfill their duties and responsibilities. The information allows them to address matters at hand and participate in exchanges and discussions during meetings in order to arrive at informed decisions. Prior to Board and committee meetings, members of the Board are provided with the required information and materials for discussion. They are given independent access to the Management and Corporate Secretary at all times for the proper discharge of their functions.

FINANCIAL REPORTING CONTROLS AND AUDIT

The Board envisions to protect shareholders' value through adequate internal controls. Thus, the Board encourages a collaborative setting that fosters and encourages a corporate environment of strong internal controls, sound fiscal accountability, high ethical standards, and compliance with laws, rules and regulations, and codes of conduct.

The Board also has a bounden duty to its shareholders to present a balanced and understandable assessment of the Bank's performance and financial position. Specifically, the Board commits to accurate Financial Reporting, Transparency, robust Internal Control, and adherence to accepted Accounting Standards and Auditor Independence.

STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTEREST

The Board respects the rights of the stockholders as provided for in the Corporation Code and ensures that

they can freely vote on all matters that require their consent or approval, exercise their preemptive right to all stock issuances of the Bank subject to the limitations under banking laws, rules and regulations, inspect the Bank's books and records, and access information on dividends and appraisal right. The Board likewise promotes transparency, accountability, and fairness to stockholders of the Bank. It remains cognizant of its responsibility to foster the long-term success of the institution, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its stockholders.

STAKEHOLDERS

Beyond preservation of the financial value of the Bank, the Board recognizes the needs of its other stakeholders such as its customers, creditors, office suppliers/contractors, personnel, and the community at large. The Board has formulated policies that prioritize customer needs, promote consumer protection, rationalize selection and evaluation of suppliers/service providers, and develop employees' potentials through continuing education, leadership training, and seminars. The Bank has adopted policies that created an open channel of communication for the Bank's various stakeholders, so they can express their concerns and other views to the Bank. It recognizes their rights as mandated by law and encourages their active participation in promoting financially sound and socially responsible endeavors.

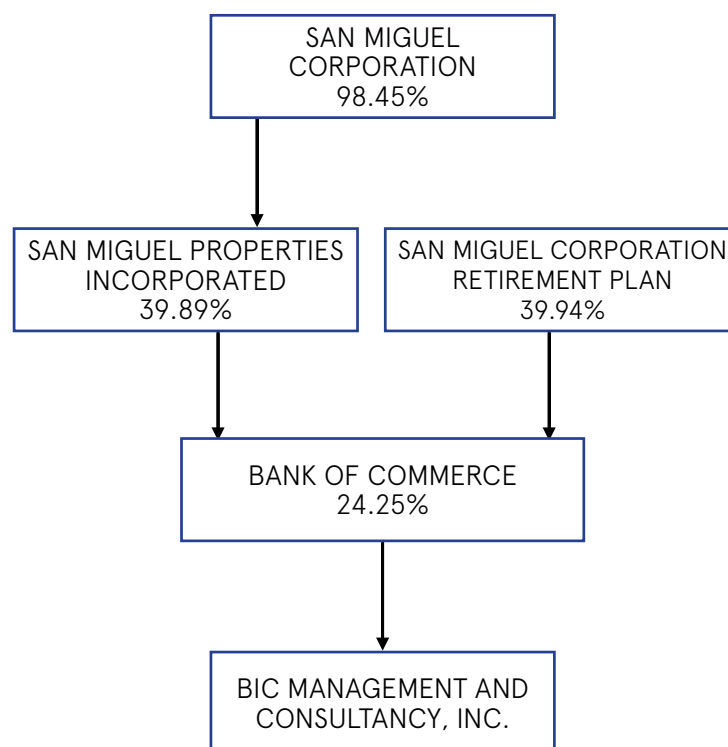
CODE OF ETHICS AND STANDARDS

The Bank upholds its Code of Conduct. It regularly reviews this Code, updates it whenever necessary, and communicates it to all the officers and employees of the Bank. To further strengthen compliance with this Code, the same is incorporated in the Bank's performance assessment system.

DISCLOSURE AND TRANSPARENCY

The Board commits to transparency and disclosure such that all essential and material information about the Bank which could adversely affect its viability or the interest of its stockholders and other stakeholders shall be adequately and timely disclosed. Aside from information and reports required by the BSP and the SEC to be published, information like earnings result, acquisition or disposition of assets, off-balance sheet transactions, related party transactions, and other indirect remuneration of members of the Board and Management, among others, shall remain disclosed.

OWNERSHIP STRUCTURE



RELATED PARTY TRANSACTIONS

The Bank recognizes that certain transactions involving Related Parties present a heightened risk of conflicts of interests or the perception thereof. To ensure that transactions with Related Parties, as these terms are subsequently defined, are entered into at arm's length bases and are consistent with the Bank's and its stakeholders' best interests, the Bank has crafted a Related Party Transactions Policy that govern the handling of Related Party Transactions (RPTs) and created the Related Party Transactions Committee (RPTCom).

The RPTCom assists the Board of Directors in fulfilling its corporate governance responsibility related to the safety and soundness of the Bank's financial transaction/s with Related Parties and ensures that such are conducted in accordance with market values.

RPTs at or above the materiality threshold set by the Bank are vetted by the RPTCom and approved by the Board of Directors. RPTs falling below the set threshold are vetted and approved by the designated approving authority/committee, subject to the notation of the RPTCom and confirmation of the Board. All Related Party Transactions must be in accordance with guidelines prescribed in BSP Circulars 895 and 914 dated December 14, 2015 and June 23, 2016, respectively and the Corporate Governance Principles of the MORB. With respect to loans and other

credit accommodations to the Bank's Directors, Officers, Stockholders, and their Related Interests (DOSRI), the requirements under in Sections 132 and 341 to 350 of the New MORB are strictly observed. Presented in Annex A (page 207) are Material Related Party Transactions as of December 31, 2019.

BOARD OVERSIGHT ON THE EFFECTIVENESS AND ADEQUACY OF INTERNAL CONTROL

The control environment of the Bank consists of (a) the Board which ensures that the Bank is properly and effectively managed and supervised; (b) Board committees that oversee the business operations, initiatives, and control functions of the Bank; (c) a Management that actively manages and operates the Bank in a sound and prudent manner; (d) the organizational and procedural controls supported by effective management information and system; and (e) an independent compliance and risk management system and internal audit mechanism to assess the adequacy and effectiveness of the Bank's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations, and contracts.

Consumer Protection



With its own Financial Consumer Protection Framework embedded in the organization, Bank of Commerce forged ahead in implementing initiatives and programs which aimed to build internal awareness on financial consumer protection policies, enhance financial literacy among its customers, and ensure compliance to new regulations, such as the amended financial consumer protection provisions under Bangko Sentral ng Pilipinas (BSP) Circular No. 1048 and BSP Circular No. 1065 (Manual of Regulations for Banks Updated as of 31 December 2018).

ROLES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Board of Directors and Senior Management are responsible and accountable for the development of the Bank's consumer protection strategy, the establishment of effective oversight over the Bank's consumer protection programs, and the overall compliance with its own financial consumer protection framework as embodied in the Bank's Financial Consumer Protection Manual. Their roles are delineated as follows:

BOARD OF DIRECTORS

- Approving and overseeing the implementation of the Bank's consumer protection policies as well as the mechanism to ensure compliance with said policies, including the promotion of a culture of ethical behavior and adherence to fair treatment of consumers;
- Monitoring and overseeing the performance of Senior Management in managing the day-to-day consumer protection activities of the Bank, as well as effective implementation of personnel training and approval of remuneration and compensation packages based on fair treatment guidelines; and
- Approving the Consumer Protection Risk Management System (CPRMS) and Consumer Assistance Mechanism (CAM) that is integrated into the overall framework for the Bank's entire product and service life-cycle, business model, market, and third party relationships.

SENIOR MANAGEMENT

- Implementing consumer protection policies approved by the Board of Directors, including the documentation and clear dissemination of approved CPRMS and CAM policies and procedures, and observance of requirements under relevant regulations on compliance and internal audit;
- Managing the day-to-day consumer protection activities of the Bank, and monitoring and addressing consumer-related issues through an effective management information system and risk governance framework; and
- Endorsing new or enhanced consumer protection policies and compliance mechanisms for approval of the Board of Directors.

Together, the Board of Directors and Senior Management perform the following:

- Periodically reviewing how findings are reported and how existing audit mechanisms enable or provide adequate oversight;
- Ensuring that sufficient resources are provided for the implementation of the Bank's financial consumer protection program;
- Periodically reviewing the effectiveness of the CPRMS; and
- Ensuring that any weakness identified in the CPRMS is addressed and corresponding enhancement or corrective action is taken in a timely manner.

CONSUMER PROTECTION RISK MANAGEMENT SYSTEM

One of the key components of the Bank's Financial Consumer Protection (FCP) Framework is a CPRMS. Through the CPRMS, the Bank demonstrates its commitment to ensure adherence to consumer protection laws, rules and regulations, and that all its business activities and that of its officers and staff are conducted with the highest ethical standards and in accordance with consumer protection standards of conduct.

The CPRMS is part of the Bank's corporate-wide risk management system. It is a means by which the Bank identifies, measures, monitors, and controls consumer protection risks inherent in its operations. It comprises the following:

- **Board and Senior Management Oversight.** The Board of Directors and Senior Management provide strategic direction and high-level support for the effective design, implementation, and continual improvement of the Bank's CPRMS. The more detailed roles are provided in the Bank's Financial Consumer Protection Manual.
- **Compliance Program.** The Bank's formal, written Compliance Program Manual covers financial consumer protection and follows the Revised Compliance Framework for Banks under BSP Circular 747.
- **Policies and Procedures.** Board-approved consumer protection policies and procedures are in place to ensure that consumer protection practices are embedded in the Bank's business operations, and to serve as reference for employees in complying with consumer protection laws, rules, and regulations. In keeping with periodical review, the Bank revisited the

Customer Complaint Management manual in August 2019 to formally document new provisions such as the updated process of reporting customer complaints by branches.

- **Internal Audit Function.** The Bank's consumer protection audit program enables the Board and its designated committee to make an assessment of the effectiveness of the implementation of the FCP Framework as well as the adequacy of approved policies and standards in meeting the established consumer protection objectives. In January 2019, the Internal Audit Division (IAD) released its Audit Report on Financial Consumer Protection, assigning a risk grading of "Good" (Above Acceptable). The audit aimed to assess the Bank's compliance to BSP Circular 857, and was performed according to the International Standards for the Professional Practice of Internal Auditing (ISPPIA).
- **Training.** Bank of Commerce believes in the continuing education of personnel as a means to strengthen and maintain compliance to consumer protection laws, rules, and regulations. All relevant frontline and support personnel, more specifically those whose roles and responsibilities have customer interface, are covered by the Bank's initiatives on consumer protection training. This initiative advocates for specific and comprehensive training to be received by these personnel in a timely manner in order to reinforce and help implement written policies and procedures on consumer protection. In 2019, the Human Resource Management and Development Division (HRMDD), in cooperation with Compliance Division, Risk Management Division, Branch Banking Group (BBG), and Corporate Communications and Consumer Protection Division (CCCPD), ran e-learning programs/training sessions on Anti-Money Laundering & Counter Terrorist Financing and Information Security Awareness. Likewise, CCCPD, in coordination with BBG, designed and conducted customized Financial Consumer Protection training sessions for area heads and branch officers, collections personnel handling consumer loans and credit cards, and newly hired employees.

In the second half of the year, HRMDD and CCCPD, through the support of Information Technology Services Division (ITSD), undertook the development of an FCP electronic learning (E-Learning) program to provide computer-based self-service training on financial consumer protection to Bank employees on a wider and more efficient scale.

CONSUMER ASSISTANCE MANAGEMENT SYSTEM

The Bank's enhanced customer complaint handling and redress mechanism conforms to the BSP's requirements for an effective Consumer Assistance Management System (CAMS). Through this mechanism, the Bank aims to address the need for accessible, affordable, independent, fair, accountable, timely, and efficient means in resolving customers' complaints with their financial transactions.

- **Board and Senior Management Oversight.** The Bank's complaint handling process, as embodied in its Customer Complaint Management Manual, covers the channels and responding units which complaints may be coursed through. The Customer Care Manager (CCM) is the central figure responsible for overseeing customer care and complaint handling performed by units administering the Bank of Commerce Hotline, head office units, and branches.

The CCM also closely monitors critical complaints and ensures their quick resolution. Periodically, the CCM submits a complaint report for discussion in the meetings of the Senior Executive Team, the Board Risk Oversight Committee (BROC), and the Corporate Governance Committee (CGCom).

- **Complaints Resolution Turn-Around Time.**

For efficient resolution of complaints, the Bank categorizes them as follows:

- Simple Complaints* are complaints that may be given immediate solution, possibly at point of call or within five (5) working days from date of call.
- Complex Complaints* are complaints that may require more than five (5) working days to resolve as further investigation/study by the concerned unit/s is needed.

Channel	Receiver/ Responding Person	Filing
Branches	Branch Manager (BM)/ Branch Operations Officer (BOO)/ Branch Marketing Officer (BMO)	Customer Complaint Form (CCF)
Head Office (HO)	Department Head/ Division Head/ Group Head	CCF
customerservice @bankcom.com.ph	Customer Care Manager (CCM)/ E-Services Officer	Ticketing system
Phone call through the BankCom Hotline	Bank's Customer Care Agents (CCAs)/ Customer Care/ In-House Employees	Ticketing system
Media/BSP	CCM	Ticketing system

The customer complaint handling flow is generally the same for the three channels (Bank of Commerce Hotline, Branch, and Head Office unit), but with some variation as to the receiver and mode of filing for escalation and reporting purposes.

For each complaint received, the designated Receiver/ Responding Person records details about the client and the nature of complaint. If the resolution is immediately available, the Receiver/Responding Person gives the client the appropriate response.

However, if the client remains dissatisfied, the client is then provided with a tracking number and processing turn-around time (TAT), and the complaint is escalated to the concerned unit or person. The Receiver/Responding Person monitors the unit's progress and upon resolution of the complaint, closes it.

The time frame for the investigation and formulation of an answer to a complaint is as follows:

Action Required	Simple	Complex
Response	Within two (2) banking days from receipt of complaint	Within two (2) banking days upon receipt of complaint
Processing, assessment, investigation and resolution	Within five (5) working days from receipt of complaint	Within fifteen (15) working days upon receipt of complaint

If the investigation and formulation of resolution cannot be completed at the committed time frame, the client is informed by the concerned unit of the reason thereof, the need for an extension for the investigation, and the date when the solution would be provided.

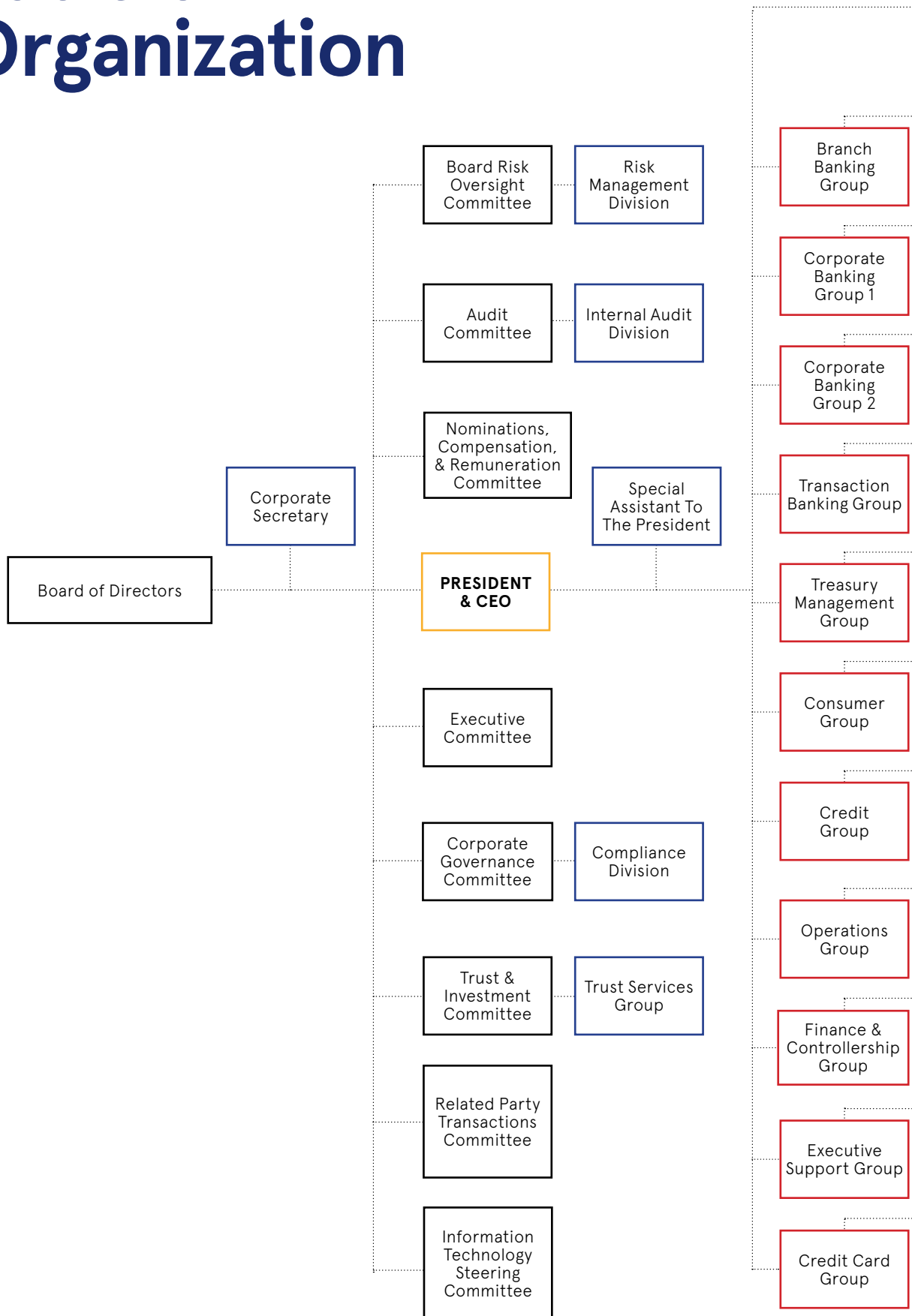
FINANCIAL EDUCATION AND AWARENESS. In line with the goal of the BSP to educate and protect consumers from any disadvantageous effect on their financial stability, the Bank provided a series of financial education awareness campaigns not only for its external customers

(clients), but also for its internal customers (employees). The campaigns intended for the external customers focused on how they could utilize bank products while staying vigilant against security threats to their accounts and/or transactions. On the other hand, the Bank also aimed to maintain its employees' understanding of their role in ensuring that Financial Consumer Protection Standards on disclosure and transparency, fair treatment, effective recourse, and privacy of client information are well-implemented. The Bank sent out the following advisories via electronic channels, which are the more cost-effective media:

- Phishing: Knowing Real Against Fake
- Beware of Deceptive E-mails
- Ways to Protect Yourself Against Debit Card Fraud
- Be Familiar with Credit Card Fraud Types
- How to Stay Safe and Prevent Credit Card Fraud?
- Debit and Prepaid Card International Usage in Non-EMV ATMs and POS Terminals
- CIF Updating
- Safe Investing: Tips on How to Detect Investment Scams
- Safe Investing: Know the Popular Investment Scams
- The Role of Banks in Remittance

Moreover, the Bank showed its commitment to establish different financial literacy programs intended for students, employees, professionals, and underserved markets. Prior to some of the briefings, a proprietary customer profiling survey was conducted, which enabled the Bank to look at the participants' saving and spending habits. The program tackled basic financial management principles, saving tips, introduction to key banking products, and retirement planning. With these programs, the participants were able to share their personal experiences and insights, as well as their realizations and goals in improving their financial lifestyle. To further improve the Bank's financial literacy programs, the participants were given a post-briefing evaluation wherein the Bank garnered a generally positive and objective assessment.

Table of Organization



Corporate Communications &
Consumer Protection Division

Legal Services
Division

Human Resource
Management & Development
Division

Security
Department

Branch Banking Division
(Metro Manila 1/Metro Manila 2/Luzon/Vismin)

Branch
Operations
Division

Branch Business
Development Department

Corporate 3 Division
Large Corporation

Corporate 4 Division
Large Corporation

Corporate 5 Division
SME

Remedial
Management
Department

Corporate 1 Division
SMC Group

Corporate 2 Division

Cash Management
Division

Trade Division

Digital Channels
Department

ATM Offsite
Operations
Section

Remittance
Marketing
Department

Liquidity &
Asset Liability
Division

Fixed Income
Trading
Division

Foreign
Exchange
Trading Division

Treasury
Marketing & Sales
Division

Structures &
Investment Division

Financial
Institutions
Division

Consumer
Loans Division

Consumer
Credit Division

Consumer Collections
& Recovery
Department

Legal
Department

Analytics
Department

Product
Development
Department

Credit Evaluation
& Review Division

Credit
Investigation &
Appraisal Division

Credit Policy
Department

International
Operations
Division

Loan
Operations
Division

Electronic
Banking & Card
Support Division

Treasury
Operations
Division

Centralized
Operations
Support Division

General
Services
Division

Procurement
Management
Department

General Accounting
& Financial Control
Division

PFRS Reporting
and Financial
Analytics Division

ICAAP &
Regulatory
Reporting Division

Strategic Finance
& Tax Department

Corporate
Planning
Division

Acquired
Assets
Division

Information
Technology
Services Division

Solutions
Management
Division

Data
Management
Division

Business Systems &
Quality Assurance
Division

Credit Card
Marketing & Sales
Department

Credit Card
Operations
Department

Credit Card
Credit & Collection
Department

Customer Service
Department

Board of Directors



JOSE T. PARDO

Chairman, Independent Director

Filipino, 81 years old

Jose T. Pardo, an Independent Director of the Board of Directors of Bank of Commerce (the "Bank"), currently serves as Chairman of the Board since July 19, 2011. He provides firm guidance and insights on concretizing the Bank's mission and vision towards continuous nation-building and development. Concurrently, Mr. Pardo heads the following Committees of the Bank: Trust and Investment Committee (TIC); Nominations, Compensation, and Remuneration Committee (NCRC); and Corporate Governance Committee (CGCom). Mr. Pardo's vast career experience in banking and finance spans government and private sectors, as former Monetary Board Member of the Bangko Sentral ng Pilipinas (BSP), as former Governor for the Philippines of the Asian Development Bank (ADB) and the World Bank Group, and as former Cabinet Secretary of the Department of Finance and Department of Trade and Industry. He previously held Chairmanship positions in the Landbank of the Philippines (LBP), Philippine Deposit Insurance Corp. (PDIC), PCCI Council of Business Leaders, De La Salle University, and Assumption College, Inc., among others.

Currently, he chairs the following companies as Independent Director: Securities Clearing Corporation of the Philippines, The Philippine Stock Exchange, Philippine Seven Corporation, and Philippine Savings Bank. He is the chairman of non-profit organizations PCCI Council of Business Leaders and ECOP Council of Business Leaders. Among his independent directorships are: National Grid Corporation of the Philippines, JG Summit Holdings Inc., ZNN Radio Veritas, Synergy Grid and Development Phils., Inc., Monte Oro Grid Resources Corporation, Araneta Hotels, Inc., and League One Finance and Leasing Corporation, and Del Monte Philippines, Inc. He holds a degree in B.S. Commerce and has a Master's Degree in Business Administration and an Honorary Doctorate in Finance from De La Salle University. He was conferred the degree Doctor of Humanities, Honoris Causa at the Gregorio Araneta University Foundation.

FRANCIS C. CHUA

Vice Chairman, Non-Executive Director

Filipino, 71 years old

Amb. Francis C. Chua has been a member of the Board of Directors of Bank of Commerce (the "Bank") since May 20, 2008, and sits as Vice Chairman from 2013 to present. Mr. Chua chairs the Executive Committee (Excom) of the Bank. With his constant feedback and insights on best banking practices, he has been instrumental in promoting the Bank in the business community and in marketing its products and services. Amb. Chua continuously serves in the Philippine Chamber of Commerce and Industry, Inc. (PCCI), as Consul General conferred by the Honorary Consulate General of the Republic of Peru in Manila since

2006, and as Board Adviser of the Office of Alternative Dispute Resolution under the Department of Justice. He was the Special Adviser on Economic Affairs under the Office of the Speaker of the House of Representatives, Congress of the Philippines since 1997. He is Honorary Trade and Investment Representative of the Department of Trade and Industry, appointed Commissioner in the Constitutional Commission, Board of Trustee of Technical Education and Skills Development Authority (TESDA), and Special Envoy on Trade and Investment (China) of the Department of Foreign Affairs since 2007. He is a member of the Board of Directors of the Philippine Stock Exchange where he previously served as Treasurer.

He currently serves as Chairman of BA Securities Inc.; and a member of the Board of Directors of DITO Telecom, National Grid Corporation of the Philippines (NGCP), Global Ferronickel, Inc., and Platinum Group Metals Corp. He holds the Chairmanship of CLMC Group of Companies and Dongfeng Automotive Inc. and serves as Vice Chairman of Negros Navigation/2Go. He is the Vice Chairman of Basic Energy and Mabuhay Satellite Corp., and President of the Philippine Satellite Corp. He obtained his degree in B.S. Industrial Engineering (Cum Laude) from the University of the Philippines and was conferred Doctor in Humanities from Central Luzon State University.

MICHELANGELO R. AGUILAR

President and CEO, Executive Director

Filipino, 64 years old

Mr. Michelangelo R. Aguilar was elected member of the Board of Directors and appointed President and Chief Executive Officer (CEO) of Bank of Commerce (the "Bank") on July 16, 2018. He is a member of the following committees: Executive Committee (Excom), Information Technology Steering Committee (ITSC), and Trust and Investment Committee (TIC).

Mr. Aguilar has over 35 years of banking experience in the areas of Corporate and Investment Banking, Global Markets and Treasury. He has 22 years of experience with international banks starting his career as an Executive Trainee at Citibank Philippines and rising through the ranks in the areas of Banking Operations, Treasury and Sovereign Risk. He continued to hold senior positions as Country Treasurer and then as Managing Director and Head of Wholesale Bank at Standard Chartered Philippines. For 13 years prior to joining the Bank, he was Treasurer and Head of Corporate Banking in two major local banks, respectively. He graduated with a degree in Bachelor of Science in Mechanical Engineering from De La Salle University and later acquired a Master's Degree in Business Management from the Asian Institute of Management. He is a licensed Mechanical Engineer and a Certified Treasury Professional by the Bankers Association of the Philippines (BAP).



ROBERTO C. BENARES

Former President and CEO, Non-Executive Director
Filipino, 67 years old

Mr. Roberto C. Benares has been elected as member of the Board of Directors of Bank of Commerce (the "Bank") since April 30, 2013. He assumed his position as President and CEO of Bank of Commerce on August 1, 2013 and was succeeded by Mr. Michelangelo R. Aguilar on July 16, 2018. He currently sits as Director and chairs the Information Technology Steering Committee (ITSC). He is also a member of the following Committees: Executive Committee (Excom), Board Risk Oversight Committee (BROC), and Related Party Transactions Committee (RPTCom). During his tenure as President and CEO, he took the lead in strengthening the Bank by framing its superior service culture to achieve its recent milestones.

Previously, Mr. Benares was the Managing Director of Maybank ATR Kim Eng Capital Partners, Inc. He started his banking career at Bancom Development Corp. as Assistant Treasurer prior to holding the position of Vice President of Account Management at United Coconut Planters Bank. He also served as Managing Director at Asian Alliance and Executive Vice President at Insular Investment & Trust Corporation, and Vice President at Philamlife. He holds a degree in Bachelor of Science in Mechanical Engineering from De La Salle University and has a Master's Degree in Business Management at the Asian Institute of Management.

AMOR C. ILISCUPIDEZ

Non-Executive Director
Filipino, 68 years old

Ms. Amor C. Iliscupidez has been a Director of Bank of Commerce (the "Bank") since April 2008 and is a member of its Executive Committee (Excom); Trust and Investment Committee (TIC); and Nominations, Compensation, and Remuneration Committee (NCRC). She also serves as Director of the Philippines Stock Exchange (PSE) since April 2006. She is a member of the PSE's Audit, Corporate Governance, Risk Management, and Investment Committees. She brings with her more than 15 years of investment, assurance, banking and finance experience and has been a Director of the Securities Clearing Corporation of the Philippines and a member of its Audit Committee and Risk Management Committee since January 2011. She was a Director of Capital Management Integrated Corporation from July to September 2013.

She was a member of the Board of Trustees of San Miguel Corporation Retirement Plan and other subsidiaries from February 2006 to June 13, 2018. She was the General Manager of San Miguel Corporation Retirement Funds

Office since February, 2006 up to June 30, 2017. She was also the General Manager at Anchor Insurance Brokerage Corporation from 2003 to 2005 and was Assistant Vice President and Manager of the SMC Group Financial Services from 2001 to 2003. Ms. Iliscupidez was also Finance Manager of other subsidiaries and business units of San Miguel Corporation. She graduated Cum Laude with a Bachelor of Science degree in Business Administration, major in Accountancy, from the University of the East and is a Certified Public Accountant.

MARITO L. PLATON

Non-Executive Director
Filipino, 67 years old

Mr. Marito L. Platon was elected last April 30, 2010 as member of the Board of Directors of Bank of Commerce (the "Bank"). He is currently the Vice-Chairman of the Information Technology Steering Committee, and a member of the Corporate Governance Committee (CGCom), Board Risk Oversight Committee (BROC) (former Chairman), Related Party Transactions Committee (RPTCom), and previously, of the Audit Committee. Mr. Platon has been the driving force behind the consistent growth of the Bank's business in partnership with clients.

Mr. Platon has 27 years of treasury and corporate finance experience at San Miguel Corporation and Coca-Cola Bottlers Philippines, Inc. (CCBPI) as Vice-President and Treasurer supervising various departments/functions in the areas of treasury management and operations, funds planning and loans management, banking relationship, working capital management, capital budgeting and project coordination, tax administration and management, insurance and risk management, credit and collection, systems design and development, and provident fund operations as he was also the former Managing Trustee of the CCBPI Retirement Plan. Aside from formerly holding directorship and/or management positions in various companies or undertakings involved in investment banking, corporate leasing, internal auditing, security services, aquaculture operations, food retailing, among others, including education as former Chairman at non-sectarian Institute for Esoteric Studies, he was also formerly director and CFO of CCBPI's real estate companies Marangal Properties, Inc. and Luzviminda Landholdings, Inc. Mr. Platon likewise has over 30 years of rural banking experience being former Chairman and President of Rural Bank of Talisay (Batangas), Inc. Currently, he serves as Chairman and President of Villa Maria Resorts and Development Corporation, a tourism and property development family-owned corporation. A Fellow-candidate at the Institute of Corporate Directors, Mr. Platon graduated in 1973 at De La Salle University with a degree in Bachelor of Science, Major in Accounting.



BENEDICTA A. DU-BALADAD

Non-Executive Director

Filipino, 58 years old

Ms. Benedicta A. Du-Baladad has been a member of the Board of Directors of Bank of Commerce (the "Bank") since January 31, 2014 and is a member of the Audit Committee. She was previously a member of the Bank's Board Risk Oversight Committee (BROC) from 2014 to 2017. She is the Founding Partner and CEO of Du-Baladad and Associates (BDB Law), a law firm specializing in taxation and related corporate services. Ms. Du-Baladad has over 30 years of practice in the field of taxation, 17 years of which was spent with the Bureau of Internal Revenue (BIR) working on tax administration policy development and in operations. In 2001, she joined the private sector and is now on her 16th year of private practice. She has authored three (3) books on the taxation of the financial sector.

She is currently the lead tax and legal consultant of the Philippine Government's Department of Finance (DOF) on its program to reform the taxation of capital income and financial intermediation services. She is also the co-Chair of the Capital Markets Development Council (CMDC) in the Philippines and she currently serves as a Governor of the Management Association of the Philippines (MAP). Ms. Du-Baladad holds the leadership role in major professional and business organizations in the country such as the Financial Executives of the Philippines (FINEX), the Philippine Chamber of Commerce and Industry, the Tax Management Association of the Philippines (TMAP), and the Women Business Council of the Philippines (Womenbiz). Ms. Du-Baladad is a Certified Public Accountant, graduated Magna Cum Laude with a Bachelor's Degree in Accountancy from Saint Louis University, Baguio, Philippines (1982) and holds a Bachelor of Laws degree from the University of Santo Tomas, Manila, Philippines (1989). Her educational background includes Advanced Management Program at Wharton School of the University of Pennsylvania, Pennsylvania, USA (2007) and Master of Laws and International Tax Program at the Harvard University, Cambridge, MA, USA. She is a fellow at the Institute of Corporate Directors. She is also the Philippine correspondent of Tax Notes International and is a regular columnist of the Business Mirror's Tax 'Law for Business' and a professorial lecturer of taxation at the University of Santo Tomas (UST).

JOSE C. NOGRALES

Independent Director

Filipino, 70 years old

Mr. Jose C. Nograles has been an elected member of the Board of Directors of Bank of Commerce (the "Bank") since April 20, 2015. He chairs the Bank's Board Risk Oversight Committee (BROC) and serves as a member of the following Committees: Audit Committee and Corporate Governance Committee (CGCom). He continues to be a strict advocate of the Bank's conscientious and efficient use of resources towards sustainable care for the environment. A seasoned investment banker and economist, Jose C. Nograles was President of the Philippine Deposit Insurance Corporation (PDIC) from January 2008 to May 2011 where he led PDIC's transformation to a more responsive and innovative institution. Previously, he was the Senior Executive Vice President of the Land Bank of the Philippines (LBP). In 2005, he headed LBP's Operations and Corporate Services Sector. Five years earlier, as Senior Vice President

and Treasurer, he organized LBP's combined Treasury and Investment Banking. He was also concurrently Board Vice-Chairman and President of Land Bank Insurance Brokerage Inc., LBP's subsidiary engaged in insurance brokerage and foreign exchange trading.

Mr. Nograles started his career in 1969 as part of the management services staff of SGV and Company. By 1973, he worked in government as a Senior Consultant to former Secretary Arturo R. Tanco, Jr. of the Department of Agriculture and Natural Resources. After three years, he rejoined the private sector as General Manager of Sarmiento Management Corporation. He moved to Anflo Management & Investment Corporation as Vice President in 1977 to head its Automotive Group of car dealerships and the Corporate Planning Department. He later founded his family's realty company engaged in commercial building and hotel operations in Davao City in 1980. In 1984, he was appointed Assistant Minister for Planning and Project Management of the Ministry of Natural Resources. In 1991, he joined Columbian Autocar Corporation as Vice President and General Manager. He obtained his BA in Economics with honors (Cum Laude) from the Ateneo de Manila University in 1969 and his Master's Degree in Business Administration from the Asian Institute of Management in 1973. He is a fellow of the Institute of Corporate Directors.

CAROLINA G. DIANGCO

Non-Executive Director

Filipino, 76 years old

Ms. Carolina G. Diangco has been a member of the Board of Directors of Bank of Commerce (the "Bank") since April 2012. In July 2018, she briefly served as adviser for the Related Party Transactions Committee (RPTCom) and Board Risk Oversight Committee (BROC). She is currently a member of the Nominations, Compensation, and Remuneration Committee (NCRC); and Executive Committee (Excom). Previously, she served as member of the Board Risk Oversight Committee and Audit Committee. Ms. Diangco is also a member of the Board of Directors of Cocolife Asset Management Co., Inc., and UGPB General Insurance Co., Inc. since 2009.

Since 1998, she has been a member of the Board of Directors of United Coconut Planters Life Assurance Corp. and sits as an executive member in its Executive Committee, Finance and serves as the Chairperson of the Audit Committee. She was a member of the Board of Directors of the United Coconut Planters Bank (UCPB) from 2002 up to 2007 where she served as executive member of the Loans Committee and the Chairperson of the Audit Committee. She held various senior positions in UCPB Rural Bank, as member of the Board of Directors; CLIF Finance Corporation, UCPB Foundation and UCPB Securities, Inc., as Treasurer; and Mastercaterers, Inc., UCPB Condominium Corporation and UCPB Properties, Inc. From UCPB, she brings with her 38 years of core banking experience rising from the ranks to Senior Vice President-Controller upon retirement in 2002. Ms. Diangco also served as consultant at Central Visayas Finance Corporation (CVFC) taking an advisory role on over-all management and controllership of the company and was conferred to on aspects of Accounting, Treasury, Credit Cards and Risk Management from 2004 to 2015. She holds a degree in B.S. Business Administration Major in Accounting at the University of the Philippines and is a Certified Public Accountant.



MELINDA S. GONZALES-MANTO

Independent Director

Filipino, 68 years old

Ms. Melinda S. Gonzales-Manto (Linda) has been a member of the Board of Directors of Bank of Commerce (the "Bank") since January 2014. She currently Chairs the Audit Committee and serves as member of the Related Party Transactions Committee (RPTCom) and Board Risk Oversight Committee (BROC). She is currently the Vice-President of Linferd & Company, Inc. and ACB Corabern Holdings Corporation. She likewise sits in the board of Eagle Cement Corporation (Eagle Cement) and Petrogen Insurance Corporation. She functions as Chairman of the Audit Committee and member of the Corporate Governance Committee of Eagle Cement. Ms. Manto is also the Resident Agent of some multinational companies in the country and the Treasurer of a foreign company doing business in the Philippines. She used to be a board member of the GSIS Family Bank.

Ms. Gonzales-Manto started her career in SyCip, Gorres, Velayo & Co. (SGV). She is a celebrated accountant and is looked up to as an expert in assurance and business advisory. Her areas of specialization include retail, manufacturing, food processing and distribution, real estate, radio and television broadcasting, technology, steam power generation, agribusiness, semiconductors, and electronics. She is highly respected as well in initial public offerings, due diligence engagements, and mergers and acquisitions. Her stint in the audit corporate world lasted for more than three decades. She retired as a Partner in the Assurance and Advisory Business Services Division of SGV. While in SGV, she served as the Head of the Consumer Products Industry for Asia and the Pacific of SGV/Ernst & Young Philippines and SGV/Arthur Andersen. Wanting to expand her horizon, she also functioned as a board member and auditor of the Philippine Retailers Association for almost a decade. She was previously assigned to the Cincinnati Office of Arthur Andersen in Ohio where she spearheaded the audit engagements of manufacturing and retail clients. She finished elementary and high school as valedictorian and graduated cum laude with a degree of Bachelor of Science in Business Administration, major in Accounting at the Philippine School of Business Administration. She is a Certified Public Accountant and a lifetime member of the Philippine Institute of Certified Public Accountants. She completed the Management Development Program at the Asian Institute of Management.

MARIANO T. KATIPUNAN, JR.

Non-Executive Director

Filipino, 69 years old

Mr. Mariano T. Katipunan, Jr. was first elected into the Board of Directors of Bank of Commerce (the "Bank") in May 2015 as nominee of Caritas Health Shield, Inc. He also served as a member of the Bank's Audit and Corporate Governance committees. He was replaced by Mr. Ronnie U. Collado in June 2017. He was elected again as Director in April 2018. He is currently a member of the Bank's Audit Committee.

Mr. Mariano T. Katipunan, Jr. brings with him an extensive experience in finance and controllership, having been Treasurer and Chief Finance Officer of Caritas Health Shield since its inception in 1995. He oversaw the company's financial position, including its trust fund/reserves and overseas investments. He was elected President and Chief Executive Officer in April 2018. Mr. Katipunan has likewise been Managing Director of Megacenter Diagnostics Corp. since its establishment in 1994. He was an Investment Account Officer of Equitable Financial Services in Edison, New Jersey from 1984 to 1986. He was Vice President and Division Head for Account Management Group at the International Corporate Bank in Makati from 1977 to 1983. He also previously handled account management at Citytrust Banking Corporation and market research at Far East Bank and Trust Company. Mr. Katipunan was an instructor in Business Management and Finance at the Ateneo de Manila University and in Economics and Mathematics at St. Theresa's College in Quezon City. He holds a degree in Bachelor of Arts in Economics (Honors Course) and graduated with Honors in 1972 from the Ateneo de Manila University. In addition, he has a Master's Degree in Business Management from the Asian Institute of Management (1975). He underwent training at the Foreign Exchange/Bullion Trading and Money Market departments of the Swiss Bank Corporation in New York City from 1983 to 1984 and at Citibank, N.A. in Binondo, Manila under its Executive Development Program in 1975.

FE B. BARIN

Non-Executive Director

Filipino, 86 years old

Ms. Fe B. Barin has been a member of the Board of Directors of Bank of Commerce (the "Bank") since April 24, 2014, and currently sits as member of the Executive Committee (Excom) and Corporate Governance Committee (CGCom). Ms. Barin's career in the government service has been in the regulatory and supervisory agencies. She spent more than 40 years at the Central Bank of the Philippines (Bangko Sentral ng Pilipinas) as secretary of the Monetary Board for 25 years and the last two years as a full time member of the Monetary Board. She was appointed as Chairman of the Securities and Exchange Commission (SEC) for a seven-year term and she was ex officio member of the Anti-Money Laundering Council as well as of the Credit Information Corporation. She became the Chairman of the Energy Regulatory Commission in 2001 under RA 9136 upon its creation. Ms. Barin served for three years at the Philippine Deposit Insurance Corporation (PDIC) as Assistant Legal Counsel early in her career.

She graduated from the U.P. College of Law in 1956, passed the Bar Examinations on the same year and was admitted to the Philippine Bar in 1957. She is a Fellow of the Institute of Corporate Directors (ICD) and the Institute of Solidarity in Asia (ISA); and a member of the Judicial Reform Initiative and the Philippine Good Works Mission Foundation, Inc. (PGWMFI) – all non-stock non-profit corporations. She is also a member of the Board of Directors of General Milling Corporation and an Executive Vice President of the Manila Bulletin Publishing Corporation.



ALEXANDER R. MAGNO

Non-Executive Director

Filipino, 65 years old

Mr. Alexander R. Magno became a member of the Board of Directors of Bank of Commerce (the "Bank") in August 01, 2014 and currently sits as a member of Trust and Investment Committee (TIC); and Nominations, Compensation, and Remuneration Committee (NCRC). He consults for both the Department of Finance and the Steel Asia Manufacturing Corporation. Mr. Magno's career best describes him as a policy advocate, public intellectual and an activist. He served as a member of the Board of the Development Bank of the Philippines, helping supervise such programs as the Nautical Highway System from 2001 to 2010. After the EDSA Revolution, he served as interim director of the President's Center for Special Studies, a think tank put together during the Marcos period which supplied regular briefing papers for President Corazon C. Aquino. He helped establish the Foundation for Economic Freedom (FEF), a research and advocacy institution proposing market-driven economic policies providing research for key liberalization policies including the Liberalization of the Retail Trade, the Electricity Power Industry Reform Act, and the Procurement Law. He consulted for the privatization program of the Metropolitan Waterworks and Sewerage System (MWSS) and the liberalization of the telecommunications sector. In 2005, he was appointed Commissioner of the Consultative Commission on Charter Change and served as a commissioner of the EDSA People Power Commission.

His social activism during the martial law led to his career as an instructor of political science at UP Diliman. Mr. Magno supported student representation in 1975, winning a seat at the UP Student Conference and served as Vice Chairman of the organization. Mr. Magno had regular editorial columns at the Manila Times, the Manila Chronicle, and the Manila Standard. He remains an important columnist at the Philippine Star since 2003 and his columns became main reference points for building democratic and reformist public opinion.

ANIANO A. DESIERTO

Independent Director

Filipino, 85 years old

Mr. Aniano A. Desierto has been elected as member of the Board of Directors of Bank of Commerce (the "Bank") since July 26, 2013. He currently chairs the Bank's Related Party Transactions Committee (RPTCom) and is a member of the Corporate Governance Committee (CGCom); and Nominations, Compensation, and Remuneration Committee (NCRC). Mr. Desierto is currently the Vice President of the Philippine Constitution Association, and a member of the Paul Harris and Rotary Club.

Notably, he embodies legal, political and government expertise having served five (5) administrations as government prosecutor. He was the Ombudsman of the Republic of the Philippines from 1995 until 2002. He previously was The

Special Prosecutor (formerly Tanodbayan) between 1991–1995, Deputy Chief Judge Advocate General in 1988 to 1991 and Chief Prosecutor of the Armed Forces of the Philippines in 1978–1988. He also held the position of Provincial Division Manager at the Manila Broadcasting Corporation from 1967 to 1972. He brings with him various experiences in other fields as a marketing consultant and as a member of the Board of Directors of several companies. He was the Chairman of the PNOC Development and Management Corporation from 2004 up to 2005. He was Program and Production Manager in 1961 to 1967 at the Cebu Broadcasting Company and he was Proprietor and Director of the Top Promotion, Inc. and Top Taxi Company in Cebu City. He also held the position of Provincial Division Manager at the Manila Broadcasting Corporation from 1967 to 1972. He received various awards and commendations as a government official and Ombudsman. He holds Bachelor of Laws and Bachelor of Arts degrees from the University of the Philippines, Bachelor of Management and Marketing Courses at the Ateneo de Manila University and Associated in Arts (Pre-Law) at the University of San Carlos, Cebu City.

REBECCA MARIA A. YNARES

Independent Director

Filipino, 43 years old

Ms. Rebecca Maria A. Ynares has been a member of the Board of Directors of Bank of Commerce (the "Bank") since July 2016. She currently serves as member of its Related Party Transactions Committee (RPTCom), Board Risk Oversight Committee (BROC), and Audit Committee. Ms. Ynares manages the following family-owned endeavors TJCMB Enterprises, a warehousing and logistics company; Tutoring Club Franchise Philippines; and Octagon Realty and Development Corporation, where she is also the Corporate Secretary and account management lead. Ms. Ynares spearheads various sustainability and environment restoration initiatives in the Province of Rizal, including the Save Hinulugang Taktak and Ynares Eco System (YES) Programs. With the ongoing YES program, she continues to lead on projects such as installation of waste water clean-up systems, tree-planting activities, medical missions with the Provincial Health Office, feeding programs with the Department of Social Welfare and Development (DSWD), and Youth Program. She lends support to other projects devoted to finding the right balance between the diligent care of the ecosystem and economic viability of affected businesses in Rizal. On top of her advocacies as a dedicated socio-economic philanthropist, Ms. Ynares is a member of the Philippine Red Cross-Rizal Chapter and is an avid resource speaker in various trainings and seminars in the province.

Previously, she has served as a financial analyst for the Bahay Co. Real Estate Agents in Burlingame, California, USA from 2005 until 2007. She started her investment, banking and finance career at the Asia United Bank (AUB) on the areas of branch operations, marketing and investment portfolio management. Ms. Ynares holds a degree in Bachelor of Science in Business Administration and Computer Applications from De La Salle University (1999) and Associate for Arts for Professional Designation Fashion & Merchandising in San Francisco, California (2002).



A portrait of Antonio M. Cailao, a middle-aged man with short dark hair, wearing a dark suit, white shirt, and a pink tie. He is smiling slightly and looking towards the camera. The background is a dark, textured grey.

ANTONIO M. CAILAO
Adviser

A portrait of Evita C. Caballa, a woman with shoulder-length dark hair, wearing a dark blazer over a white turtleneck and a patterned scarf. She has her arms crossed and is smiling. The background is a dark, textured grey.

EVITA C. CABALLA
Corporate Secretary

Senior Executive Team



Michelangelo R. Aguilar
President & CEO



Felipe Martin F. Timbol
EVP, Treasury Management Group Head

Manuel A. Castañeda III
EVP, Corporate Banking I Group Head



Rafael C. Bueno, Jr.
SVP, Corporate Banking II Group Head

Edwin T. Amahan
SVP, Branch Banking Group Head

Jay S. Velasco
SVP, Operations Group Head



Edward Dennis J. Zshornack
SVP, Executive Support Group Head

Mary Assumpta Gail C. Bautista
SVP, Transaction Banking Group Head

Gamalielh Ariel O. Benavides
SVP, Trust Services Group Head



Antonio S. Laquindanum
*SVP, Chief Finance Officer
 Finance & Controllershship
 Group Head*

Anna Marie A. Cruz
*SVP, Corporate Communications &
 Consumer Protection Division Head*

Reginald C. Nery
SVP, Chief Audit Executive



Ma. Katrina A. Felix
SVP, Credit Card Group Head

Jose Mari M. Zerna
FVP, Consumer Group Head

Juan Angel L. Tinio
FVP, Chief Information Officer



Louella P. Ira
FVP, Legal Services Division Head

Marie Kristin G. Mayo
FVP, Human Resource Management &
Development Division Head

Corazon T. Llagas
FVP, Chief Compliance Officer



María Ana P. Dela Paz
FVP, Credit Group Head

Jeremy H. Reyes
VP, Chief Risk Officer

**No photo*
Benedicto F. Borlado
FVP, Corporate Planning Division Head /
SET Secretariat

Management Committees

ANTI-MONEY LAUNDERING COMMITTEE

Chairperson	Corazon T. Llagas
Members	Wilson C. Vinoya Jeremy H. Reyes Jay S. Velasco Paulyn V. Bernabe Cecilia A. Rentoy Amalia Q. Belarmino
Advisers	Edward Dennis J. Zshornack Reginald C. Nery
Secretariat	Lilibeth L. Sansait

ASSET LIABILITY MANAGEMENT COMMITTEE (ALCo)

Chairperson	Michelangelo R. Aguilar
Vice Chairperson	Felipe Martin F. Timbol
Members	Antonio S. Laquindanum Edwin T. Amahan Rafael C. Bueno Jr. Manuel A. Castañeda III Mary Assumpta Gail C. Bautista Jose Mari M. Zerna
Advisers	Jeremy H. Reyes Gamalielh Ariel O. Benavides
Secretariat	Monette G. De Leon

CLEAHR (CONTROLLERSHIP, COMPLIANCE, LEGAL, AUDIT, HUMAN RESOURCE, AND RISK) COMMITTEE

Chairperson	Jeremy H. Reyes
Members	Louella P. Ira Corazon T. Llagas Marie Kristin G. Mayo Reginald C. Nery Antonio S. Laquindanum
Secretariat	Grace S. Cruz

BUSINESS CONTINUITY MANAGEMENT COMMITTEE (CRISIS MANAGEMENT TEAM)

Chairperson	Michelangelo R. Aguilar
Vice Chairperson	Jay S. Velasco
Members	Edwin T. Amahan Jose Mari M. Zerna Manuel A. Castañeda III Rafael C. Bueno, Jr. Maria Ana P. Dela Paz Edward Dennis J. Zshornack Antonio S. Laquindanum Mary Assumpta Gail C. Bautista Felipe Martin F. Timbol Ma. Katrina A. Felix Anna Marie A. Cruz Marie Kristin G. Mayo Gamalielh Ariel O. Benavides Louella P. Ira Corazon T. Llagas Reginald C. Nery Jeremy H. Reyes Juan Angel L. Tinio Januario G. Caringal
Secretariat	Francis Greg B. Tezon June R. Avila

INFORMATION TECHNOLOGY STEERING COMMITTEE (ITSC)

Chairperson	Roberto C. Benares
Vice Chairperson	Marito L. Platon
Members	Michelangelo R. Aguilar Edwin T. Amahan Felipe Martin F. Timbol Jose Mari M. Zerna Antonio S. Laquindanum Mary Assumpta Gail C. Bautista Gamalielh Ariel O. Benavides Maria Ana P. dela Paz Jay S. Velasco Juan Angel L. Tinio Ma. Katrina A. Felix Edward Dennis J. Zshornack
Advisers	Cecile L. Ang Reginald C. Nery Corazon T. Llagas Jeremy H. Reyes
Secretariat	Erma D. Pagkatipunan Helen D. Paciencia

COMMITTEE ON DISCIPLINARY ACTION

Chairperson	Marie Kristin G. Mayo
Permanent Members	Antonio S. Laquindanum Jay S. Velasco Louella P. Ira Edward Dennis J. Zshornack
Rotating Members	Edwin T. Amahan Jose Mari M. Zerna
Resource Persons	Corazon T. Llagas Reginald C. Nery Jeremy H. Reyes
Secretariat	Jocelyn Isabel S. Legaspi Anna-Lyn R. Tarrayo

CREDIT AND COLLECTION COMMITTEE

Chairperson	Michelangelo R. Aguilar
Vice Chairperson	Maria Ana P. Dela Paz
Members	Felipe Martin F. Timbol Edward Dennis J. Zshornack Rafael C. Bueno, Jr. Manuel A. Castañeda III Edwin T. Amahan Jose Mari M. Zerna Mary Assumpta Gail C. Bautista
Advisers	Corazon T. Llagas Jeremy H. Reyes Carmen Dee P. Sallan Jay S. Velasco Ma. Katrina A. Felix Lena R. Galang
Secretariat	Maria Johanna S. Palisoc

BUSINESS CONTINUITY COMMITTEE (BCP TEAM)

Chairperson	Edwin T. Amahan
Vice Chairperson	Edward Dennis J. Zshornack
Members	Cecilia A. Rentoy Jaqueline A. Domingo Ma. Eleanor Christina S. Castañeda Paul John T. Reyes Erasmus R. Bagunas Evelyn G. Brucales Cenen R. Grajo Marie Kristin G. Mayo Joel O. Longalong Rommelwin A. Ardidon Orlando M. Bibares Anna Marie A. Cruz
Secretariat	Francis Greg B. Tezon June R. Avila

ICAAP (INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS) COMMITTEE

Chairperson	Antonio S. Laquindanum
Vice Chairperson	Jeremy H. Reyes
Members	Edward Dennis J. Zshornack Edwin T. Amahan Corazon T. Llagas Jose Mari M. Zerna Rafael C. Bueno Jr. Jay S. Velasco Felipe Martin F. Timbol
Secretariat	Ma. Cerriza C. Monteclaro Glenda F. Angeles

OPERATIONS AND POLICIES COMMITTEE

Chairperson	Jay S. Velasco
Vice Chairperson	Cecilia A. Rentoy
Members	George E. Consul Anna Marie A. Cruz Morena V. Abadilla Medallion R. Abrena Jeremy H. Reyes Juan Angel L. Tinio Ma. Katrina A. Felix Erasmus R. Bagunas Louella P. Ira
Advisers	Corazon T. Llagas Reginald C. Nery
Secretariat	Orlan M. Bibares Marielisa B. Cruz

SECURITY COMMITTEE

Chairperson	Jay S. Velasco
Vice Chairperson	Januario G. Caringal
Members	Edward Dennis J. Zshornack Cecilia A. Rentoy Juan Angel L. Tinio
Advisers	Reginald C. Nery Jeremy H. Reyes Corazon T. Llagas Wilson C. Vinoya
Secretariat	Cenen R. Grajo

BIDS AND AWARDS COMMITTEE

Chairperson	Antonio S. Laquindanum
Members	Erasmus R. Bagunas Maria Ana P. Dela Paz Edwin T. Amahan Jay S. Velasco
Secretariat	Maritess C. Claveria

Risk Management



RISK PHILOSOPHY AND GUIDING PRINCIPLES

The Bank's goal is to generate steady returns to shareholders' capital. With this objective in mind, the Bank's business principles, strategies, and operations are designed to achieve cash flows in excess of its obligations to its fund providers and stakeholders. To realize this, the Bank takes risks that are inherent in the conduct of its commercial banking franchise. Risk taking presents opportunities to earn more-than-expected returns, provided that the risk-taking process is intentional, investigated, and controlled. The Bank's risk-taking activities are guided by the following principles:

- The Bank is in the business of taking risks.
- The Bank takes risks after a deliberate process to identify the risks, to dimension them, and to decide whether to reduce, avoid, accept, or transfer the risk.
- The Bank adopts risk management practices suited to the scope and sophistication of its business and in line with global best practices.
- The Bank's risk management is the concern of everyone.
- The Bank recognizes the independence of risk managers and risk takers from each other.

RISK APPETITE AND STRATEGY

The capital of the Bank, once invested, is already exposed to risks. The risk appetite of the Bank is the type and threshold of risk that the Bank is willing to seek, accept, or tolerate in the pursuit of its business objectives. This is based on the Bank's capacity to absorb risks given its capital, liquidity, borrowing capabilities, or statutory restrictions.

The Risk Appetite Statements of the Bank are either quantitative or qualitative. Risk Appetite Statements are developed by the Bank to provide guidance on the various types of risk exposures of the Bank such as credit, market, liquidity, and operational risk.

The Bank's strategy to manage risk may be to reduce, avoid, accept, or transfer the risk. Management is under obligation to exercise reasonable care, skill, and caution when engaging in business to ensure the appetite is not exceeded, to maximize the value of capital, and to preserve it when an adverse event occurs. Each and every employee is responsible to implement and adhere to the Bank's risk appetite while making business decisions daily.

RISK MANAGEMENT OVERSIGHT

The Bank's Board of Directors (BOD), Board Risk Oversight Committee (BROC), and Risk Management Division (RSK) are responsible for setting the overall risk management framework and risk appetite of the Bank. The BOD is the sole arbiter of the risks taken by the organization, with the sole discretion of determining what manner (strategic direction) and magnitude (risk appetite) of risk are suitable for the organization. The BOD develops both the strategic direction and the risk appetite with inputs provided by Management.

The Board established the BROC to oversee the promotion of a risk management culture within the Bank. The BROC is responsible for establishing and maintaining a sound risk management system. It assists the Board in its risk oversight function by:

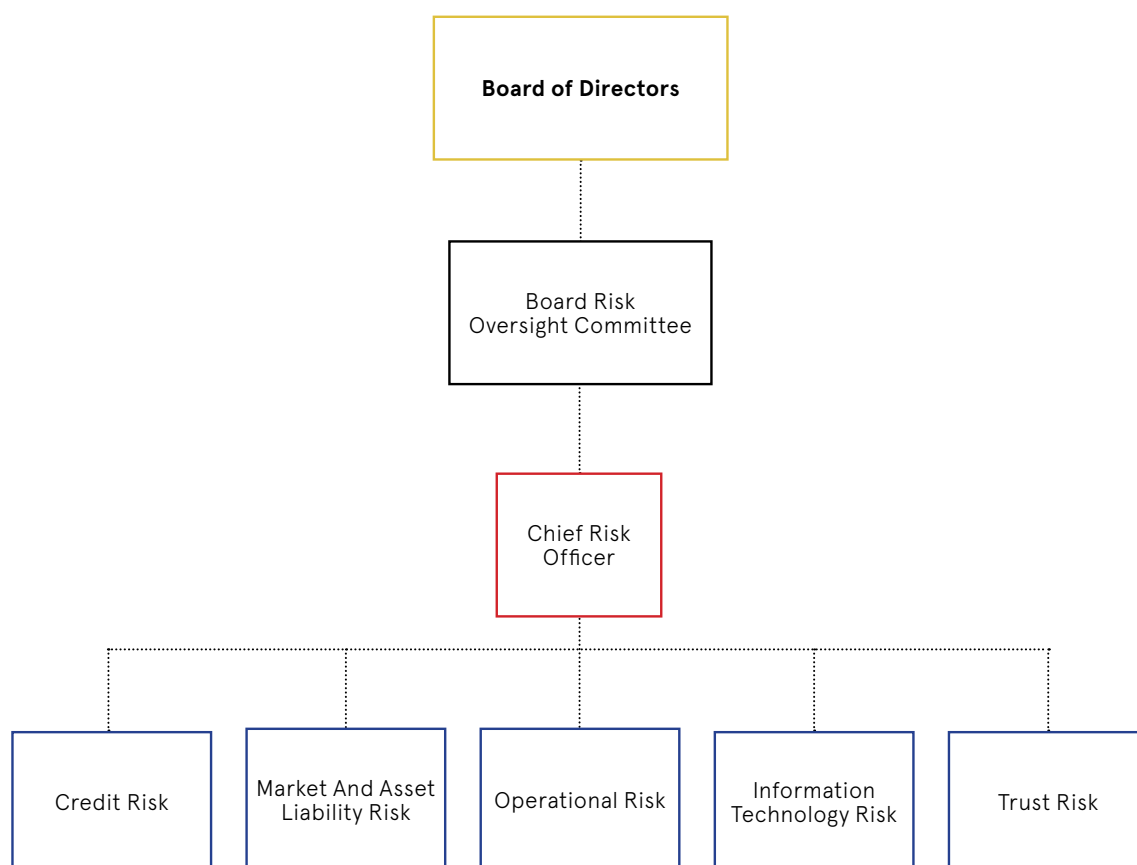
- Identifying and evaluating risk exposures;
- Developing risk management strategies;
- Implementing and periodically reviewing the risk management framework; and
- Promoting a culture that is conscious of the importance of risk management and capital adequacy.

The Bank considers the understanding and the management of risk as a key part of its business strategy. The RSK is mandated to strengthen the Bank's risk management infrastructure to meet the requirements of its business.

The RSK implements the risk management directives of the Board and the BROC by:

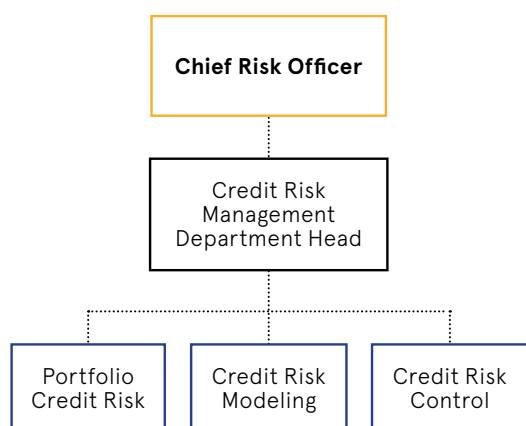
- Formulating and recommending policies to manage market, liquidity, credit, operational, information technology, and trust risks arising from the business of the Bank;
- Implementing the risk management framework approved by the BOD;
- Actively promoting a culture of risk awareness and risk management; and
- Coordinating with Finance and Controllershship Group on the adequacy of the Bank's capital in absorbing the risks present in the Bank's business.

The RSK reports to the Board through the BROC and is independent from the risk-taking business units of the Bank. Headed by the Chief Risk Officer, it comprises the following departments:



CREDIT RISK MANAGEMENT

The Credit Risk Management Department (CRM) has three sections, each focusing on a major segment of the credit risk management process. The CRM is responsible for developing and recommending policies that will aid in the management of credit risk present in the Bank's asset portfolios. The CRM is also in charge of developing, maintaining, and updating the Bank's credit risk models including the risk rating systems and scorecards. It is the department's duty to monitor credit risk exposures against established limits and report portfolio performance, including significant movements, asset quality, and levels of concentration to the BROC on a timely basis. It is CRM's responsibility to make sure that the Bank is always in compliance with the continuously evolving landscape of credit risk within the banking industry.

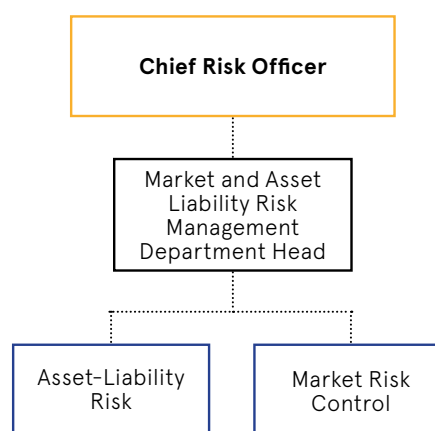


The CRM monitors credit exposures on a counterparty and portfolio level to ensure asset quality and concentration risks are within the Bank's risk appetite. Credit risk thresholds consist of regulatory commitments, internal limits, as well as industry benchmarks. Asset quality is measured through the Bank's Internal Credit Risk Rating System (ICRRS) for corporate accounts and expert scoring models, based on Fair Isaac Corporation (FICO), for consumer loans, including credit cards. These rating systems are monitored and validated on a regular basis. Concentration risks and large exposures are monitored and reported to the BROC and to Management on a regular basis. Concentrations are identified on a counterparty, industry, product, and country level. Regulatory and internally developed stress tests are also performed to evaluate the Bank's ability to absorb credit losses.

With the advent of PFRS 9, the Bank adopted the Expected Credit Loss (ECL) estimation methodology for impairment. CRM is in charge of developing, maintaining, and updating the ECL models of the Bank. Furthermore, it is the department's duty to estimate the quarterly ECL figures for the Bank.

MARKET AND ASSET LIABILITY RISK MANAGEMENT

The Market and Asset Liability Risk Management Department (MRM) oversees the identification, assessment, monitoring, and control of risks arising from adverse movements in market risk factors, interest rate risk in the banking book, and the related risk of the Bank not being able to meet its short-term financial obligations. It is responsible for recommending market and liquidity risk management policies which set uniform standards of risk assessment and capital adequacy. The MRM also provides Senior Management and the BROC with risk assessments and stress testing of Treasury-managed assets, as well as the overall liquidity and interest rate risk profile of the Bank's balance sheet.



MARKET RISK IN THE TRADING BOOK

The Bank employs an internally developed Value-at-Risk (VAR) model, along with other sensitivity metrics, to measure and monitor the probable deterioration in the market value of its trading portfolio. The MRM simulates the trading book's VAR on a daily basis, and the results are compared against Board-approved limits. In addition to the risk appetite on VAR, the trading portfolio is also subject to limits on aggregate exposures, sensitivity metrics, daily and monthly losses, and stress testing. These controls provide insight on possible strategies to hedge or mitigate the market risk arising from the trading book.

INTEREST RATE RISK IN THE BANKING BOOK

The MRM also regularly monitors the mismatches in the repricing of the Bank's assets and liabilities through the interest rate gap reports to the Asset Liability Management Committee (ALCO) and the BROC. To ensure that the Bank's net interest income is preserved, the Bank has set a limit for the maximum repricing gap, either positive or negative, for tenors up to one year. These limits are reviewed annually and form part of the Bank's risk appetite statements. The Bank also has an internally developed Earnings-at-Risk (EAR) metric for monitoring IRRBB. EAR measures the contraction in the projected NII over

the next 12 months excluding pipeline deals through historical simulation of interest rate benchmarks. Non-maturing fixed-rate deposits are out of scope, but will be incorporated in 2020 in the repricing gap together with interest rate optionality risk as all IRRBB parameters are regularly reviewed and updated as per regulatory best practices. EAR is simulated on a monthly basis and also subject to a limit approved by the Board. The report is also accompanied by stress testing scenarios such as: 1) standard parallel yield curve shifts; 2) BSP-prescribed yield curve shifts; 3) steepening and inversion of the curves; 4) timing mismatch in assets and liabilities repricing. Internal Audit conducts a regular validation of the IRRBB models and parameters in addition to the risk-based full scope audit of RSK which includes a review and evaluation of the processes and controls, including governance and risk management activities.

The Bank utilized Transfer Pool Rate (TPR) methodology in 2019 in order to price loans and calculate deal profitability. TPR was akin to average cost pricing that also took into account marginal cost of incremental deposits and friction costs. Liquidity and Asset Liability Management Division under the Treasury Management Group calculated the TPR. It was regularly reported and discussed in the weekly ALCO meeting. The Bank will transition to Funds Transfer Pricing (FTP) in 2020 as a mechanism to charge the asset businesses for funding (e.g., term loans) and to compensate the units that generate funding (e.g., branch deposits). While the Bank is not and does not have intentions to hedge IRRBB via interest rate swaps in the short-term, it will still actively manage the interest rate mismatch by sourcing stable funds to match long-term assets. Trends, forecasts, and adjustments to the FTP are to be discussed and approved in the regular ALCO meeting.

LIQUIDITY RISK

To measure and monitor liquidity risk, the MRM prepares a Maximum Cumulative Outflow (MCO) report which estimates projected funding requirements that the Bank will need at specific time horizons. To ensure sufficient liquidity, the Bank has a set of internal limits on its MCO gaps, and any breach is reported to ALCO and the Board. Concentration on a single funding source is also regularly monitored to control the Bank's reliance on a specific product or counterparty. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors unique to the Bank, market-wide liquidity stress events, and combination of bank-specific and market-wide stress events. A contingency funding plan which covers quantitative and procedural measures is in place and may be applied under different stress scenarios.

OPERATIONAL RISK MANAGEMENT

The Operational Risk Management Department (ORMD) monitors the comprehensiveness and effectiveness of

internal control systems employed by the Bank. The ORMD oversees the performance of these systems to minimize operational risks and detect vulnerabilities while the consequences are still manageable or avoidable. The ORMD provides timely assessments of inherent general and functional risks to ensure the operational soundness of the organization as an ongoing concern. Operational losses result from inadequate or failed internal processes, people, and systems or from external events. The ORMD monitors actual and probable operational losses in relation to the Bank's risk appetite. The ORMD facilitates the completion of Risk and Control Self Assessments (RCSA) for all the units of the Bank. The RCSA serves as a tool for acquiring information about operational and information technology risks, and determines the adequacy and effectiveness of control mechanisms employed to ensure that operational risks are within the acceptable levels of the Bank. Key risk indicators are also developed and maintained as part of the RCSA for continuous monitoring purposes. Operational loss incidents are also monitored by the ORMD for proper evaluation of the incident, with the intention of preventing recurrence and further financial losses. RCSAs and incidents are escalated to the appropriate level of management, and reported to the Board Risk Oversight Committee.

The ORMD also assists the operating units in improving the operational and system risk management capabilities through policy formulation. New or revised products and services undergo a risk assessment to ensure that adequate procedures and controls are embedded prior to implementation.

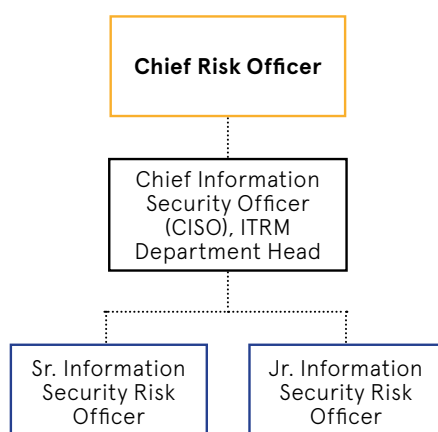


INFORMATION TECHNOLOGY RISK MANAGEMENT

The Information Technology Risk Management Department (ITRM) focuses on the identification, monitoring, advisory, and reporting of risk issues arising from the technology transformation efforts of the Bank, and the speed of innovation in products and services delivered on an information technology platform. It ensures the

soundness of the Bank's information technology systems by providing an effective assessment of inherent risks in its IT infrastructure. As cyber attacks increase in number and sophistication, the ITRM pays particular attention to protecting the information assets and technology of the Bank from malicious actors.

Information Technology risk falls under the broad category of operational risk. As such, objectives, strategies, and processes are similar to ORMD, with a specific focus on risk and control evaluations and incident management related to hardware, software, IT operations, and information security. Key risk indicators include system failures, data corruption, system security, system downtime, disaster recovery, among others. Vulnerability Assessment and Penetration testing is also managed by the ITRM.



TRUST RISK MANAGEMENT

Trust Risk Management (TRM) ensures the management of risks in the business operations of the Trust Services Group and reports to the Trust and Investment Committee (TIC) and the BROCC. The TRM develops and enhances the policies and procedures in operational, credit, liquidity, and market risks in accordance with the risk management framework of the Bank to ensure that risk management practices continue to be effective and relevant to the ever-evolving trust business. It is responsible for overseeing the implementation of approved strategies and for ensuring that controls are in place relative to its business activities that will limit fiduciary risks and reinforce compliance with laws and regulations.

ANTI-MONEY LAUNDERING GOVERNANCE AND CULTURE

The Bank is committed to comply with the requirements of the Anti-Money Laundering (AML) Law, rules, and regulations

as embodied in its Money Laundering and Terrorist Financing Prevention Program (MTPP) which is regularly updated or as need arises to reflect the constantly evolving regulations, the emerging money laundering/terrorist financing risks, and global best practices.

While Compliance Division monitors its implementation, the Bank's oversight board and management level committees, the Corporate Governance Committee and AML Committee, respectively, are tasked to oversee and implement the Bank's compliance with money laundering and terrorist financing prevention program and policies. This supports the Bank's mission of maintaining high ethical standards in the conduct of its business and ensures that the Bank does not become a conduit for dirty money or a victim of money laundering crime.

Identification of compliance risks enables the Bank to establish measures to mitigate such risks. Through the conduct of independent testing of branches and head office units, the Bank is able to identify the segment in the operational process where money laundering and terrorist financing risks are higher, and based on the testing results, implement improvements in the processes and segregate responsibilities among the units/personnel involved. Testing results are monitored until corrected and reported to the oversight committees to enable them to have an accurate assessment of the effectiveness and efficiency of the Bank's money laundering and terrorist financing prevention program.

The Bank seeks to instill a culture of compliance, with Compliance Division as the main driver of the Bank's initiatives to foster AML awareness and discipline. Compliance Division, in partnership with HRMDD, constantly enhances the Bank's training program to equip bank personnel with appropriate knowledge to achieve the Bank's goal of promoting effective implementation of the Anti-Money Laundering and Combating Financing of Terrorism (CFT) policies and procedures in the entire organization. The Bank provides training programs that are designed based on the degree of experiences to transactions that pose risks to money laundering/terrorist financing exposure, with varying focus for new employees, front line staff and officers, internal audit, senior management, and directors. All employees are also required to undergo annual refresher training which highlights their responsibilities under the MLPP.

The Bank endeavors to create a robust compliance culture where the programs and systems in place are adequate and effective to ensure that any risk associated with money laundering and terrorist financing is mitigated and thus, ensures that the interest of the Bank, its clients, and other stakeholders is protected.

RISK MEASUREMENT AND REPORTING SYSTEMS

The Bank's capital adequacy is determined by measuring credit, market, and operational risk exposures using standardized or basic approaches as allowed by the BSP. Risk exposures are measured both individually and in aggregate amounts. Risk measurements are done by respective risk taking personnel and groups but are independently validated, analyzed, and reported by the RSK. In cases where the risk measurement is performed by the RSK, another independent party, in-house or external, conducts a validation exercise.

Market risks are measured by mark-to-market and Value-at-Risk analyses on the overall exposure, on a portfolio level, and on each individual financial instrument. These exposures are also subjected to stress testing using a variety of historical and hypothetical scenarios.

Quality of credit is measured via risk classifications of accounts using an Internal Credit Risk Rating System that incorporates the BSP risk classifications of borrowing accounts. The Bank's front office recommends the credit risk rating of borrowing accounts and classifications and

allowances for losses, including changes thereon, when necessary. All risk information is processed, analyzed, and consolidated for proper reporting to the BOD through the BROCC, TIC, AuditCom, Senior Executive Team, and various management committees of the Bank.

Actual and estimated risk exposures and losses at Treasury, Corporate and Consumer Banking, Operations, and Branches are consolidated for regular reporting. Reports include, among others, portfolio mix, liquidity and maturity matching, interest rate matching, trading gains and losses, sensitivity and backtesting results, top borrowers, non-performing assets and loans, industry exposures, large exposures, fines and penalties, employee fraud cases, status of legal cases, service level of major information technology systems, and ATMs.

The RSK streamlined the reporting of the enterprise-wide risk profile of the Bank through the periodic presentation and publication of the Risk Dashboard. This provides a readily available snapshot that highlights risk concerns encompassing the major business risk areas: Market, Asset and Liability, Credit, Corporate, Commercial and Consumer Lending, Operations, Information Technology, and Trust.

RISK EXPOSURES AND ASSESSMENTS

(as reported to the Bangko Sentral ng Pilipinas)

RISK-WEIGHTED ASSETS

Bank of Commerce's risk-weighted assets at the end of 2019 totalled PHP97.6 billion.

RISK-WEIGHTED ASSETS	2019	2018
Credit Risk	89,735	92,891
On Balance Sheet	86,462	87,876
Commitments	3,261	5,002
Counterparty Risk-Weighted Assets in the Trading Book	13	13
Contingencies	-	-
Deduction: GLLP (in excess to 1% of Credit Risk-Weighted Assets)	-	-
Market Risk	409	412
Interest Rate Risk	118	249
Foreign Exchange Risk	292	163
Operational Risk	7,472	6,921
Total Risk-Weighted Assets	97,617	100,223

*Amounts in millions

CREDIT RISK

The Bank considers credit risk as the possibility of loss arising from the customer's inability or unwillingness to settle his/her obligations on time or in full as expected or previously contracted. The Bank uses the standardized approach in calculating its credit risk-weighted exposure. The straightforward nature of this approach enables the Bank to utilize a wider differentiation of risk weights and a wider recognition of risk mitigation techniques without taking in excessive complexity in the process.

Below is the summary of risk weights and selected exposure types:

Standardized Credit Risk Weights								
Credit Assessment	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	Below B-	Unrated
Sovereigns	0%	0%	20%	50%	100%	100%	150%	100%
Multilateral Development Banks	0%	20%	50%	50%	100%	100%	150%	100%
Banks other than MDBs	20%	20%	50%	50%	100%	100%	150%	100%
Interbank Call Loans				20%				
Local Government Units	20%	20%	50%	50%	100%	100%	150%	100%
Government Corporations	20%	20%	50%	100%	100%	150%	150%	100%
Corporations other than GCs	20%	20%	50%	100%	100%	150%	150%	100%
Housing Loans				50%				
Micro, Small and Medium Enterprise qualified portfolio				75%				
Defaulted Exposures:								
Housing Loans				100%				
Others				150%				
Real and Other Properties Acquired				150%				
All other assets				100%				

Credit risk-weighted assets as of December 31, 2019 and 2018 as reported to BSP follows (amounts in thousands):

	2019	2018
Risk-weighted on-balance sheet assets	86,461,700	87,875,652
Risk-weighted off-balance sheet assets	3,260,595	5,001,799
Counterparty Risk-Weighted Assets in the Trading Book	12,722	13,211
	89,735,017	92,890,662

The Bank's credit risk-weighted exposures arising from on-balance sheet assets amounting to PHP86.4 billion contribute 96.4% of the credit exposures of the Bank. Credit risk-weighted off-balance sheet assets and counterparty risk-weighted assets in the trading book make up the remainder. The off-balance sheet assets, consisting of direct credit substitutes, e.g., guarantees and financial standby letter of credit, and transaction and trade-related contingencies, are weighted at 100%, 50% and 20%, respectively.

The Bank's credit exposures are risk-weighted based on third party credit assessment of the individual exposure as obtained from third party credit assessment institutions recognized by BSP. In the calculation of risk-weighted assets in both the banking and trading books, the Bank utilizes the disclosed ratings from Standard & Poors, Moody's, Fitch Ratings, and Philratings, whenever available. In cases where there are two or more ratings which correspond into different risk weights, the higher of the two lowest risk weights is used. For peso-denominated exposures to the Philippine National Government and BSP, the risk weight shall be 0.0%.

The breakdown of risk-weighted on-balance sheet assets follows (amounts in millions):

December 31, 2019

	Exposures, Net of Specific Provisions	Exposures covered by Credit Risk Mitigation (CRM), Gross of Materiality Threshold	Exposures not Covered by CRM	Risk Weights						
				0%	20%	50%	75%	100%	150%	TOTAL
Cash on Hand	1,776,399	-	1,776,399	1,776,399	-	-	-	-	-	1,776,399
Due from Bangko Sentral ng Pilipinas (BSP)	21,957,957	-	21,957,957	21,957,957	-	-	-	-	-	21,957,957
Due from Other Banks	4,589,636	-	4,589,636	-	3,038,327	1,551,210	-	0,099	-	4,589,636
Financial Assets at FVOCI	1,280,666	-	1,280,666	477,005	315,275	452,005	-	36,382	-	1,280,666
Investment Securities at Amortized Cost	22,804,658	-	22,804,658	15,110,625	3,114,104	4,064,955	-	514,975	-	22,804,658
Loans and Receivables	73,498,496	721,360	72,777,137	-	111,768	2,614,051	-	70,052,825	(1,507)	72,777,137
Loans and Receivables Arising from Repurchase Agreements	9,293,278	-	9,293,278	9,293,278	-	-	-	-	-	9,293,278
Sales Contract Receivables	474,664	-	474,664	-	-	-	-	392,284	82,380	474,664
Real and Other Properties Acquired (ROPA)	2,662,110	-	2,662,110	-	-	-	-	-	2,662,110	2,662,110
Total Exposures Excluding	138,337,865	721,360	137,616,505	48,615,264	6,579,473	8,682,221	-	70,996,564	2,742,983	137,616,505
Other Assets	5,693,657	-	5,693,657	-	-	-	-	5,693,657	-	5,693,657
Total Exposures, Including Other Assets	144,031,522	721,360	143,310,162	48,615,264	6,579,473	8,682,221	-	76,690,221	2,742,983	143,310,162
Total Risk-weighted On-Balance Sheet Assets not covered by CRM	-	-	-	-	1,315,895	4,341,110	-	76,690,221	4,114,475	86,461,700
Total Risk-weighted On-Balance Sheet Assets covered by CRM	-	-	-	-	-	-	-	-	-	-
Total Risk-Weighted On-Balance Sheet Assets	-	-	-	-	1,315,895	4,341,110	-	76,690,221	4,114,475	86,461,700

*Amounts in millions

December 31, 2018

	Exposures, Net of Specific Provisions	Exposures covered by Credit Risk Mitigation (CRM), Gross of Materiality Threshold	Exposures not Covered by CRM	Risk Weights						
				0%	20%	50%	75%	100%	150%	TOTAL
Cash on Hand	1,748,071	-	1,748,071	1,748,071	-	-	-	-	-	1,748,071
Due from Bangko Sentral ng Pilipinas (BSP)	21,427,033	-	21,427,033	21,427,033	-	-	-	-	-	21,427,033
Due from Other Banks	10,016,567	-	10,016,567	-	2,319,054	7,674,204	-	23,308	-	10,016,567
Financial Assets at FVOCI	7,946,773	-	7,946,773	5,011,883	858,013	2,039,253	-	37,583	-	7,946,773
Investment Securities at Amortized Cost	23,463,232	-	23,463,232	16,082,613	3,114,491	4,266,128	-	514,975	-	23,463,232
Loans and Receivables	72,192,237	828,127	71,364,110	-	112,853	1,921,513	-	69,295,845	33,898	71,364,110
Loans and Receivables Arising from Repurchase Agreements	5,447,177	-	5,447,177	5,447,177	-	-	-	-	-	5,447,177
Sales Contract Receivables	536,601	-	536,601	-	-	-	-	269,847	266,755	536,601
Real and Other Properties Acquired (ROPA)	2,598,770	-	2,598,770	-	-	-	-	-	2,598,770	2,598,770
Total Exposures Excluding	145,376,421	828,127	144,548,294	49,716,777	6,404,411	15,901,099	-	69,626,583	2,899,423	144,548,294
Other Assets	4,668,502	-	4,668,502	-	-	-	-	4,668,502	-	4,668,502
Total Exposures, Including Other Assets	150,044,923	828,127	149,216,796	49,716,777	6,404,411	15,901,099	-	74,295,086	2,899,423	149,216,796
Total Risk-weighted On-Balance Sheet Assets not covered by CRM	-	-	-	-	1,280,882	7,950,549	-	74,295,086	4,349,135	87,875,652
Total Risk-weighted On-Balance Sheet Assets covered by CRM	-	-	-	-	-	-	-	-	-	-
Total Risk-Weighted On-Balance Sheet Assets	-	-	-	-	1,280,882	7,950,549	-	74,295,086	4,349,135	87,875,652

*Amounts in millions

Under this approach, the Bank assigns a specific risk weight to each asset and multiplies it by the credit risk exposure. The risk weights are based on the ratings provided by an External Credit Assessment Institution recognized by the BSP. For the end of 2019, the credit risk exposures of the Bank include PHP144.03 billion in balance sheet exposure.

All exposures arising from balance sheet items are net of provisions set aside to absorb credit losses:

ON-BALANCE SHEET ITEMS ASSESSED WEIGHT FOR CREDIT RISK	2019	2018
Cash on hand	1,776,399	1,748,071
Due from BSP	21,957,957	21,427,033
Due from other banks	4,589,636	10,016,567
Financial assets at FVOCI	1,280,666	7,946,733
Investment securities at amortized cost	22,804,658	23,463,232
Loans and receivables	73,498,496	72,192,236
Loans and receivables arising from repurchase agreements	9,293,278	5,447,177
Sales contract receivables	474,664	536,602
Real and other properties acquired (ROPA)	2,662,110	2,598,770
Total exposures, excluding other assets	5,693,657	4,668,502
Other assets	5,693,657	4,668,502
TOTAL ON-BALANCE SHEET ITEMS WEIGHTED FOR CREDIT RISK	144,031,521	150,044,923

*Amounts in millions

As of December 31, 2019 and 2018, other assets have been subjected to the following deductions:

	2019	2018
Total Assets	144,805	151,420
General Loan Loss Provisions	782	783
Deductions		
Total Exposures Excluding other Assets	138,338	145,376
Financial Assets Held for Trading	1,054	949
Deferred Tax Assets	135	247
Other Intangible Assets	303	196
Other Equity Investments in Non-Financial Allied Undertakings and Non-Allied Undertakings	42	41
Significant Minority Instruments	-	-
Reciprocal Equity Investments	21	20
Accumulated Market gains / (losses) on AFS	-	-
Total Carrying Amount of Securitization Exposures	-	705
TOTAL OTHER ASSETS	5,694	4,669

*Amounts in millions

The Bank considers credit risk mitigation as a means to lower its exposure to credit risk. The Bank may use a number of techniques to mitigate the credit risk to which they are exposed. Exposures may be covered by eligible mitigants such as: Cash on deposit with the Bank, Gold, Debt obligations issued by the Philippine National Government or the BSP, Debt Securities issued by central governments and central banks of foreign countries as well as Multilateral Development Banks with at least investment grade external credit ratings, other debt securities with external credit ratings of at least BBB- or its equivalent, unrated senior debt securities issued by Banks with an issuer rating of at least BBB- or its equivalent, or with other debt issues of the same seniority with a rating of at least BBB- or its equivalent, equities included in the main index of an organized exchange, and investments in Unit Investment Trust Funds and the Asian Bond Fund duly approved by the BSP.

With regard to the Bank's on-balance sheet assets, the Bank uses loans collateralized by hold-out deposit agreement as eligible credit risk mitigant (CRM). Credit derivatives are currently not used as credit protection. The documentation used in collateralized transactions has been reviewed to be legally enforceable in all relevant jurisdictions. At the end of 2019, PHP721 million in credit risk exposures carried mitigation in the form of qualified collateral from third parties.

	Guaranteed Portion	Total Exposures Covered by CRM	December 31, 2019			Total Exposures covered by CRM, Gross of Materiality Threshold
			Risk Weights			
			0%	20%	Total	
Loans and Receivables						
Private corporations	327,257	327,257	327,257	-	327,257	327,257
Loans to individuals for consumption and other purposes	394,102	394,102	394,102	-	394,102	394,102
Total exposures covered by CRM	721,359	721,359	721,359	-	721,359	721,359
Risk-weighted on-balance sheet assets covered by CRM			-	-		

*Amounts in millions

The Bank uses a credit conversion factor as prescribed by banking regulations to account for the potential credit exposure arising from having committed to extend credit to a customer. The total loan equivalent exposure of the Bank to such commitments at the end of 2019 was PHP3.2 billion.

COMMITMENTS TO LEND (LOAN EQUIVALENT EXPOSURE)	2019	2018
Direct Client Substitutes	1,999	1,961
Transaction Related Contingencies	1,262	3,039
Trade Related Contingencies	-	2
Other Commitments	-	-
TOTAL COMMITMENTS TO LEND (LOAN EQUIVALENT EXPOSURE)	3,261	5,002

*Amounts in millions

MARKET RISK

The Bank measures its exposure to market risk using the standardized approach under the Philippine Banking Regulation. Under this approach, the Bank applied risk weights defined by regulation to outstanding exposures to interest rates and to foreign exchange rates. Total of market risk-weighted assets at the end of 2019 was PHP409 million.

MARKET RISK-WEIGHTED ASSETS	2019	2018
Interest Rate Specific to the Issuer of the Debt Instruments	17	1
Interest Rate Risk Attributable to Market Conditions	101	248
Foreign Exchange Risk	292	163
TOTAL MARKET RISK-WEIGHTED ASSETS	409	412

*Amounts in millions

INTEREST RATE RISK IN BANKING BOOK

The Bank measures IRRBB Pillar 2 capital charge using an internally developed Earnings-at-Risk (EAR). EAR simulates the contraction of the projected NII over the next 12 months based on the mismatches in the repricing of rate sensitive assets and liabilities. The EAR figure is directly deducted from the qualifying capital instead of being incremental to RWA.

INTEREST RATE RISK IN THE BANKING BOOK CAPITAL CHARGE	2019	2018
Earnings-at-Risk	(192)	(648)

*Amounts in millions

OPERATIONAL RISK

The Bank measures its exposure to operational risk using the basic indicator approach under the Philippine Banking Regulation. The approach utilizes the historical total annual gross income as the measure of risk exposure. Total of operational risk-weighted assets at the end of 2019 was PHP7.47 billion.

OPERATIONAL RISK-WEIGHTED ASSETS	2019	2018
Average Income of the Previous Three Years	3,985	3,691
Capital Charge (15 pct of Average Income)	598	554
Calibration (Capital Charge times 1.25)	747	692
TOTAL OPERATIONAL RISK-WEIGHTED ASSETS (Calibrated Capital Charge times 10)	7,472	6,921

*Amounts in millions

SECURITIZATION STRUCTURES

The Bank's MRT Tranche 3 Note holding is booked as part of Financial Assets at Fair Value Through Profit or Loss (FVPL) upon initial application of PFRS 9 and is measured at fair value. The Note regularly redeems part of its principal every month and is expected to be fully paid on February 7, 2025. The Note's fair value as of December 31, 2019 was USD15.22 million (PHP770.87 million) with a mark-to-market gain of USD1.62 million (PHP84.10 million).

SECURITIZATION EXPOSURE	2019	2018
MRT Tranche 3	771	887
TOTAL	771	887

*Amounts in millions

OTHER RISK DISCLOSURES

COMPLIANCE RISK

A strong compliance culture is the Bank's key to better manage compliance risk. This culture thrives upon a common understanding by all persons within the organization that it is a basic responsibility to know and have a working knowledge of the laws, rules, and regulations attendant to his functions. To reinforce this responsibility, units in charge of ensuring compliance with laws and regulations (legal, regulatory, tax) regularly disseminate any new issuances for the understanding of concerned units/personnel.

Compliance Division provides Business Operating Unit (BOU) guidance on the interpretation and application of BSP rules and regulations and other regulatory issuances with respect to the activities of the Bank. Breaches/deviations from these regulations are appropriately

reported to the Senior Management, Corporate Governance Committee, and the Board for immediate/appropriate resolution.

In order to validate that compliance culture is observed on all aspects of the Bank's business, activities and processes, regular monitoring and assessment of adherence to laws, rules, and regulations are performed. For this purpose, the Bank implements the three-pronged approach in Compliance Testing: the Compliance Self-Assessment performed by the units themselves; the Independent Compliance Testing, a validation exercise performed by the Compliance Division on branches, head office units, and selected products/services; and finally supplemented by validation performed by Internal Audit on all units and branches included in the Annual Audit Plan.

Based on the Bank's Compliance Program where self-assessment is one of the pillars, Deputy Compliance Officers (DCO) are appointed within each of the operating and business units of the Bank to perform periodic self-testing. Using the Compliance Self-Assessment Checklist (CSAC) prepared by Compliance Division, Compliance Self-Assessment is done by the DCOs to check the level of compliance of their respective units with identified laws, rules, and regulations. The result of Compliance Self-Assessment is validated through the Independent Compliance Testing. Results of Compliance Self-Assessment and Independent Compliance Testing are reported to the Corporate Governance Committee and appropriate levels of Management. Follow-through is being done until findings/exceptions are fully corrected.

REPUTATIONAL RISK

Reputational risk proceeds from negative public opinion and has the potential to erode the perception of the Bank as a worthy counterparty or investment target. Negative perception on the part of customers, providers of funding, or regulators can adversely affect a bank's ability to maintain existing, or establish new, business relationships or to continue accessing sources of funding.

As the Bank presently neither uses capital market sensitive funding nor publicly listed stock, its funding cost and equity value remain shielded from reputational risk events and market discipline rendering fair estimate difficult to quantify.

Nevertheless, the impact on reputation of events that may occur in the regular course of business remains a top priority of Senior Management and the Board.

LEGAL RISK

Legal risk arises from failure in the implementation of necessary control measures as well as imperfect documentation of transactions. The primary functions of

the Bank's Legal Services Division (LSD) comprise rendering legal advice and document review to ensure that relevant laws are complied with, Bank interest is duly protected, and identified risks are imparted to responsible units of the Bank. The LSD handles cases filed for and against the Bank and provides Senior Management, the Corporate Governance Committee, and the BROC regular updates on any lawsuits involving the Bank.

PENSION RISK

The Bank enlists the assistance of third-party consultants to conduct actuarial evaluation on the condition of the retirement plan once a year in order to address any erosion in the explanatory power or significance of the actuarial models used to project benefit obligations.

Valuation of both the projected benefit obligation and the present value of the plan assets assumes rates of discount, asset return, and compensation growth. These parameters may properly reflect market conditions at the time of measurement but later be non-reflective as market conditions change.

The annual third-party actuarial evaluation of the condition of the retirement plan considers the relevance of the assumption used in valuation and recommends the necessary adjustments to properly reflect the value of plan assets and liabilities. The valuation assumptions last underwent review and adjustment during the actuarial report of 2019.

MODEL RISK

The Bank contracts external entities to validate internal models used to measure market, asset and liability risks, as well as rating models for the classification of borrowers' credit risk. Results of these validation exercises are reported to Management, the BROC, and the Audit Committee.

Capital Management

The Board recognizes that capital adequacy is the foundation of institutional strength and therefore ensures that the Bank maintains an adequate level of capital to support business growth and maintain depositor and creditor confidence.

The Bank's capital management framework is designed to ensure that regulatory requirements are met at all times, and are cognizant of the Bank's risk profile and target ratios as approved by the Board. In addition, the Bank has its Internal Capital Adequacy Assessment Process (ICAAP), which enables the Bank to assess the capital impact of other risks apart from credit, market, and operational risks.

REGULATORY CAPITAL OVERSIGHT

The Board oversees the deployment of capital funds bank-wide, ensuring that Capital-to-Risk Weighted Assets Ratio (CAR) of the Bank meets or exceeds the minimum regulatory requirements. The following tables exhibit the Bank's capital condition as of December 31, 2019 and 2018:

Amounts in millions	2019	2018
Gross Qualifying Capital	16,824	16,306
Less: Regulatory deductions	1,272	1,209
Total Qualifying Capital	15,552	15,097
Credit risk-weighted assets	89,735	92,891
Market risk-weighted assets	409	412
Operational risk-weighted assets	7,472	6,921
Total Risk-Weighted Assets	97,617	100,223
Capital Adequacy Ratio or "CAR" Regulatory minimum is 10%	16%	15%
Tier 1 Capital Ratio Regulatory minimum is 7.5%	15%	14%
Common Equity Tier 1 Ratio	15%	14%

The above ratios represent a measure of capital supply relative to the total risk-weighted assets and are measured against regulatory minimum requirements. As of December 31, 2019 and 2018, the Bank has complied with the minimum regulatory required capital.

Tier 1 Capital comprised common stock, additional paid-in capital, and retained earnings (deficit). Common equity tier 1 represents ordinary share capital, share premium, and retained earnings (deficit), including cumulative translation adjustment. The deficit noted in 2018 and 2019 was due to changes in accounting policy regarding the Bank's Investment properties as discussed in Note 35 of the Notes to the Financial Statements. Even with the change and succeeding restatement of 2018 results, the Bank continues to comply with minimum regulatory required capital.

Risk-weighted assets are determined based on standardized regulatory approach for credit risk (both on-and-off balance sheet exposures) and market risk, while operational risks are based on Basic Indicator Approach (BIA).

Amounts in millions	December 31, 2019		December 31, 2018	
	Risk-Weighted Assets	Capital Requirements	Risk-Weighted Assets	Capital Requirements
Credit Risk	89,735	8,974	92,891	9,289
Market Risk	409	41	412	41
Operational Risk	7,472	747	6,921	692
Total	97,617	9,762	100,223	10,022

The following tables exhibit the elements of the Bank's Total Qualifying Capital as of December 31, 2019 and 2018:

Amounts in millions	December 31, 2019	December 31, 2018
Paid-up Common Stock	11,224	11,224
Additional Paid-in Capital	5,594	5,594
Retained Earnings/(Deficit)	-765	-1,175
Other Comprehensive Income	-66	-338
Gross Common Equity Tier 1 (CET1) Capital	15,987	15,306
Appraisal Increment Reserve – Bank Premises	10	10
General Loan Loss Provision	827	991
Gross Tier 2 Capital	837	1,001
Less: Regulatory Deductible Adjustments To Qualifying Capital		
Deferred Tax Assets	135	247
Other Intangible Assets	303	196
Other Equity Investments In Non-Financial Allied Undertakings And Non-Allied Undertakings	42	41
Reciprocal Equity Investments	21	20
Securitization Tranches And Structured Products Which Are Rated Below Investment Grade Or Are Unrated	771	705
Total Regulatory Deductible Adjustments To Qualifying Capital	1,272	1,209
Adjusted CET1 Capital	14,715	14,096
Adjusted Tier 2 Capital, mainly adding back the General Loan Loss Provisions	837	1,001
Total Qualifying Capital	15,552	15,097

Components of the regulatory qualifying capital are determined based on the BSP's regulatory accounting policy (RAP), which differs from the Capital based on the Philippine Financial Reporting Standards (PFRS) in some respects.

Full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements follows:

	December 31, 2019			December 31, 2018		
	Qualifying Capital	Reconciling Items	Audited Financial Statements	Qualifying Capital	Reconciling Items	Audited Financial Statements
	(in millions)					
Tier 1 capital/Total equity						
Capital stock	11,224	(0)	11,224	11,224	(0)	11,224
Paid-in surplus	5,594	(0)	5,594	5,594	(0)	5,594
Surplus reserves	222	177	399	168	287	455
Retained earnings (Deficit)	(987)	148	(839)	(1,342)	(206)	(1,548)
Net unrealized losses on financial assets at FVOCI		36	36	-	(130)	(130)
Net unrealized losses on AFS securities	29	(29)	-	(155)	155	-
Remeasurement losses on retirement liability	(95)	(225)	(320)	(177)	82	(95)
Share in other comprehensive loss of associate	(1)	0	(1)	(6)	0	(6)
Cumulative translation adjustment	2	0	2	0	13	13
Deductions	(1,272)	1,272	-	(1,209)	1,209	-
	14,715	1,380	16,095	14,096	1,411	15,507
Tier 2 capital						
Revaluation increment on PPE and investment properties	10	(10)	-	10	(10)	-
General loan loss provision	827	(827)	-	991	(991)	-
	837	(837)	-	1,001	(1,001)	-
Total qualifying capital/Total equity	15,552	543	16,095	15,097	410	15,507

Certain adjustments are made to PFRS-based results and reserves, as prescribed by the BSP for prudential reporting and vice versa.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP) OVERSIGHT

The Board oversees the ICAAP of the Bank and recognizes the applicability of regulatory changes, such as Basel III, in its ICAAP. The ICAAP enables the Bank to properly understand the risks in its strategic plans and also to assess how much capital is required to withstand these risks. Integrating ICAAP into the organization creates a culture of collective responsibility and accountability to preserve and maximize the value of invested capital.

The Bank's management constantly monitors compliance with the minimum regulatory capital requirements, as well as with internal capital requirements, as determined under its ICAAP. Management regularly reports to the Board the state of capital adequacy compliance to enable the Board to make proper decisions regarding risk and capital.

ICAAP STEERING COMMITTEE

The ICAAP Steering Committee is a management committee that is responsible for overseeing the development of the assessment process and for monitoring the implementation and integration of the ICAAP. The Committee:

- Evaluates the Bank's compliance with mandated minimum capital requirements;
- Oversees the ICAAP to ensure it effectively approximates the Bank's ability to absorb losses;
- Formulates and recommends guidelines, policies, and procedures which enable the Bank to maintain a level of qualified capital appropriate to its risk profile; and
- Evaluates the Regulator's findings and recommendations regarding the ICAAP of the Bank and oversees its plans to address the Regulator's findings on ICAAP.

The ICAAP Report is issued by the ICAAP Committee to the Board annually, conveying the results of the evaluation of the Bank's ICAAP. The 2019 ICAAP Report highlighted the sufficiency of the Bank's compliance with regulatory and internal capital requirements considering the strategic plans from 2020 through 2022, and the sufficiency of Management's Capital Contingency Plan as well as Capital Build-up Program. The Bank's intended primary source of emergency capital would be through issuance of additional Tier 1 capital (common stock), as discussed and approved at the ICAAP Steering Committee and Board levels.

The Bank's long-term capital management plan that was approved by the Board back in 2014 consists of the following key components, which have materialized in a timely manner as follows:

1. Starting with its 2014 Audited Financial Statements, the Bank was able to finally resolve the long outstanding qualifications in the external Auditors' Opinion pertaining to prior years' unrecognized losses that should have otherwise reduced Total Capital. As of December 31, 2014, the Bank's Capital (PFRS basis) had been updated with the full writedown of the required allowance for certain non-performing assets that had been acquired in 2002 from Trader's Royal Bank, as well as the full charge-off of deferred losses that had been actually incurred on the 2005 and 2007 sales of non-performing assets to special purpose vehicles.
2. Pursuant to Securities and Exchange Commission's (SEC) Certificate of Approval of Equity Restructuring, the Bank was allowed by SEC to effect in the Audited Financial Statements as of December 31, 2016 the wipeout of its Deficit as of December 31, 2015 in the amount of PHP3,154,450,041.00 against the Additional Paid-in Capital (APIC) of PHP8,748,529,678.00.
3. As part of ongoing capital management, the Bank continues to evaluate the forward-looking capital requirements to support future business expansion and risk-taking strategies. The Board has directed Management to escalate any proposed capital-raising exercise for deliberation and approval by the Board and accordingly, to pursue the necessary regulatory approvals.

Internal Audit Division Report

The Internal Audit Division (IAD) is an independent unit of the Bank that conducts objective assurance and consulting activities designed to add value and help improve the operations of the Bank. The IAD evaluates the effectiveness of the Bank's risk management and governance processes and provides reasonable assurance that the Bank's key organizational and procedural controls are effective, appropriate, and complied with. The IAD periodically audits all branches, area offices, branch operations control centers, and head office units, as well as systems, applications, and mission-critical projects of the Bank using a risk-based approach.

IAD has full, free, and unrestricted access to any and all of the Bank's records, systems, physical properties, and personnel pertinent in carrying out any engagement. IAD also has free and unrestricted access to the Board of Directors through the Audit Committee.

IAD, through the Chief Audit Executive (CAE), reports functionally to the Audit Committee and administratively to the President. The CAE regularly reports to senior management and the Audit Committee IAD's purpose, authority, responsibility, plans and activities, as well as performance relative to its plans. Reporting also includes significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Audit Committee.

Based on the results of audit and other assurance activities performed in 2019, the CAE declared that the Bank's system of internal controls, risk management, and governance is reasonably adequate to address strategic, financial, regulatory, compliance (including AMLA), operational, and fraud-related risks.

As such, the systems of internal controls established and maintained by the Bank promote dependability of financial and management reporting, operational efficiency, system reliability, data integrity, asset protection, and prompt detection and/or prevention of errors and/or irregularities in processing and reporting the Bank's transactions and accounts. It is worthy to note that the Bank has been consistently improving its internal controls, governance, and risk management processes to address emerging risks faced by the institution, to attune itself with new laws and regulations, and to respond to technology changes, competition, and industry movements.

Over the years, IAD has also significantly enhanced the use of computer-assisted audit techniques (CAATs). Tools such as ACL (a data extraction and analysis software) and the advanced use of MS Excel allow IAD to apply a more efficient, effective, and comprehensive approach in reviewing and analyzing data for selected audits and validations, as well as in randomly generating and sending confirmation letters regarding deposit and loan account balances of selected clients (depositors and borrowers, respectively).

A structured program for continuing professional development is in place to help the Bank's auditors further enhance their knowledge, skills, and other competencies with regard to auditing. The program is also aimed at making the auditors informed about current developments in governance, risk, information technology (IT), regulations, and control processes relevant to the Bank. Furthermore, auditors are strongly encouraged to demonstrate their proficiency by obtaining appropriate professional certification related to internal auditing, internal control, risk management, IT security, and governance.

IAD maintains a quality assurance and improvement program that covers all aspects of the internal audit activities. The program includes, but is not limited to, an evaluation of the internal audit activity's conformance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (the Standards) and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

An internal assessment is conducted annually while external assessment is conducted by a qualified external quality assessment provider (or third-party validator) at least once every five years. The results of the internal and external assessments are both presented to the Audit Committee. The Bank is undertaking these assessments to demonstrate IAD's continuing compliance with the Standards.

IAD recently underwent another External Quality Assurance Review by a qualified third-party validator, Punongbayan & Araullo (P&A). Based on P&A's review, IAD "generally conforms" to all the requirements of the Standards, garnering a score of 100% conformance rate. This rating is remarkably higher compared to IAD's previous rate in 2015 of 93%, and much higher than the banking and all industries' conformance rates of 82% and 83%, respectively.

Statement of Management's Responsibility For Financial Statements

The management of Bank of Commerce (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 Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standard Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



JOSE T. PARDO
Chairman of the Board



MICHELANGELO R. AGUILAR
President and Chief Executive Officer

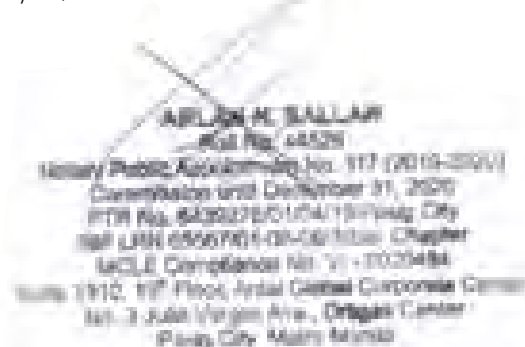


ANTONIO S. LAQUINDANUM
Senior Vice President and Chief Financial Officer

Subscribed and sworn to before me this 16th day of April 2020, affiants exhibiting their Senior Citizen Identification No. and Passport No., as follows:

Names	Identification Nos.	Date of Issue	Place of Issue
Jose T. Pardo	Senior Citizen ID No. 1725634	July 31, 2002	Muntinlupa City
Michelangelo R. Aguilar	Passport No. P8692960A	September 10, 2018	DFA NCR East
Antonio S. Laquindanum	Passport No. P1454800A	January 05, 2017	DFA Manila

Doc. No. 174
Page No. 36
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Series of 2020



Audited Financial **Statements**





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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and the Stockholders

Bank of Commerce

San Miguel Properties Centre
No. 7, St. Francis Street
Mandaluyong City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of Commerce (the “Bank”), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

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 *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

R.G. Manabat & Co., a Philippine partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity

PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0004-FR-5, Group A, valid until November 15, 2020
IC Accreditation No. F-2017/010-R, valid until August 26, 2020
BSP - Selected External Auditors, Category A, valid for 3-year audit period (2017 to 2019)

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 35 to the financial statements that indicates that the Bank retrospectively changed its accounting policy on measuring its property and equipment and investment properties, and applied to these financial statements for the annual period ended December 31, 2019. Accordingly, the comparative information has been restated.

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

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Philippine Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 the Bank. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Vanessa P. Macamos

VANESSA P. MACAMOS

Partner

CPA License No. 0102309

BSP Accreditation No. 102309-BSP, Group A, valid for 5-year audit period (2019 to 2023)

SEC Accreditation No. 1619-A, Group A, valid until March 15, 2020

Tax Identification No. 920-961-311

BIR Accreditation No. 08-001987-38-2019

Issued September 25, 2019; valid until September 24, 2022

PTR No. MKT 8116770

Issued January 2, 2020 at Makati City

March 2, 2020

Makati City, Metro Manila

Statements of Financial Position

		December 31, 2019	December 31, 2018 (As restated - Note 35)	January 1, 2018 (As restated - Note 35)
	Note			
ASSETS				
Cash and Other Cash Items		P1,776,398,932	P1,748,070,945	P1,384,981,849
Due from Bangko Sentral ng Pilipinas - net	17, 18	21,955,496,031	21,424,140,231	25,700,741,783
Due from Other Banks - net	17	670,481,616	3,838,048,357	3,185,565,713
Interbank Loans Receivable and Securities Purchased under Resale Agreements - net	7, 17	13,429,279,503	11,983,626,735	6,315,297,190
Financial Assets at Fair Value through Profit or Loss	8	1,053,759,876	1,836,409,128	1,076,364,663
Financial Assets at Fair Value through Other Comprehensive Income	9, 17, 32	1,389,857,145	7,974,183,196	5,588,101,599
Investment Securities at Amortized Cost - net	10, 17, 32	22,547,832,753	23,211,087,719	24,635,485,790
Loans and Receivables - net	11, 17, 32	73,742,261,809	72,271,060,842	63,599,604,374
Non-current Assets Held for Sale	12	48,121,557	48,121,557	48,121,557
Investment in an Associate - net	13, 17, 32	41,443,508	39,982,110	46,149,665
Property and Equipment - net	14, 17, 35	1,741,075,195	1,149,839,475	1,167,384,107
Investment Properties - net	15, 35	3,729,769,193	3,122,624,988	3,172,245,000
Deferred Tax Assets - net	31, 35	880,301,277	1,003,191,122	932,880,261
Other Assets - net	16, 17, 35	2,027,207,272	1,761,721,156	1,421,024,142
		P145,033,285,667	P151,412,107,561	P138,273,947,693
LIABILITIES AND EQUITY				
Deposit Liabilities	18, 32			
Demand		P34,158,477,979	P28,834,195,500	P26,863,176,630
Savings		72,016,565,174	77,608,568,345	74,895,962,109
Time		17,681,144,917	24,735,459,519	17,008,912,478
		123,856,188,070	131,178,223,364	118,768,051,217
Bills Payable	19	105,095	557,471,615	267,208
Manager's Checks and Acceptances Payable		923,459,741	615,495,938	560,296,206
Accrued Interest, Taxes and Other Expenses	20, 32	815,034,803	956,487,225	906,866,282
Other Liabilities	21, 32	3,343,506,476	2,597,311,310	2,480,713,797
Total Liabilities		128,938,294,185	135,904,989,452	122,716,194,710

Forward

		December 31, 2019	December 31, 2018 (As restated - Note 35)	January 1, 2018 (As restated - Note 35)
	Note			
Equity				
Capital stock	23	P11,224,111,200	P11,224,111,200	P11,224,111,200
Paid-in surplus	23	5,594,079,646	5,594,079,646	5,594,079,646
Surplus reserves	24	399,262,743	454,994,785	159,442,049
Deficit	23, 35	(839,250,906)	(1,547,973,982)	(1,241,176,478)
Remeasurement losses on retirement liability	28	(319,998,451)	(95,312,091)	(176,743,526)
Net unrealized gains (losses) on financial assets at fair value through other comprehensive income	9	36,108,673	(129,757,730)	8,546,417
Cumulative translation adjustment		2,014,880	12,639,055	(9,166,610)
Share in other comprehensive loss of an associate	13	(1,336,303)	(5,662,774)	(1,339,715)
Total Equity		16,094,991,482	15,507,118,109	15,557,752,983
		P145,033,285,667	P151,412,107,561	P138,273,947,693

See Notes to the Financial Statements.

Statements of Income

Years Ended December 31			
	Note	2019	2018 (As restated - Note 35)
INTEREST INCOME			
Interest income calculated using the effective interest method:			
Loans and receivables	11, 32	P4,920,061,099	P3,668,711,226
Investment securities at fair value through other comprehensive income and at amortized cost	25, 32	1,117,092,275	1,123,886,031
Interbank loans receivable and securities purchased under resale agreements	7	315,569,692	266,130,424
Due from Bangko Sentral ng Pilipinas and other banks	18	163,456,630	96,860,198
Other interest income :			
Financial assets at fair value through profit or loss	25	16,058,663	62,668,042
		6,532,238,359	5,218,255,921
INTEREST EXPENSE			
Deposit liabilities	18, 32	2,346,266,843	1,508,936,521
Lease liabilities	29	45,360,536	-
Bills payable and others	19	4,855,994	10,024,024
		2,396,483,373	1,518,960,545
NET INTEREST INCOME		4,135,754,986	3,699,295,376
OTHER INCOME			
Service charges, fees and commissions	26, 32	477,274,280	391,812,899
Trading and investment securities gains (losses) - net	27	355,688,714	(109,414,653)
Gains on foreclosure of property and equipment and foreclosed assets - net	14, 15, 16, 32, 35	336,288,436	207,379,779
Foreign exchange gains - net		67,994,272	58,755,372
Miscellaneous	30, 32	459,861,228	95,334,833
		1,697,106,930	643,868,230
OTHER EXPENSES			
Compensation and fringe benefits	28, 32	1,684,538,431	1,557,771,075
Taxes and licenses	15	773,892,173	702,953,640
Rent and utilities	29	505,773,088	683,570,750
Depreciation and amortization	14, 15, 16, 35	480,444,851	259,041,669
Service fees and commissions		278,525,116	140,647,623
Insurance		245,450,542	229,304,192
Entertainment and recreation		123,335,716	142,179,776
Management and professional fees	32	65,801,182	89,015,345
Provision for (reversal of) credit and impairment losses	17, 35	52,095,015	(181,117,605)
Amortization of software costs	16	34,144,155	57,381,716
Miscellaneous	30	469,087,641	421,709,716
		4,713,087,910	4,102,457,897
INCOME BEFORE SHARE IN NET LOSS OF AN ASSOCIATE AND INCOME TAX		1,119,774,006	240,705,709
SHARE IN NET LOSS OF AN ASSOCIATE	13, 32	2,865,073	1,844,496
INCOME BEFORE INCOME TAX		1,116,908,933	238,861,213
INCOME TAX EXPENSE	31, 35	464,186,399	255,405,981
NET INCOME (LOSS)		P652,722,534	(P16,544,768)

See Notes to the Financial Statements.

Statements of Comprehensive Income

Years Ended December 31			
	Note	2019	2018 (As restated - Note 35)
NET INCOME (LOSS)		P652,722,534	(P16,544,768)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may not be reclassified to profit or loss			
Net change in remeasurement losses on retirement liability	28	(224,686,360)	81,431,435
Net change in fair value of equity securities at fair value through other comprehensive income	9	5,229,000	28,445,940
		(219,457,360)	109,877,375
Items that may be reclassified to profit or loss			
Net change in fair value of debt securities at FVOCI	9	359,733,308	(161,614,821)
Net change in fair value of debt securities at FVOCI taken to profit or loss	9	(198,827,405)	164,734
Net movement in cumulative translation adjustment		(10,624,175)	21,805,665
Share in other comprehensive income (loss) of an associate	13	4,326,471	(4,323,059)
		154,608,199	(143,967,481)
		(64,849,161)	(34,090,106)
TOTAL COMPREHENSIVE INCOME (LOSS)		P587,873,373	(P50,634,874)

See Notes to the Financial Statements.

Statements of Changes in Equity

	Note	Capital Stock (Note 23)	Paid-in Surplus (Note 23)	Surplus Reserves (Note 24)	Deficit (Note 23)	Revaluation Increment on Property and Equipment and Investment Properties - net of tax	Net Unrealized Losses on Financial Assets at FVOCI (Note 9)	Remeasurement Losses on Retirement Liability (Note 28)	Share in Other Comprehensive Loss of an Associate (Note 13)	Cumulative Translation Adjustment	Total Equity
Balance as at December 31, 2018, as previously reported	35	P11,224,111,200	P5,594,079,646	P454,994,785	P684,414,305 (2,232,388,287)	P346,223,236 (346,223,236)	(P129,757,730)	(P95,312,091)	(P5,662,774)	P12,639,055	P18,085,729,632 (2,578,611,523)
Effect of change in accounting policy		-	-	-	-	-	-	-	-	-	-
Balance as at January 1, 2019, as restated		11,224,111,200	5,594,079,646	454,994,785	(1,547,973,982) 652,722,534	-	(129,757,730)	(95,312,091)	(5,662,774)	12,639,055	15,507,118,109 652,722,534
Net income for the year		-	-	-	-	-	-	-	-	-	-
Other comprehensive income (loss) for the year:											
Items that may not be reclassified to profit or loss:											
Net change in remeasurement losses on retirement liability		-	-	-	-	-	-	(224,686,360)	-	-	(224,686,360)
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)		-	-	-	-	-	5,229,000	-	-	-	5,229,000
Items that may be reclassified to profit or loss:											
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	359,733,308	-	-	-	359,733,308
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	(198,827,405)	-	-	-	(198,827,405)
Net movement in cumulative translation adjustment		-	-	-	-	-	-	-	-	(10,624,175)	(10,624,175)
Share in other comprehensive income of associate		-	-	-	-	-	-	-	4,326,471	-	4,326,471
Total comprehensive income (loss) for the year		-	-	-	652,722,534	-	166,134,903	(224,686,360)	4,326,471	(10,624,175)	587,873,373
Transactions within equity:											
Transfer from surplus reserves	24	-	-	(55,732,042)	55,732,042	-	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	9	-	-	-	268,500	-	(268,500)	-	-	-	-
		-	-	(55,732,042)	56,000,542	-	(268,500)	-	-	-	-
Balance as at December 31, 2019		P11,224,111,200	P5,594,079,646	P399,262,743	(P839,250,906)	P -	P36,108,673	(P319,998,451)	(P1,336,303)	P2,014,880	P16,094,991,482
Forward											

	Note	Capital Stock (Note 23)	Paid-in Surplus (Note 23)	Surplus Reserves (Note 24)	Deficit (Note 23)	Revaluation Increment on Property and Investment Equipment Properties - net of tax	Net Unrealized Losses on Financial Assets at FVOCI (Note 9)	Remeasurement Losses on Retirement Liability (Note 28)	Share in Other Comprehensive Loss of an Associate (Note 13)	Cumulative Translation Adjustment	Total Equity
Balance as at January 1, 2018, as previously reported	35	P11,224,111,200	P5,594,079,646	P159,442,049	P545,222,645 (1,786,399,123)	P141,587,083 (141,587,083)	P8,546,417	(P176,743,526)	(P1,339,715)	(P9,166,610)	P17,485,739,189 (1,927,986,206)
Effect of change in accounting policy											
Balance as at January 1, 2018, as restated		11,224,111,200	5,594,079,646	159,442,049	(1,241,176,478)	-	8,546,417	(176,743,526)	(1,339,715)	(9,166,610)	15,557,752,983
Net loss for the year (restated)	35	-	-	-	(16,544,768)	-	-	-	-	-	(16,544,768)
Other comprehensive income (loss) for the year (restated):											
Items that may not be reclassified to profit or loss:											
Net change in remeasurement losses on retirement liability		-	-	-	-	-	-	81,431,435	-	-	81,431,435
Net change in fair value of equity securities at fair value through other comprehensive income (FVOCI)		-	-	-	-	-	28,445,940	-	-	-	28,445,940
Items that may be reclassified to profit or loss:											
Net change in fair value of debt securities at FVOCI		-	-	-	-	-	(161,614,821)	-	-	-	(161,614,821)
Net change in fair value of debt securities at FVOCI taken to profit or loss		-	-	-	-	-	164,734	-	-	-	164,734
Net movement in cumulative translation adjustment		-	-	-	-	-	-	-	-	21,805,665	21,805,665
Share in other comprehensive loss of associate		-	-	-	-	-	-	-	(4,323,059)	-	(4,323,059)
Total comprehensive loss for the year, as restated		-	-	-	(16,544,768)	-	(133,004,147)	81,431,435	(4,323,059)	21,805,665	(50,634,874)
Transactions within equity:											
Transfer to surplus reserves	24	-	-	295,552,736	(295,552,736)	-	-	-	-	-	-
Transfer of gain on equity securities at FVOCI realized through disposal	9	-	-	-	5,300,000	-	(5,300,000)	-	-	-	-
Balance as at December 31, 2018, as restated		P11,224,111,200	P5,594,079,646	P454,994,785	(P1,547,973,982)	P -	(P129,757,730)	(P95,312,091)	(P5,662,774)	P12,639,055	P15,507,118,109

See Notes to the Financial Statements.

Statements of Cash Flows

Years Ended December 31			
	Note	2019	2018 (As restated - Note 35)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P1,116,908,933	P238,861,213
Adjustments for:			
Depreciation and amortization	14, 15, 16	480,444,851	259,041,669
Miscellaneous income	15, 30	(363,450,000)	-
Gain on foreclosure and sale of property and equipment and foreclosed assets - net	14, 15, 16, 32	(336,288,436)	(207,379,779)
(Gain) loss on sale of financial assets at fair value through other comprehensive income (FVOCI)	27	(198,827,405)	164,734
Unrealized (gains) losses on financial assets at fair value through profit or loss (FVPL)	27	(135,535,224)	19,715,698
Provision for (reversal of) credit and impairment losses	17	52,225,704	(181,359,387)
Amortization of software costs	16	34,144,155	57,381,716
Share in net loss of associate	13	2,865,073	1,844,496
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Interbank loans receivables	7	(110,883,214)	-
Financial assets at FVPL		918,184,476	(779,760,163)
Loans and receivables		(1,643,739,447)	(8,850,870,950)
Other assets		(202,644,680)	(164,372,519)
Increase (decrease) in:			
Deposit liabilities		(7,322,035,294)	12,410,172,147
Manager's checks and acceptances payable		307,963,803	55,199,732
Accrued interest, taxes and other expenses		(100,619,502)	55,739,221
Other liabilities		(117,129,826)	203,355,747
Net cash (absorbed by) generated from operations		(7,618,416,033)	3,117,733,575
Income taxes paid		(338,334,083)	(331,533,051)
Net cash (used in) provided by operating activities		(7,956,750,116)	2,786,200,524
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale or redemption of:			
Financial assets at FVOCI		10,024,308,116	17,541,055,971
Investment securities at amortized cost		1,557,000,000	2,901,000,000
Investment properties		94,051,694	209,927,628
Property and equipment		49,150,059	51,904,711
Additions to:			
Financial assets at FVOCI		(3,071,058,659)	(19,971,400,609)
Investment securities at amortized cost		(893,626,163)	(1,476,768,927)
Property and equipment	14	(207,302,263)	(179,307,960)
Software costs	16	(131,596,152)	(24,575,595)
Investment properties		(21,242,574)	(9,746,082)
Net cash provided by (used in) investing activities		7,399,684,058	(957,910,863)
<i>Forward</i>			

Years Ended December 31			
			2018 (As restated - Note 35)
	Note	2019	
CASH FLOWS FROM FINANCING ACTIVITIES			
Settlement of bills payable		(P557,366,520)	(P87,508)
Payment of lease liability		(148,056,647)	-
Availment of bills payable	19	-	557,291,915
Net cash (used in) provided by financing activities	34	(705,423,167)	557,204,407
EFFECT OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS			
		(10,624,175)	21,805,665
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS			
		(1,273,113,400)	2,407,299,733
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items		1,748,070,945	1,384,981,849
Due from Bangko Sentral ng Pilipinas		21,424,140,231	25,700,741,783
Due from other banks		3,838,048,357	3,185,565,713
Interbank loans receivable and securities purchased under resale agreements		11,983,626,735	6,315,297,190
		38,993,886,268	36,586,586,535
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items		1,776,398,932	1,748,070,945
Due from Bangko Sentral ng Pilipinas		21,955,496,031	21,424,140,231
Due from other banks		670,481,616	3,838,048,357
Interbank loans receivable and securities purchased under resale agreements	34	13,318,396,289	11,983,626,735
		P37,720,772,868	P38,993,886,268
OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS			
Interest received		P6,788,693,554	P4,952,164,436
Interest paid		2,551,252,711	1,413,749,976
Dividends received		8,201,707	13,065,426

See Notes to the Financial Statements.

Notes to the Financial Statements

1. Reporting Entity

Bank of Commerce (the “Bank”) is a domestic corporation registered with the Philippine Securities and Exchange Commission (SEC) on December 16, 1963. It provides commercial banking services such as deposit products, loans and trade finance, domestic and foreign fund transfers, foreign exchange, and trust services. The Bank’s principal place of business is at San Miguel Properties Centre, No.7 St. Francis Street, Mandaluyong City. The Bank has a total of 140 and 139 branches nationwide as at December 31, 2019 and 2018, respectively.

San Miguel Properties, Inc. (SMPI) and San Miguel Corporation Retirement Plan (SMCRP) hold 39.89% and 39.94% ownership of the Bank’s issued shares, respectively, as at December 31, 2019 and 2018, with each having significant influence over the Bank.

The Bank’s original authority for its banking license was approved under Monetary Board (MB) Resolution No. 1045 dated October 4, 1963 as The Overseas Bank of Manila. The Bank received its Foreign Currency Deposit Unit (the “FCDU”) license and launched its FCDU operations on September 23, 1983. The Bank received its Expanded FCDU license on March 10, 2010. The Bank was renamed Commercial Bank of Manila, Inc. on October 20, 1980, further renamed Boston Bank of the Philippines on July 27, 1988, and finally, Bank of Commerce on November 28, 1991.

On January 16, 2013, the SEC approved the Amended Articles of Incorporation to extend the corporate life of the Bank for another 50 years or up to December 16, 2063. Under Section 11, *Corporate Term* of the Revised Corporation Code issued on February 23, 2019, a corporation shall have perpetual existence unless its articles of incorporation provides otherwise.

The accompanying financial statements of the Bank were approved and authorized for issue by the Board of Directors (BOD) on March 2, 2020.

2. Basis of Preparation

Statement of Compliance

The financial statements of the Bank have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards issued by the International Accounting Standards Board. PFRSs, which are adopted and issued by the Philippine Financial Reporting Standards Council, consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

Basis of Measurement

The financial statements of the Bank have been prepared on a historical cost basis, except for the following items:

Items	Measurement Bases
Financial assets and liabilities at fair value through profit or loss (FVPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Lease liability	Present value of remaining lease payments, discounted using the Bank's incremental borrowing rate
Net retirement liability	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

The accompanying financial statements include accounts maintained in the Regular Banking Unit (the "RBU") and the FCDU. The functional currency of the RBU and the FCDU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated to their equivalents in PHP. The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

All values are rounded to the nearest peso unless otherwise stated.

In accordance with Appendix 16 of the Manual of Regulations for Banks (MORB), *Foreign Exchange Transactions*, and PAS 21, *The Effects of Changes in Foreign Exchange Rates*, the exchange differences arising from translation (i.e. Banking Association of the Philippines (BAP) weighted average rate (WAR) and BAP closing rate) of FCDU accounts to PHP as presentation currency are taken directly to other comprehensive income (OCI) under "Net movement in cumulative translation adjustment" in the statements of comprehensive income.

Presentation of Financial Statements

The Bank presents its statements of financial position broadly in the order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 22.

3. Summary of Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below and as discussed in Note 37.

Adoption of New or Revised Standard, Amendments to Standards and Interpretation

The Bank has adopted the following new standards, amendments to standards and interpretation starting January 1, 2019 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these new and amended standards and interpretation did not have any significant impact on the Bank's financial statements.

- PFRS 16, *Leases*, Supersedes PAS 17, *Leases and the Related Philippine Interpretations*. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

Prior to the adoption of PFRS 16, the Bank classified property leases as operating leases under PAS 17. These pertain to office premises used for its operations. The leases typically run for a period of five (5) years. Some leases provide for additional rent payments or fixed escalation clauses.

At transition, for leases classified as operating leases under PAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Bank used the following practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17.

- Applied PFRS 16 only to contracts that were previously identified as leases applying PAS 17 at the date of initial application.
- Applied the exemption not to recognize right-of-use assets and lease liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

The accounting policies applicable to the Bank as a lessor are not different from those under PAS 17. As such, PFRS 16 has no impact for leases where the Bank acts as a lessor. However, the Bank has applied PFRS 15, *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease components.

Impact on Transition

On transition to PFRS 16, the Bank adopted PFRS 16 using the modified retrospective approach. Under this approach, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The impact on transition (increase/(decrease)) is summarized below:

<i>In millions of Peso</i>	<i>Note</i>	<i>January 1, 2019</i>
Lease liabilities	29	P587.8
Right-of-use assets	14, 29	550.5
Accrued rent	20	(47.1)
Prepaid rent	16	(9.8)

When measuring lease liabilities for leases that have been classified as operating leases, the Bank discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted average incremental borrowing rate applied is 7.5%.

<i>In millions of Peso</i>	January1, 2019
Operating lease commitment at December 31, 2018 as disclosed under PAS 17 in the Bank's financial statements	P614.0
- Extension options reasonably certain to be exercised	155.6
- Effect of discounting using the incremental borrowing rate at January 1, 2019	(107.2)
- Value added tax component	(77.9)
- PAS 17 adjustments	29.5
- Recognition exemption for leases with less than 12 months of term at transition	(26.2)
Lease liabilities recognized at January 1, 2019	P587.8

- *Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Bank's chosen tax treatment. If it is not probable that the tax authority will accept the Bank's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g., as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

- *Prepayment Features with Negative Compensation (Amendments to PFRS 9, Financial Instruments).*

The amendments cover the following areas:

- Prepayment features with negative compensation. The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or FVOCI irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for that early termination.
- Modification of financial liabilities. The amendment to the Basis for Conclusions on PFRS 9 clarifies that the standard provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition and the treatment is consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset - i.e. the amortized cost of the modified financial liability is recalculated by discounting the modified contractual cash flows using the original effective interest rate and any adjustment is recognized in profit or loss.

- *Plan Amendment, Curtailment or Settlement (Amendments to PAS 19, Employee Benefits).* The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in OCI.
- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - *Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity.* The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, OCI, or equity according to where the entity originally recognized those past transactions or events.
 - *Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization.* The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

Foreign Currency Transactions and Translation

Foreign exchange differences arising from foreign currency transactions and re-translations of foreign currency-denominated assets and liabilities to functional currency are credited to or charged as part of “Foreign exchange gains - net” account in the statements of income, except for differences arising from the re-translations of equity securities at FVOCI which are recognized directly in “Net change in fair value on equity securities at FVOCI” in OCI.

The books of accounts of the FCDU of the Bank are maintained in USD with various transactions in foreign currencies. The foreign currency-denominated income and expenses in the books of accounts are translated into their USD equivalent based on the exchange rates prevailing at the time of transaction. The foreign currency-denominated assets and liabilities at the reporting dates are translated into USD using the BAP closing rate prevailing at the reporting date.

The foreign currency-denominated monetary assets and liabilities in the RBU are translated in PHP based on the BAP closing rate prevailing at the end of the year and foreign currency-denominated income and expenses, at the exchange rates prevailing at transaction dates. 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. For reporting purposes, the FCDU income and expenses are translated to their equivalent in PHP based on the BAP WAR for the reporting period. The assets and liabilities of the FCDU at the reporting date are translated into PHP using BAP closing rate at the reporting date.

Financial Instruments - Initial Recognition

(i) Date of Recognition

Regular way purchases and 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. Settlement date accounting refers to:

- a. the recognition of an asset on the day it is received by the Bank, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Bank. Deposit liabilities, bills payable, and loans and receivables are recognized when cash is received by the Bank or advanced to the borrowers.

Derivatives are recognized on trade date basis. Trade date is the date when an entity commits itself to purchase or sell an asset. Trade date accounting refers to: (a) the recognition of an asset to be received or the liability to be paid on the trade date, and (b) the derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on trade date.

(ii) Initial Recognition of Financial Instruments

All financial instruments, whether financial assets or liabilities, are initially measured at fair value. Except for financial assets and liabilities valued at FVPL, initial measurement includes transaction costs.

Financial Instruments - Classification and Subsequent Measurement

Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Bank's business model for managing them.

The Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are for sole payment of principal and interest (SPPI). This assessment is referred to as the SPPI test and is performed at an instrument level.

Business Model Assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level, not on an instrument-by-instrument basis, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed;
- how managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If the cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial asset held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

SPPI Test

As part of the Bank's classification process, the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

For purposes of this assessment, 'principal' is defined as the fair value of the financial asset on 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). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a "more than de minimis" exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

The Bank's measurement categories for financial assets are described below:

(i) Financial Assets at FVPL

Financial assets at FVPL include financial assets held for trading purposes, financial assets designated upon initial recognition at FVPL or financial assets mandatorily required to be measured at fair value. Equity securities are classified as financial assets at FVPL, unless the Bank designates an equity security that is not held for trading as at FVOCI at initial recognition.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt securities to be classified at amortized cost or at FVOCI, as described in succeeding sections, debt securities may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are initially recognized and subsequently measured at fair value in the statements of financial position, with transaction costs recognized in the statements of income. Gains and losses arising from changes in the fair value of financial assets at FVPL and gains and losses arising from disposals of these securities are recognized under "Trading and investment securities gains (losses) - net" account in the statements of income. Interest earned or incurred is recorded as interest income or interest expense, respectively, while dividend income is recorded under "Miscellaneous income" account in the statements of income when the right to receive payment has been established.

Financial assets at FVPL include government and private debt securities held for trading, derivative instruments and debt securities that do not meet the SPPI test. Most of the Bank's derivative trading activities relate to deals with customers that are normally offset by transactions with other counterparties. The Bank may also take positions with the expectation of profiting from favorable movements in prices, rates or indices. The Bank is a counterparty to derivative contracts, such as currency forwards and warrants.

(ii) Financial Assets at Amortized Cost

The Bank measures debt financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment in value. 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 under “Interest income” in the statements of income. Gains and losses are recognized in the statements of income when the financial asset is derecognized, modified or impaired, as well as through the amortization process. The losses arising from expected credit losses (ECL) is recognized under “Provision for credit and impairment losses” account, while reversals of ECL are recognized under “Reversal of credit and impairment losses” account. The two accounts are netted off in the statements of income. The effects of revaluation on foreign-currency denominated financial assets are recognized under “Foreign exchange gains - net” account in the statements of income.

The Bank’s financial assets at amortized cost include cash and other cash items (COCI), exclusive of cash on hand, amounts due from BSP and other banks, interbank loans receivable and securities purchased under resale agreements (SPURA), investment securities at amortized cost, loans and receivables from customers, sales contract receivables, unquoted debt securities, accrued interest receivable, accounts receivable and other receivables.

The Bank may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. As at December 31, 2019 and 2018, the Bank has not made such designation.

(iii) Financial Assets at FVOCI

(a) Debt Securities

The Bank measures debt securities at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Debt securities at FVOCI are subsequently measured at fair value with unrealized gains and losses arising from fair valuation recognized in OCI under the ‘Net unrealized gains (losses) on financial assets at FVOCI’ account in the equity section of the statements of financial position. Interest income and foreign exchange gains and losses are recognized in the statements of income in the same manner as for financial assets measured at amortized cost. The ECL arising from impairment of such investments are recognized in the statements of income with a corresponding charge to “Provision for credit and impairment losses” account if the resulting ECL is impairment losses and to “Reversal of credit and impairment losses” if the resulting ECL is reversal of impairment. Other fair value changes to measure the instrument at fair value is recognized in OCI.

Upon derecognition, the cumulative gains or losses previously recognized in OCI are recognized under “Trading and investment securities gains (losses) - net” account in the statements of income.

(b) Equity Securities

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity securities as at FVOCI. Designation as at FVOCI is not permitted if the equity security is held for trading.

Equity securities designated at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in OCI under “Net unrealized gains (losses) on financial assets at FVOCI” account in the equity section of the statements of financial position. Dividends earned on holding equity securities designated at FVOCI are recognized in the statements of income as “Miscellaneous income” when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in OCI is reclassified to “Deficit” account in the equity section of the statements of financial position. Equity securities designated at FVOCI are not subject to impairment assessment.

The Bank designated all equity securities that are not held for trading as at FVOCI on initial application of PFRS 9.

Financial Liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or at FVPL.

Financial liabilities are classified and subsequently measured at amortized cost using the effective interest method, except for financial liabilities measured at FVPL. Financial liabilities measured at FVPL consists of: (a) financial liabilities held-for-trading, including derivative liabilities that are not accounted for as hedging instruments; and (b) financial liabilities designated at fair value through profit or loss.

The Bank may, at initial recognition, irrevocably designate financial liabilities as measured at FVPL.

The Bank’s financial liabilities at amortized cost include deposit liabilities, bills payable, manager’s checks and acceptances payable, accrued interest and other expenses (except accrued employee and other benefits and accrued taxes payable) and other liabilities (except withholding tax payable, retirement liability and ECL on off-balance sheet exposures).

Financial liabilities at FVPL include derivative liabilities held-for-trading arising from cross-currency swap and forward contracts. Similar to derivative assets, any gains or losses arising from changes in fair values of derivative liabilities are taken directly to “Foreign exchange gains - net” in the statements of income. Derivatives are carried as liabilities when the fair value is negative.

Reclassification of Financial Assets and Liabilities

The Bank can reclassify financial assets if the objective of its business model for managing the financial asset changes. Reclassification of financial assets designated at FVPL or equity securities at FVOCI at initial recognition is not permitted.

A change in the objective of the Bank’s business model will be effected only at the beginning of the next reporting period following the change in the business model.

Financial liabilities are not reclassified.

Derecognition of Financial Assets and Financial Liabilities

(i) 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;
- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Bank has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of ownership of the asset; or (b) has neither transferred nor retained the risks and rewards of ownership of the asset but has transferred the control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank'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 Bank could be required to repay.

(ii) Financial Liabilities

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

Impairment of Financial Assets

The Bank recognizes ECL for loan and other debt financial assets at amortized cost and at FVOCI, together with loans commitments and financial guarantee contracts. No impairment loss is recognized on equity securities.

Expected Credit Loss Methodology

The Bank measures ECL in a way that reflects an unbiased and probability-weighted amount that 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. PFRS 9 requires a loss allowance to be recognized at an amount equal to either the 12-month ECL or lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within 12 months after the reporting date.

Staging Assessment

For non-impaired financial instruments:

- Stage 1: Comprised of performing financial instruments which have not experienced significant increase in credit risk since initial recognition or have low credit risk as of reporting date. This stage recognizes a 12-month ECL for the financial instruments categorized under this group.
- Stage 2: Comprised of under-performing financial instruments which have experienced a SICR since initial recognition, but do not have objective evidence of impairment. This stage recognizes a lifetime ECL for the financial instruments categorized under this group.

For credit-impaired financial instruments:

- Stage 3: Comprised of non-performing financial instruments with one or more loss events occurring since the original recognition or assets with objective evidence of impairment at reporting date. Financial instruments falling within this stage have objective evidence of impairment thus requiring the recognition of lifetime ECL.

Definition of “Default” and “Cure”

The Bank generally classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days, considered non-performing, under litigation or is classified as doubtful or loss. In assessing whether a borrower is in default, the Bank considers indicators that are qualitative (i.e. breach of covenant) and quantitative (i.e. overdue status and non-payment on another obligation of the same borrower/issuer to the Bank). An instrument is considered to be no longer in default (i.e. to have cured) when there is sufficient evidence to support that full collection of principal and interests is probable and payments are received for at least six (6) months. This definition is consistent with the definition of non-performing loans (NPL) under Section 304 of MORB, *Past Due Accounts and Non-Performing Loans*.

Credit Risk at Initial Recognition

The Bank makes full use of its Internal Credit Risk Rating System (ICRRS) to determine the credit risk of exposures at initial recognition. The ICRRS is devised to assess the level of risk associated with each borrower using a combination of both quantitative and qualitative factors. Subsequent credit assessments and approvals are also considered in determining the credit risk.

Significant Increase in Credit Risk

The definition of a SICR varies by portfolio where the determination of the change in credit risk includes both the quantitative and qualitative factors.

The Bank applies the movement in its Corporate Loan account's credit risk rating and assessment of breach in watchlist triggers to indicate a possible significant credit downgrade or upgrade through a risk rating matrix. While for the remaining portfolios, the Bank considers that a SICR occurs no later than when an asset is more than 30 days past due. The total number of days past due is determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Furthermore, the Bank's internal credit assessment may consider a counterparty to have a SICR since initial recognition if it is identified to have well-defined credit weaknesses. These may include adverse changes in the financial, managerial, economic and/or political nature of a business. Credit weakness can be established by an unsatisfactory track record that merits close monitoring and attention from management.

If there is evidence that there is no longer a SICR relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. For unrated financial instruments, the SICR is measured using the number of days past due which is also consistent with the staging criteria presented above.

ECL Parameters and Methodologies

ECL is a function of the following credit risk parameters:

- **Probability of Default (PD)**
The PD is the measure of likelihood that a borrower will be unable to settle his or her obligation/s on time and in full. The Bank uses its ICRRS to segment exposures with homogenous risk characteristics. PD estimate, being one of the fundamental basis for credit risk modelling, plays a vital role in the estimation of ECL for the Bank.

The Bank uses the Point-in-Time (PiT) PD in calculating expected credit loss. The Bank starts with an empirical 12-month Through-the-Cycle (TtC) PD for each product type calculated per rating grade.

The observed default rate, calculated as the number of defaults relative to in-force population, is regressed on the economic input to determine how changes in the economic input impact the default rate.

The variation between the log-odds of these forecasted default rate is then used to transform the 12-month TtC PD to 12-month PiT PD. The lifetime PDs and conditional PDs are calculated for stage 2 and stage 3 ECLs using the 12-month PiT PD.

- **Loss Given Default (LGD)**
LGD measures the percentage amount of credit losses incurred and not recovered at the time of default. LGD estimation is based on historical cash flow recoveries. Calculation of the LGD is adjusted for some assets to consider cashflow recoveries on collateral. While for some financial assets, the Bank supplemented internal assessments with regulatory thresholds to arrive at the LGD assumption.
- **Exposure at Default (EAD).**
EAD is defined as the outstanding amount of credit exposure at the time of default. EAD is estimated by modelling the historical data on both the actual drawn and undrawn amounts for each credit facility. This provides a more robust estimate of the total amount the Bank is exposed to.

Forward-looking Information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL.

The observed Default Rate (DR), calculated as the number of defaults relative to inforce population, is regressed on the GDP growth rate (constant 2000 prices) to determine how changes in the GDP growth rate impact the DR. For the base scenario, the GDP growth rate (based on quarterly data from 1998 to 2018 published by Philippine Statistics Authority) is forecasted and is used to forecast expected DR. For the optimistic and pessimistic scenarios, the Bank assumed a certain level of GDP growth (positive and negative GDP growth rates for optimistic and pessimistic scenarios, respectively). The forecasted GDP growth rates, for both optimistic and pessimistic scenarios, are used to forecast expected DR under different scenarios. The difference between the log-odds of these forecasted DR is called the "Variation". The "Variation" is used to transform the 12-month TtC PD to 12-month PiT PD.

A broad range of forward-looking information are assessed as economic inputs, such as growth of the gross domestic product, inflation rates, unemployment rates, foreign exchange rates, property prices and other economic factors. The key forward-looking economic variable used in each of the economic scenarios for the ECL calculations in 2019 and 2018 is the GDP growth. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Restructured Loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement 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 the future payments are likely to occur. When the loan has been restructured but not derecognized, the Bank also reassesses whether there has been a SICR and considers whether the assets should be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.

Write-offs

Financial assets are written off either partially or in full when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included under "Miscellaneous income" in the statements of income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

'Day 1' Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank recognizes the difference between the transaction price and fair value (a 'Day 1' difference) as part of current operations in the period when the asset is acquired or the liability is incurred. In cases where the transaction price used is based on inputs which are not observable, the difference between the transaction price and model value is only recognized as part of current operations in the period when the inputs become observable or when the instrument is derecognized. For each transaction, the Bank determines the appropriate method of recognizing the 'Day 1' difference amount.

Offsetting

Financial assets and liabilities are offset with the net amount reported in the statements of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, as the related assets and liabilities are presented gross in the statements of financial position.

As at December 31, 2019 and 2018, the Bank did not have any financial instrument that qualified for offsetting.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include COCI, amounts due from BSP and other banks and interbank loans receivable and SPURA with original maturities of three months or less from dates of placement and that are subject to insignificant risk of changes in value.

COCI consist of cash on hand and checks and other cash items. Cash on hand refers to the total amount of cash in the Bank's vault in the form of notes and coins under the custody of the cashier/cash custodian or treasurer, including notes in the possession of tellers and those kept in automated teller machines (ATMs).

Repurchase and Reverse Repurchase Agreements

Securities sold under repurchase agreements (SSURA) at a specified future date ("repos") are not derecognized from the statements of financial position. The corresponding cash received, including accrued interest, is recognized in the statements of financial position as liability of the Bank, reflecting the economic substance of such transaction.

Conversely, SPURA to resell at a specified future date ("reverse repos") are not recognized in the statements of financial position. The corresponding cash paid, including accrued interest, is recognized in the statements of financial position as securities purchased under resale agreement, and is considered as a loan to the counterparty. The Bank is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. The difference between the purchase price and resale price is treated as interest income in the statements of income and is amortized over the life of the agreement using the effective interest method.

Financial Guarantees and Undrawn Loan Commitments

Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. The nominal contractual value of undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statements of financial position. These contracts are in the scope of the ECL requirements where the Bank estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to loan commitments is recognized under "Other liabilities" in the statements of financial position.

In the ordinary course of business, the Bank issues financial guarantees in favor of other parties. Financial guarantees are initially recognized in the financial statements at fair value, and the initial fair value is amortized over the life of the financial guarantee in accordance with PFRS 15. The financial guarantee is subsequently carried at the higher of the amount of loss allowance determined in accordance with the ECL model and the amount initially recognized, less when appropriate, the cumulative amount of income recognized in accordance with PFRS 15.

Non-current Assets Held for Sale

Non-current assets held for sale include assets with or without improvements that are to be recovered principally through a sale transaction rather than through continuing use, available for immediate distribution in their present condition, highly probable to be sold within one year, and are included in the sales auction program for the year. Assets held for sale are stated at the lower of its carrying amount and fair value less costs to sell.

The Bank measures a non-current asset that ceases to be classified as held for sale at the lower of:

- the carrying amount before the non-current asset was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the non-current asset not been classified as held for sale; and
- the recoverable amount at the date of the subsequent decision not to sell.

The Bank includes any required adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale in income from continuing operations in the year in which the asset ceases to be held for sale.

Investment in an Associate

An associate is an entity over which the Bank has significant influence but no control. This is a rebuttable presumption in case the equity interest of the Bank in an entity is between 20.0% and 50.0%. The Bank's equity investment in BIC Management and Consultancy, Inc. (formerly Bancommerce Investment Corporation) (BIC) represents 24.25% of BIC's capital stock. Accordingly, the Bank's equity investment in BIC is treated as an investment in an associate accounted for under the equity method of accounting since there is no indication of control.

Under the equity method, an investment in an associate is carried in the statements of financial position at cost plus post-acquisition changes in the Bank's share in the net assets of the associate. The Bank's share in an associate's post-acquisition profits or losses is recognized in the statements of income, and its share of post-acquisition movements in the associate's equity reserves is recognized directly in equity.

When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Profits and losses resulting from transactions between the Bank and an associate are eliminated to the extent of the Bank's interest in the associate.

The reporting period of BIC is on a calendar year basis. BIC's accounting policies conform to those used by the Bank for like transactions and events in similar circumstances.

Property and Equipment

Land is stated at cost less any impairment in value. Depreciable properties including buildings, furniture, fixtures and equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes after deducting trade discounts and rebates, and any cost that are directly attributable to bringing the property and equipment to its location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures incurred after the property and equipment have been put to operation, such as repairs and maintenance, are normally charged against operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in the increase in the future economic benefits 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 property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the estimated useful life of the improvements or the terms of the related lease, whichever is shorter.

Estimated useful lives of property and equipment are as follows:

	Years
Building	50
Furniture, fixtures and equipment	3 - 7
Leasehold improvements	5 - 15

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income in the period the asset is derecognized.

The asset's residual values, useful lives and method of depreciation and amortization are reviewed, and adjusted if appropriate, at each reporting date.

Investment Properties

Investment properties are composed of assets acquired from foreclosure or *dacion en pago* and land and building that are vacant and no longer used for administrative purposes (previously owner-occupied property), and are initially measured at cost including transaction costs. An investment property acquired through an exchange transaction is initially recognized at the fair value of the asset acquired unless the fair value of each asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the asset given up. The difference between the fair value of the asset received and the carrying amount of the asset given up is recorded as "Gain on foreclosure" under "Gain on foreclosure and sale of property and equipment and foreclosed assets - net" in the statement of income. Foreclosed properties are classified under "Investment properties" upon:

- entry of judgment in case of judicial foreclosure;
- execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or
- notarization of the Deed of Dacion in case of payment in kind (*dacion en pago*).

The Bank applies the cost model in subsequently measuring its investment properties. Land is carried at cost less any impairment in value and depreciable properties acquired are carried at cost. Cost is the fair value of the asset at acquisition date, less any accumulated depreciation and any impairment in value. Transaction costs, which include non-refundable capital gains tax and documentary stamp tax, incurred in connection with foreclosure are capitalized as part of cost of the investment properties.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or 10 years, whichever is lower. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or the start of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the start of owner-occupation or of development with a view to sell.

Repairs and maintenance costs relating to investment properties are normally charged to statements of income in the period in which the costs are incurred.

An investment property is derecognized when it has either been disposed of or when it is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on derecognition of an investment property is recognized in the statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

Other Properties Acquired

Other properties acquired, included under "Other assets" account in the statements of financial position, include chattel mortgage properties foreclosed in settlement of loan receivables. The Bank applies the cost model of accounting for these assets. Under the cost model, these assets are carried at cost, which is the fair value at acquisition date, less accumulated depreciation and any impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful life of the depreciable asset or three years, whichever is lower. The estimated useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of other properties acquired.

The carrying values of the other properties acquired are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts (see accounting policy on Impairment of Non-financial Assets).

An item of other properties acquired is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the period of derecognition.

Intangible Assets

Intangible assets consist of software costs and branch licenses. Intangible assets acquired separately, included under "Other assets" account in the statements of financial position, are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses. Internally generated intangible assets are not capitalized but recognized in the statements of income in the period when the expenditure is incurred.

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

The amortization expense on intangible assets with finite lives is recognized in the statements of income under the expense category consistent with the function of the intangible asset. Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statements of income in the period when the asset is derecognized.

Branch Licenses

Branch licenses are granted by the BSP and capitalized on the basis of the costs incurred to acquire and bring to use in operation. Branch licenses are determined to have indefinite useful lives and are tested for impairment annually.

Software Costs

Software costs include costs incurred relative to the purchase of the Bank's software and are amortized on a straight-line basis over 5 years. Software costs are carried at cost less accumulated amortization and any impairment in value.

Impairment of Investment in an Associate and Non-financial Assets

Investment in an Associate, Non-current Assets Held for Sale, Property and Equipment, Investment Properties, Other Properties Acquired and Intangible Assets under "Other Assets"

At each reporting date, the Bank assesses whether there is any indication of impairment on investment in an associate, non-current assets held for sale, property and equipment, investment properties, other properties acquired and intangible assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Bank makes a formal estimate of the net recoverable amount.

The net recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the net recoverable amount is assessed as part of the cash-generating unit to which it belongs. Value in use is the present value of future cash flows expected to be derived from an asset or cash-generating unit while fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable and willing parties less any costs of disposal. Where the carrying amount of an asset (or cash-generating unit) exceeds its net recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged against operations in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged first to the revaluation increment of the said asset.

An assessment is made at each reporting date as to whether there is any indication that the previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the net recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's net recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its net recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statements of income.

After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair Value Measurement

The Bank measures financial instruments, such as, financial assets and liabilities at FVPL, financial assets at FVOCI and net retirement liability which is measured at present value of the defined benefit obligation less fair value of plan assets, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 6.

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 by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers 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 Bank 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 in Note 6.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the income can be reliably measured. Revenue is measured at the fair value of the consideration received/receivable.

Determining whether the Bank is Acting as a Principal or an Agent

The Bank assesses its revenue arrangements against the following indicators to determine whether it is acting as a principal or an agent:

- whether the Bank has primary responsibility for providing the services;
- whether the Bank has discretion in establishing prices; and
- whether the Bank has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer.

The Bank has determined that it is acting as a principal in its revenue arrangements except for activities where the Bank acts in a fiduciary or custodian capacity such as nominee, trustee, or agent. The Bank recognizes income from fiduciary and custodianship activities under "Service charges, fees and commission" account in the statements of income.

The following specific recognition criteria must also be met before revenue is recognized:

Revenues within the Scope of PFRS 15:

The Bank 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 Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

Service Charges and Penalties

Service charges and penalties are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectibility. This arises from deposit-related processing transactions and charges from late payments on loans and drawing against insufficient funds of depositors.

Fees and Commissions

(i) 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. These include guarantee fees, credit related fees, investment fund fees, custodian fees, fiduciary fees, portfolio and other management fees. Commitment fees for facilities where a drawdown is not generally expected must be recognized over the facility period. If a drawdown was expected and the commitment expires without the Bank making the loan, the commitment fees are recognized as fee income on expiry of the scheduled drawdown.

(ii) Fee Income Earned from Providing Transaction Services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as brokerage fees for the arrangement of the acquisition of shares or other securities are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance obligation are recognized after fulfilling the corresponding criteria. Loan syndication fees are recognized in the statements of income when the syndication has been completed and the Bank retains no part of the loans for itself or retains a part of the loan at the same EIR as for the other participants.

Discounts Earned and Awards Revenue on Credit Cards

Discounts received are taken up as income upon receipt from member establishments of charges arising from credit availments by the Bank's cardholders. These discounts are computed based on certain agreed rates and are deducted from the amounts remitted to the member establishments. These also include interchange income from transactions processed by Mastercard, a card network, and fees from cash advance transactions of cardholders.

The amount allocated to the loyalty programmes is deferred and recognized as revenue when the award credits expire or the likelihood of the customer redeeming the loyalty points becomes remote. Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated based on the estimated stand-alone selling prices. Income generated from customer loyalty programmes is recognized in 'Service charges, fees and commissions' in the statements of income.

Other Income

Income from the sale of services is recognized upon completion of the service. Income from sale of properties is recognized when control over properties transfers to the recipients, measured as the difference between the transaction price and the properties' carrying amounts and presented under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" in the statements of income.

Revenues outside the Scope of PFRS 15

Interest Income

Interest income is recognized in the statements of income for all financial assets measured at amortized cost and debt securities at FVOCI as they accrue, using the 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 the contractual terms of the financial instruments including any fees or incremental costs that are directly attributable to the instrument and are integral part of the EIR, but not future credit losses. The EIR is established on initial recognition of the financial asset and liability and is not revised subsequently, except for repricing loans. The carrying amount of the financial asset or liability is adjusted if the Bank revises its estimates of payments or receipts. The change in carrying amount is recognized in statements of income as interest income or expense.

Interest on interest-bearing financial assets at FVPL is recognized based on the contractual rate.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "Impairment of Financial Assets" above), the Bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus a certain percentage of cost. The excess over cost is credited to 'Unearned discount' and is shown as a deduction from 'Loans and receivables' in the statements of financial position. The unearned discount is taken up to interest income over the installment term and is computed using the effective interest method.

Trading and Investment Securities Gains or Losses

Trading and investment securities gains or losses represent results arising from disposal of debt securities at FVOCI and trading activities (realized gains and losses) and from the changes in fair value of financial assets and liabilities at FVPL (unrealized gains or losses).

Dividends

Dividends are recognized when the Bank's right to receive the dividends is established.

Rental Income

Payments received under operating lease arrangements are recognized in the statements of income on a straight-line basis over the term of the lease.

Recovery on Charged-off Assets

Income arising from collections on accounts or recoveries from impairment of items previously written off is recognized in the year of recovery.

Expense Recognition

Expense is recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in liability has arisen to the Bank that can be measured reliably.

Interest Expense

Interest expense for all interest-bearing financial liabilities is recognized in "Interest expense" in the statements of income using the EIR of the financial liabilities to which they relate.

Other Expenses

Other expenses include losses and expenses that arise in the ordinary course of business of the Bank and are recognized when incurred.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Bank has presented legal or constructive obligation to pay this amount as a result of past service provided by the employer and the obligation can be estimated reliably.

Retirement Benefits

The Bank has a funded, noncontributory defined benefit plan administered by a trustee. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. The retirement cost is generally funded through payments to a trustee-administered fund, determined by annual actuarial calculations.

The retirement benefits liability recognized in the statements of financial position in respect of the defined benefits retirement plan (see Note 28) is the present value of the defined benefits obligation at the valuation date less the fair value of plan assets. The defined benefits obligation is calculated annually by an independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Bank, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rate on high quality government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement liability.

Remeasurements of the defined benefit liability, which include actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Bank determines the net interest expense (income) on the retirement benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the retirement benefit liability (asset), taking into account any changes in the retirement liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in the statements of income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statements of income. The Bank recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Equity

“*Capital stock*” is recorded at par for all shares issued and outstanding.

“*Paid-in surplus*” represents the proceeds in excess of par value. Incremental costs incurred which are directly attributable to the issuance of new shares are chargeable to “Paid-in surplus”.

“*Deficit*” represents the accumulated losses of the Bank.

“*Surplus reserves*” represent the appropriation of retained earnings in relation to allowance for credit losses which are less than the 1.0% general provision prescribed by the BSP for regulatory purposes, profit from trust business, and self-insurance of the Bank.

Leases

The Bank has applied PFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under PAS 17 and IFRIC 4. The details of accounting policies under PAS 17 and IFRIC 4 are disclosed separately.

Applicable from January 1, 2019

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in PFRS 16.

This policy is applied to contracts entered into (or changed) on or after January 1, 2019.

Bank as Lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises, the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and any impairment losses, adjusted for certain remeasurements of the lease liability. Cost comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove any improvements made. The right-of-use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the Bank's incremental borrowing rate.

The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index rate, change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase, extension or termination option is reasonably certain not to be exercised or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets in "Property and equipment" and lease liabilities in "Other liabilities" in the statements of financial position.

Short-term leases and leases of low-value assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Bank recognizes the lease payments associated with these leases as an rent expense on a straight-line basis over the lease term.

Bank as a Lessor

At inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Bank is a party to operating leases as a lessor. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as the rental income. Contingent rentals are recognized as income in the period in which they are earned.

Applicable before January 1, 2019

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).

Bank as a 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.

Bank as a Lessor

The Bank is also a party to operating leases as a lessor. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as the rental income. Contingent rentals are recognized as income in the period in which they are earned.

Income Taxes

Current Tax

Current income tax is the expected tax payable on the taxable income for the year using the tax rates enacted at the reporting date. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

Deferred Tax

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it 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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are applicable to the year 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 reporting date. These reflect uncertainty related to income taxes, if there is any.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is charged to current operations, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent Assets and Liabilities

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individual or corporate entities.

Events After the Reporting Date

Post year-end events that provide additional information about the Bank's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Fiduciary Activities

Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Bank acts in a fiduciary capacity such as nominee, trustee or agent.

Amendments to Standards Issued but Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2019. Unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements.

To be Adopted on or after January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:
 - a new chapter on measurement;
 - guidance on reporting financial performance;
 - improved definitions of an asset and a liability, and guidance supporting these definitions; and
 - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

These amendments are effective for annual reporting periods beginning on or after January 1, 2020.

- *Definition of Material (Amendments to PAS 1, Presentation of Financial Statements and PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)*. The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:
 - raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';
 - including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;
 - clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
 - clarifying the explanatory paragraphs accompanying the definition; and
 - aligning the wording of the definition of material across PFRS Standards and other publications.

The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements. The amendments apply prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

4. Critical Judgments and Estimates

The preparation of financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses, and disclosures of contingent assets and contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant Judgments

In the process of applying the Bank's accounting policies, management has made the following significant judgments, apart from those involving estimations, which may have the most significant effect on amounts recognized in the financial statements:

Applicable from January 1, 2019

(a) Leases

Bank as Lessee

The Bank leases properties, land and buildings for the premises it uses for its operations.

As a lessee, the Bank previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under PFRS 16, the Bank recognizes right-of-use assets and lease liabilities for most leases - on-balance sheet leases.

However, the Bank has elected not to recognize right-of-use assets and lease liabilities for leases involving assets of low value. The same policy is likewise applied for short-term leases. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Significant judgment was exercised by the Bank in determining the discount rate to be used in calculating the present value of right-of-use assets and lease liabilities. The discount rate is represented by the incremental borrowing rate which is Bloomberg Valuation (BVAL) rate and credit spread as determined by the Bank.

The carrying amounts of right-of-use assets and lease liabilities are disclosed in Notes 14 and 21, respectively.

Applicable to both 2019 and 2018

(a) Operating Leases - Bank as Lessor

The Bank has entered into commercial property lease agreements for its property and equipment, and investment properties. The Bank has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out under operating lease agreements.

In determining whether or not a lease should be treated as an operating lease, the retention of ownership title to the leased property, period of lease contract relative to the estimated economic useful life of the leased property and bearer of executory costs, among others, are considered.

(b) Business Model Assessment

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

The Bank developed business models which reflect how it manages its portfolio of financial instruments. The Bank's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e. group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e. not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Bank. The level of aggregation at which the business model is applied is based on the specific activities being undertaken by each business unit of the Bank to achieve its stated objectives and other relevant factors such as risks affecting the business model, key performance indicators in evaluating the business model, and how managers of the business are compensated.

The Bank assesses the performance of each business model by considering the activities undertaken by the business models, placing the appropriate key performance indicators and monitoring the frequency of sales activities. PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers facts and circumstances present to assess whether an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a hold-to-collect business model and whether the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

(c) Testing the Cash Flow Characteristics of Financial Assets

In determining the classification of financial assets under PFRS 9, the Bank 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), i.e. cash flows that are non-SPPI, does not meet the amortized cost and FVOCI criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Bank assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

(d) Functional Currency

PAS 21 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. In making this judgment, the Bank considers the following:

- a) the currency that mainly influences sales prices for financial instruments and services;
- b) the currency in which funds from financing activities are generated; and
- c) the currency in which receipts from operating activities are usually retained.

Based on the economic substance of the underlying circumstance relevant to the Bank, the functional currency of the Bank's RBU book of accounts and FCDU book of accounts have been determined to be PHP and USD, respectively.

PHP and USD are the currencies of the primary economic environment in which the Bank operates. These are the currencies that mainly influence the income and costs arising from the Bank operations.

(e) Provisions and Contingencies

The Bank, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. Judgment is exercised by management to distinguish between provisions and contingencies (see Note 37).

Applicable before January 1, 2019

(a) Operating Leases - Bank as Lessee

The Bank has entered into operating lease agreements for the premises it uses for its operations. The Bank has determined that all significant risks and rewards of ownership of the properties it leases on operating lease arrangements are retained by the lessor.

In determining whether or not a lease should be treated as an operating lease, the retention of ownership title to the leased property, period of lease contract relative to the estimated economic useful life of the leased property and bearer of executory costs, among others, are considered.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(a) Expected Credit Losses on Financial Assets, Loan Commitments and Financial Guarantees

The Bank reviews its financial assets at amortized cost and debt securities at FVOCI, loan commitments and financial guarantees to assess the amount of credit losses to be recognized in the statements of financial position at least on an annual basis or more frequently, as deemed necessary. The measurement of ECL under PFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL and the assessment of a SICR. These estimates are driven by a number of factors, changes to which can result in different levels of allowances.

Refer to Note 3 for the detailed discussions of the inputs, assumptions and estimation used in measuring ECL under PFRS 9. The related allowance for credit losses subject to ECL are disclosed in Note 17.

(b) Fair Value of Financial Instruments

Where the fair values of financial assets and liabilities (including derivatives) recognized in the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These estimates may include consideration of liquidity, volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(c) Impairment of Investment in an Associate and Non-financial Assets

Investment in an Associate, Non-current Assets Held for Sale, Property and Equipment, Investment Properties, Other Properties Acquired, and Intangible Assets under "Other Assets"

The Bank assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Bank considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Bank recognizes an impairment loss whenever the carrying amount of an asset exceeds its net recoverable amount. Net recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The carrying values of non-current assets held for sale, investment in an associate, property and equipment, investment properties, other properties acquired and intangible assets under “Other Assets” are disclosed in Notes 12, 13, 14, 15 and 16, respectively.

(d) Estimated Useful Lives of Property and Equipment, Investment Properties, Other Properties Acquired and Software Costs

The useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from property and equipment and computer software.

The estimated useful lives of property and equipment, investment properties, other properties acquired and software costs are disclosed in Note 3.

(e) Recognition of Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that sufficient taxable income will be available against which the related tax benefits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the forecasted timing and amount of future taxable income together with future tax planning strategies.

The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The recognized and the unrecognized deferred tax assets are disclosed in Note 31.

(f) Present Value of Retirement Benefit Obligation

The cost of retirement benefits and other post-employment benefits are determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the prevailing market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at reporting date. The present value of the Bank's retirement obligation and the fair value of plan assets are disclosed in Note 28.

(g) Contingencies

The Bank is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed by management, in consultation with the legal counsels handling the Bank's legal defense in these matters, and is based upon an analysis of potential results. The Bank's management currently does not believe that 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 37).

5. Financial Risk Management Objectives and Policies

Introduction

The business of banking involves financial risks which must be measured, monitored and managed by an effective risk management system embedded throughout the whole organization. Effective risk management ensures that financial risks are properly identified, assessed, measured and managed. The diligent monitoring and management of all financial risks, notably credit, market, and liquidity risk require the development of a risk-conscious culture that will influence daily business activities and decision-making.

The Bank believes that effective risk management will not only minimize potential or actual losses but will also optimize earnings by correctly pricing its products and services commensurate to the risks taken. Its risk mission and objectives are to consistently and accurately measure risks, to always consider risk and return in evaluating transactions and exposures while preserving and maintaining adequate risk-based capital and to ensure adequate returns on such capital. Risk mitigation strategies form an integral part of risk management activities.

Risk Management Structure

The BOD is ultimately responsible for identifying and controlling risks; however, there are separate independent units at the BOD and management levels, responsible for managing and monitoring financial risk.

BOD

The BOD has the responsibility of promoting the highest standards of ethics and integrity. The BOD has management oversight for establishing and maintaining a sound risk management system for the whole institution. The BOD approves and reviews the institutional tolerance for risks, business strategies and risk philosophy.

Corporate Governance Committee

The Corporate Governance Committee is tasked to assist the BOD in fulfilling its corporate governance responsibilities and in providing oversight in the implementation of the Bank's Compliance System.

Related Party Transactions Committee (RPTCom)

The RPTCom assists the BOD in fulfilling its corporate governance responsibility with respect to related parties and transactions with them. It covers proper identification of related parties, recording and vetting of transactions with them including disclosures in financial reports, which must be consistent with relevant legal and regulatory requirements, and Bank policies.

Audit Committee

The Audit Committee represents and assists the BOD in its general oversight of the Bank's financial reporting policies, practices and control and internal and external audit functions. It oversees the relationship with the independent external auditors, receives information and provides advice, counsel and general direction, as it deems appropriate, to management and the auditors, taking into account the information it receives, discussions with the auditor, and the experience of the Committee's members in business, financial and accounting matters.

Board Risk Oversight Committee (BROC)

The BROC, a sub-committee of the BOD, oversees the Bank's risk management system. It has the power to approve procedures for implementing risk and capital management policies. The BROC shall assist the BOD with its oversight function to identify and evaluate risk exposures, develop risk management strategies, implement and periodically review the risk management framework and promote a risk management culture in the Bank.

Risk Management Division (RSK)

The RSK is responsible for the creation and oversight of the Bank's corporate risk policy. It is responsible for making recommendations to the BOD on corporate policies and guidelines for risk measurement, management and reporting. It also reviews the system of risk limits, compliance to said limits and validates the reports of the risk-taking personnel. The RSK reports to the BROC.

Asset Liability Management Committee (ALCO)

The ALCO shall be responsible for setting, developing and implementing the Bank's Asset Liability Management and hedging policy. It also reviews the allocation of resources, pricing products and foreign exchange position of the Bank.

Internal Capital Adequacy Assessment Process (ICAAP) Steering Committee (ICAAPcom)

The ICAAPcom is responsible for overseeing the Bank's ICAAP to ensure that mandated minimum capital requirements are met and that capital levels are sufficient to cover the Bank's risk exposures driven by its strategic plans.

Credit and Collections Committee (Crecom)

The Crecom plays a critical role in the credit approval process. It can approve proposals to establish, renew, increase or decrease credit lines or grant term loans within its authority and endorse those proposals which are beyond its authority to either the Executive Committee (ExCom), or the BOD. Aside from this, it has the mandate to settle or restructure non-performing loans or evaluate legal options such as foreclosure or filing of civil or criminal cases. The Crecom likewise ensures that loans or credit accommodations to related parties falling below the materiality thresholds are granted on arms' length basis and are compliant with regulations. Should conflicts that arise between the lending unit and the credit unit on a borrower's risk rating, Crecom is called on to resolve the same. Lastly, Crecom studies proposals to adopt new credit policies or amend existing ones or to offer new loan products or programs, prior to endorsement to the Senior Executive Team and ExCom for approval.

Internal Audit Division

Internal Audit Division is an independent unit of the Bank that conducts objective assurance and consulting activities designed to add value and improve the Bank's operations. It helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to examine, evaluate and improve the effectiveness of risk management, internal control and governance processes of the Bank.

Legal Services Division

The primary functions of the Bank's Legal Services Division are composed of rendering legal advice and document review to ensure that relevant laws are complied with, the Bank's interest is duly protected, and identified risks are either eliminated or minimized and imparted to responsible units of the Bank. The Division also handles cases filed for and against the Bank.

Compliance Division

The Compliance Division oversees the management of the Bank's compliance with regulatory requirements. It is responsible for implementing the Bank's Compliance Program and the Money Laundering and Terrorist Financing Prevention Program.

Risk Measurement and Reporting Systems

The Bank's capital adequacy is determined by measuring credit, market and operational risk exposures using standardized or basic approaches as suggested by BSP. Risk exposures are measured both individually and in aggregate amounts.

Risk measurements are done by respective risk-taking personnel and groups but are independently validated, analyzed and reported by the RSK.

Market risks are measured by mark-to-market and Value-at-Risk (VAR) analyses on the overall exposure, on a portfolio level, and on each individual financial instrument. These exposures are also subjected to stress testing using a variety of historical and hypothetical scenarios.

Quality of credit risks are measured via risk classifications of accounts using ICRRS together with BSP risk classification of borrowing accounts. The Bank's front office recommends the credit risk rating of borrowing accounts and classifications and allowance for losses including changes thereon, when necessary. All risk information are processed, analyzed and consolidated for proper reporting to the BOD through the BROOC and Audit Committee as well as the Senior Executive Team and various management committees of the Bank.

Actual and estimated risk exposures/losses at Treasury, Corporate, Consumer Business and Credit Cards, Operations and Information Technology, Trust and Branches are consolidated for regular reporting. Reports include, among others, portfolio mix, liquidity and maturity matching, interest rate matching, trading gains and losses, sensitivity and back-testing results, top borrowers, non-performing assets and loans, industry exposures, large exposures, fines and penalties, employee fraud cases, service level of major information technology systems and ATMs.

Risk Mitigation

To mitigate market risk exposures, other financial instruments are used to manage exposures resulting from changes in foreign currency and interest rate risk. The Bank also observes limits on positions, losses, and market sensitivities to contain these risk exposures.

The Bank maintains a capital adequacy ratio (CAR) of ten percent (10.0%) or better at all times, for regulatory compliance purposes. Internally, based on its ICAAP, the Bank maintains an Internal CAR threshold of 11.5% which is the minimum level of CAR acceptable to the Board and a 13.5% Management Action Trigger which shall serve as alert and will trigger discussions among Senior Management and the Board for the necessary strategic direction or tactical steps related to the Bank's capital contingency plan.

Risk Concentration

The Bank manages loan concentration by controlling its mix of counterparties or borrowers in accordance with conditions permitted by regulators. Borrowers that are considered large in size are regularly monitored and reported to the BROOC. Also, the limits for exposure on specific economic activity groups are in place allowing the Bank to maintain a strategic breakdown of credit risk of the different segments. Having these controls in place allows the Bank to proactively monitor exposure status and act upon limit breaches whenever necessary.

Credit Risk

The Bank considers credit risk as the possibility of loss arising from the counterparty's or customer's inability or unwillingness to settle his/her obligations on time or in full as expected or previously contracted.

The Bank has in place a credit policy manual that defines all practices, policies and procedures regarding loan activities from identification of target markets, credit initiation, documentation and disbursement, loan administration, remedial management, and loan unit organization and staffing. Also, it has in place credit approval authorities and respective limits duly approved by the BOD.

The Bank's primary element of credit risk management is the detailed risk assessment of every credit exposure associated with the counterparty. Risk assessment procedures consider both the creditworthiness of the counterparty and the risks related to the specific type of underlying credit exposures as mandated by the circulars issued by BSP. The risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the monitoring procedure applied to the ongoing exposures.

There has been no material change on the Bank's exposure to credit risk or the manner in which it manages and measures the risk since prior financial year.

Derivative Financial Instruments

The Bank enters into currency forward contracts to manage its foreign exchange risks. Currency forwards are contractual agreements to buy or sell a specified currency at a specific price and date in the future. These derivatives are accounted for as non-hedges, with the fair value changes being reported in the statements of income for the period under "Foreign exchange gains - net" account. Credit risk, in respect of derivative financial instruments, is limited to those with positive fair values, which are reported as "Financial assets at FVPL" in the statements of financial position.

Credit-related Commitment Risks

The Bank makes available to its customers guarantees which may require the Bank to make payments on their behalf. Such payments are collected from customers based on the terms of the letters of credit. They expose the Bank to risks similar to loans and these are mitigated by the same control processes and policies.

Credit Risk Exposures

The table below shows the Bank's maximum exposure on receivables from customers and sales contract receivables, net of unearned interest income and allowance for credit losses, before and after collateral to credit risk as at December 31, 2019 and 2018:

	December 31, 2019		December 31, 2018	
	Maximum Exposure		Maximum Exposure	
	Before Collateral	After Financial Effect of Collateral or Credit Enhancement	Before Collateral	After Financial Effect of Collateral or Credit Enhancement
Receivables from customers:				
Term loans	P55,754,995,589	P53,995,648,310	P56,586,390,664	P53,666,402,617
Housing loans	8,234,227,024	4,916,701,057	6,749,698,998	3,186,311,838
Auto loans	4,499,246,660	1,296,506,132	3,484,576,855	564,968,917
Bills purchased, import bills and trust receipts	792,632,820	792,632,820	1,312,270,273	1,112,030,550
Direct advances	764,345,531	40,119,324	887,917,068	41,429,863
Agri-agra loans	313,615,889	295,694,374	349,580,269	295,916,004
Others	1,794,126,857	1,772,382,043	1,197,667,263	1,156,346,723
	72,153,190,370	63,109,684,060	70,568,101,390	60,023,406,512
Sales contract receivables	469,821,167	53,712,557	575,401,971	53,712,557
	P72,623,011,537	P63,163,396,617	P71,143,503,361	P60,077,119,069

For the other financial assets, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2019 and 2018.

As at December 31, 2019 and 2018, fair value of collateral held for loans and receivables amounted to P39.4 billion and P33.2 billion, respectively.

The table below shows the Bank's maximum exposures, net of unearned interest income, relating to financial assets carried under Stage 3 as at December 31, 2019 and 2018:

December 31, 2019				
Maximum Exposure				
	Before Collateral	Financial Effect of Collateral or Credit Enhancement	After Financial Effect of Collateral or Credit Enhancement	Expected Credit Loss
Receivables from customers:				
Term loans	P598,517,342	P108,275,966	P490,241,376	P587,503,224
Housing loans	249,628,092	151,724,004	97,904,088	88,277,621
Auto loans	199,333,248	179,790,793	19,542,455	94,418,236
Bills purchased, import bills and trust receipts	76,156,390	3,828,006	72,328,384	76,156,390
Direct advances	163,188,326	1,128,360	162,059,966	163,188,326
Agri-agra loans	17,663,370	14,362,060	3,301,310	17,663,370
Others	322,575,202	210,713	322,364,489	318,068,757
	1,627,061,970	459,319,902	1,167,742,068	1,345,275,924
Sales contract receivables	120,071,482	66,358,925	53,712,557	54,373,446
	P1,747,133,452	P525,678,827	P1,221,454,625	P1,399,649,370

December 31, 2018				
Maximum Exposure				
	Before Collateral	Financial Effect of Collateral or Credit Enhancement	After Financial Effect of Collateral or Credit Enhancement	Expected Credit Loss
Receivables from customers:				
Term loans	P712,430,586	P1,492,680	P710,937,906	P699,277,055
Auto loans	179,398,200	8,400,661	170,997,539	87,947,548
Direct advances	163,859,471	20,000	163,839,471	163,651,712
Housing loans	160,138,753	32,656,030	127,482,723	64,351,872
Bills purchased, import bills and trust receipts	78,525,392	-	78,525,392	78,525,392
Agri-agra loans	17,663,370	-	17,663,370	17,663,370
Others	251,127,639	9,659,928	241,467,711	245,855,001
	1,563,143,411	52,229,299	1,510,914,112	1,357,271,950
Sales contract receivables	155,338,868	101,626,311	53,712,557	54,726,120
	P1,718,482,279	P153,855,610	P1,564,626,669	P1,411,998,070

For the other financial assets carried under Stage 3, the carrying amounts represent the maximum exposure to credit risk as at December 31, 2019 and 2018.

Collateral and Other Credit Enhancements

The amount and type of collateral required depends on the assessment of the credit risk of the borrower or counterparty. Guidelines are implemented regarding the acceptability of types of collateral valuation and parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions: cash or securities;
- For commercial lending: mortgages over real properties, inventory and trade receivables and chattel mortgages; and
- For retail lending: mortgages over real properties and financed vehicles.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement, in the event that the value of the collateral depreciates due to various factors affecting the collateral.

It is the Bank's policy to dispose of repossessed properties in the most expeditious manner possible. Sale is facilitated by offering incentives to the Bank's accredited brokers and through formulating programs to attract buyers like offering fixed interest rates for an extended period of time and reduced rates for downpayment as compared to prevailing market rates as examples.

Credit Quality Per Class of Financial Assets

The credit quality of financial assets is assessed and managed by the Bank using both external and internal credit ratings. The Bank's Internal Credit Risk Rating System (ICRRS) is an established tool used to evaluate the Credit Risk associated with each borrower. The ICRRS assigns a score to each account based on a combination of quantitative and qualitative factors. The scores assigned to each obligor is equivalent to the risk associated to each individual. The scoring model is reviewed and validated by external parties regularly to ensure that the model is risk ranking properly. The risk rating is used as one of the measures of the Bank's risk appetite and as a factor in impairment calculation.

Based on the evaluation of the facility (FRF), the BRR can be upgraded or downgraded to come up with the final credit risk rating (CRR). Such CRR is eventually used in the determination of the ECL.

Borrower Risk Rating (BRR) Disclosure

In compliance with BSP, the Bank implemented in 2007 a credit risk classification that is compliant with global rating standards. The BRR is the evaluation of the credit worthiness of an existing or prospective borrower. The account is evaluated independent of any influence from any transactional factors. The BRR measures the company's credit quality by looking into three major aspects, namely, financial condition, industry analysis and management quality. Each section was given the following point allocation:

Section	Maximum Points	Section Rating
Financial Condition	240	40%
Industry Analysis	210	30%
Management Quality	150	30%
TOTAL	600	100%

There are several rating factors per section which can earn points depending on the four (4) quality judgment levels as follows:

Good	- 30 points
Satisfactory	- 20 points
Still Acceptable	- 10 points
Poor	- 0 point

If there is no available information for a specific factor, a rating of "Poor" will be given.

The BRR is used to determine the credit quality of the Bank's corporate accounts. Loan accounts are classified according to a 1 -10 rating scale based on BRR results, as follows:

	Final Score	Equivalent Risk Rating	Calculated BRR
High Grade	>177	Excellent	1
	150 - 176	Strong	2
	123 - 149	Good	3
Standard Grade	96 - 122	Satisfactory	4
	68 - 95	Acceptable	5
	<68	Watchlist	6
Substandard Grade		Special Mention	7
Impaired		Substandard	8
		Doubtful	9
		Loss	10

High Grade or accounts with BRR of 1-3 are loans where the risk of the Bank are good to excellent in terms of risk quality and where the likelihood of the non-payment of obligation is less likely to happen.

Excellent - BRR 1

These are loans with access to raise substantial amounts of funds through the public markets at any time, strong debt servicing capacity, conservative statements of financial position leverage vis-a-vis the industry in which the borrower operates, very good profit track record, timely payments, no history of payment delinquencies, high level of liquidity, strong operating trends and no likely existing or future disruptions.

Strong - BRR 2

These are loans with good access to public funds, strong market, strong overall debt servicing, cash flow which can very well cover debt services, usually with quality of multinational or well-capitalized local corporations, no history of payment delinquencies and with adequate liquidity.

Good - BRR 3

These are loans which cover smaller corporations with access to public markets or alternative financial markets, quite low probability of default, susceptible to cyclical changes and more concentration of business risk by product or market, profitable for the last 3 years, no history of payment default in the last 12 months, satisfactory payment record, unlikely to be affected by existing or future disruptions and competent under current business model.

Standard Grade or accounts with BRR of 4-6 are loans where the risk of the Bank ranges from satisfactory to acceptable with some form of weakness and where repayment capacity needs to be watched.

Satisfactory - BRR 4

These are loans where there are certain clear risk elements present, volatility of earnings and overall performance, normally have limited access to financial markets, can withstand normal business cycles but prolonged unfavorable economic period would affect/deteriorate performance, good matching of assets and cash flows, adequate debt servicing, reported profits in the fiscal year, with expectations of a profitable outcome in the current year, adequate to marginal liquidity, generally meeting obligations, likely to experience disruptions from external factors but the borrower has a great chance to overcome them and with recent departure of key employees or lack of key experience.

Acceptable - BRR 5

These are loans with sufficiently pronounced risk elements, still able to withstand normal business cycles, prolonged economic and financial crisis which can have an immediate effect on the company's operations, sufficient cash flow in spite of an economic downturn, with extraordinary developments that can present higher risk, marginal liquidity, declining trend in profits but repayment is still within satisfactory level, and with turnovers or unfilled key management positions.

Watchlist - BRR 6

These are loans that are in current status but require monitoring as the account may experience potential problems due to declining operating performance, unfavorable industry condition or significant economic downturn and company-specific risk factors.

Except for program loans, start-up companies including those with less than 3 years of operations, politically exposed borrowers, borrowers getting out of core competency or those changing business models and accounts with documents still pending for submission shall also be classified as Watchlist.

Special Mention - BRR 7

Substandard Grade or accounts with BRR of 7 are loans observed to have potential weaknesses and require a closer observation than the accounts under the Standard rating since if weaknesses are uncorrected, repayment of the loan may be affected increasing the credit risk to the Bank.

Past due but not impaired are those accounts for which contractual principal and interest payments were past due but that the Bank still believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank.

Impaired accounts are loans classified by the Bank as Substandard, Doubtful and Loss where there are experiences of past due accounts and there are well-defined weaknesses where collection or liquidation of obligation may be or is already jeopardized.

Substandard - BRR 8

These are loans or portions thereof which involve a substantial and unreasonable degree of risk to the Bank because of unfavorable record or unsatisfactory characteristics. There is a possibility of future loss to the Bank unless given closer supervision. These are also loans not necessarily past due but with well-defined weaknesses that jeopardize liquidation. Weaknesses include adverse trend or development of financial, managerial, economic or political nature or a significant weakening of the fair value of the collateral.

Doubtful - BRR 9

These are loans, not necessarily past due, which have weaknesses inherent to those classified as Substandard with added characteristics that existing facts, conditions and values make collection or liquidation in full highly improbable and in which substantial loss is probable.

Loss - BRR 10

These are loans, not necessarily past due, which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value.

Unrated accounts include consumer loans portfolio, credit card receivables, benefit loans, accounts receivables, sales contract receivables and returned checks and other cash items (RCOCI). The Bank is currently building a separate credit rating system for these accounts to enhance credit evaluation parameters across different market segments and achieve a more sound and robust credit risk assessment.

The BRR can be subject to an upgrade/downgrade on the basis of the following:

Group Affiliation:

- 1) When a borrower belongs to a group of companies, it can be upgraded up to the rating of the parent company provided that the parent company has a BRR of 4 or better.
- 2) However, if the BRR of the subsidiary is better than the parent, a downgrade can be considered especially if the parent has a BRR of 5 or worse.
- 3) If the parent has a BRR of 5 or lower and the subsidiary was also rated 5 or worse, it can retain its own rating.
- 4) If there are criteria such as the medium and long-term outlook, special risks that can grievously affect the company and outweigh the other criteria, a possible downgrade can be considered.
- 5) Companies with rapid expansion without a strong driving force or only on account of a single customer are also potential for downgrading.

Facility Risk Factor (FRF):

- 1) The FRF is an adjustment in the BRR that considers the transactional influence. It takes into account the quality of each facility. It is important to note that a Borrower can have only 1 BRR but several FRF for its multiple facilities. FRF evaluates the different security arrangements; the quantity and the quality of the collateral cover for each facility.
- 2) Collaterals are assessed at the net realizable value in a liquidation scenario. In evaluating the worthiness of the collateral, the quality of the documentation and the possible subordination of the Bank's claim should also be considered.

The adjustment on the BRR based on the FRF will be based on the following:

Upgrade	The facility is cash collateralized or covered by marketable securities
	Full collateralization of other assets
	3rd party guarantees in accordance with the BRR of the guarantor An upgrade should be set to the BRR of the guarantor
Downgrade	Borrower is a potential candidate for a downgrade if the facility is clean or a major part of the facilities are pledged to other creditors

The following table shows the credit quality of loans and receivables, excluding unquoted debt securities (gross of allowance for credit losses and net of unearned interest income) as at December 31, 2019 and 2018 (amounts in thousands).

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Term Loans				
Neither past due nor impaired:				
High grade	P24,617,817	P -	P -	P24,617,817
Standard grade	31,390,032	61,000	-	31,451,032
Substandard grade	-	5,885	-	5,885
Unrated	110,000	-	-	110,000
Past due but not impaired	-	7,116	-	7,116
Impaired	-	234,468	598,518	832,986
	56,117,849	308,469	598,518	57,024,836
Housing Loans				
Neither past due nor impaired:				
High grade	-	-	-	-
Standard grade	3,147	-	-	3,147
Substandard grade	-	-	-	-
Unrated	7,990,517	-	-	7,990,517
Past due but not impaired	-	251,179	-	251,179
Impaired	-	-	249,628	249,628
	7,993,664	251,179	249,628	8,494,471
Auto Loans				
Neither past due nor impaired:				
High grade	429	-	-	429
Standard grade	23,624	-	-	23,624
Substandard grade	-	-	-	-
Unrated	4,288,683	-	-	4,288,683
Past due but not impaired	-	180,776	-	180,776
Impaired	-	-	199,333	199,333
	4,312,736	180,776	199,333	4,692,845
Bills Purchased, Import Bills and Trust Receipts				
Neither past due nor impaired:				
High grade	686,974	-	-	686,974
Standard grade	113,280	-	-	113,280
Substandard grade	209	-	-	209
Unrated	-	-	-	-
Past due but not impaired	-	-	-	-
Impaired	-	-	76,156	76,156
	800,463	-	76,156	876,619
Direct Advances				
Neither past due nor impaired:				
High grade	722,542	-	-	722,542
Standard grade	42,825	-	-	42,825
Substandard grade	-	-	-	-
Unrated	-	-	-	-
Past due but not impaired	-	-	-	-
Impaired	-	-	163,188	163,188
	765,367	-	163,188	928,555
Agri-agra Loans				
Neither past due nor impaired:				
High grade	-	-	-	-
Standard grade	294,531	-	-	294,531
Substandard grade	-	-	-	-
Unrated	-	-	-	-
Past due but not impaired	-	-	-	-
Impaired	-	22,338	17,664	40,002
	294,531	22,338	17,664	334,533

Forward

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Others*				
Neither past due nor impaired:				
High grade	P -	P -	P -	P -
Standard grade	-	-	-	-
Substandard grade	-	-	-	-
Unrated	1,803,761	-	-	1,803,761
Past due but not impaired	-	10,283	-	10,283
Impaired	-	-	322,575	322,575
	1,803,761	10,283	322,575	2,136,619
Total Receivables from Customers				
Neither past due nor impaired:				
High grade	26,027,762	-	-	26,027,762
Standard grade	31,867,439	61,000	-	31,928,439
Substandard grade	209	5,885	-	6,094
Unrated	14,192,961	-	-	14,192,961
Past due but not impaired	-	449,354	-	449,354
Impaired	-	256,806	1,627,062	1,883,868
	72,088,371	773,045	1,627,062	74,488,478
Sales Contract Receivables				
Neither past due nor impaired:				
High grade	-	-	-	-
Standard grade	-	-	-	-
Substandard grade	-	-	-	-
Unrated	398,621	-	-	398,621
Past due but not impaired	-	9,585	-	9,585
Impaired	-	-	120,071	120,071
	398,621	9,585	120,071	528,277
Other Receivables**				
Neither past due nor impaired:				
High grade	393,711	-	-	393,711
Standard grade	205,736	858	-	206,594
Substandard grade	-	35	-	35
Unrated	530,527	-	-	530,527
Past due but not impaired	-	25,099	-	25,099
Impaired	-	672	751,564	752,236
	1,129,974	26,664	751,564	1,908,202
	P73,616,966	P809,294	P2,498,697	P76,924,957

*Comprised of benefit loans, salary loans and credit cards.

** Comprised of accrued interest receivables, accounts receivables and RCOCI

	December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Term Loans				
Neither past due nor impaired:				
High grade	P21,073,979	P -	P -	P21,073,979
Standard grade	35,693,004	103,544	-	35,796,548
Unrated	187,920	-	-	187,920
Past due but not impaired	-	-	-	-
Impaired	-	282,081	712,431	994,512
	56,954,903	385,625	712,431	58,052,959
Housing Loans				
Neither past due nor impaired:				
High grade	-	-	-	-
Standard grade	3,319	-	-	3,319
Unrated	6,392,188	97,307	-	6,489,495
Past due but not impaired	-	306,614	-	306,614
Impaired	-	-	160,139	160,139
	6,395,507	403,921	160,139	6,959,567
Auto Loans				
Neither past due nor impaired:				
High grade	2,963	-	-	2,963
Standard grade	35,222	-	-	35,222
Unrated	3,222,626	54,393	-	3,277,019
Past due but not impaired	-	149,077	-	149,077
Impaired	-	-	179,398	179,398
	3,260,811	203,470	179,398	3,643,679
Bills Purchased, Import Bills and Trust Receipts				
Neither past due nor impaired:				
High grade	829,077	-	-	829,077
Standard grade	486,855	-	-	486,855
Unrated	-	-	-	-
Past due but not impaired	-	-	-	-
Impaired	-	-	78,525	78,525
	1,315,932	-	78,525	1,394,457
Direct Advances				
Neither past due nor impaired:				
High grade	843,129	-	-	843,129
Standard grade	45,046	-	-	45,046
Unrated	-	-	-	-
Past due but not impaired	-	-	-	-
Impaired	-	-	163,859	163,859
	888,175	-	163,859	1,052,034
Agri-agra Loans				
Neither past due nor impaired:				
High grade	-	-	-	-
Standard grade	354,490	-	-	354,490
Unrated	-	-	-	-
Past due but not impaired	-	-	-	-
Impaired	-	-	17,663	17,663
	354,490	-	17,663	372,153
Others*				
Neither past due nor impaired:				
High grade	-	-	-	-
Standard grade	-	-	-	-
Unrated	1,194,998	383	-	1,195,381
Past due but not impaired	-	15,311	-	15,311
Impaired	-	-	251,128	251,128
	1,194,998	15,694	251,128	1,461,820

Forward

	December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Total Receivables from Customers				
Neither past due nor impaired:				
High grade	P22,749,148	P -	P -	P22,749,148
Standard grade	36,617,936	103,544	-	36,721,480
Unrated	10,997,732	152,083	-	11,149,815
Past due but not impaired	-	471,002	-	471,002
Impaired	-	282,081	1,563,143	1,845,224
	70,364,816	1,008,710	1,563,143	72,936,669
Sales Contract Receivables				
Neither past due nor impaired:				
High grade	-	-	-	-
Standard grade	-	-	-	-
Unrated	474,781	-	-	474,781
Past due but not impaired	-	4,804	-	4,804
Impaired	-	-	155,339	155,339
	474,781	4,804	155,339	634,924
Other Receivables**				
Neither past due nor impaired:				
High grade	434,623	-	-	434,623
Standard grade	431,179	1,496	-	432,675
Unrated	256,731	984	-	257,715
Past due but not impaired	-	22,208	-	22,208
Impaired	-	727	708,638	709,365
	1,122,533	25,415	708,638	1,856,586
	P71,962,130	P1,038,929	P2,427,120	P75,428,179

*Comprised of benefit loans, salary loans and credit cards.

** Comprised of accrued interest receivables, accounts receivables and RCOCI

The following table shows the credit quality of loan commitment and financial guarantee contracts as at December 31, 2019 and 2018 (amounts in thousands).

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	P1,112,886	P -	P -	P1,112,886
Standard grade	4,078,152	-	-	4,078,152
Unrated	4,325,886	-	-	4,325,886
Past due but not impaired	-	-	-	-
Impaired	-	-	-	-
	P9,516,924	P -	P -	P9,516,924

	December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Loan Commitment and Financial Guarantees				
Neither past due nor impaired:				
High grade	P -	P -	P -	P -
Standard grade	3,894,013	-	-	3,894,013
Unrated	5,167,648	-	-	5,167,648
Past due but not impaired	-	-	-	-
Impaired	-	-	-	-
	P9,061,661	P -	P -	P9,061,661

Loans with Renegotiated Terms

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Bank renegotiates receivable from customers in financial difficulties to maximize collection opportunities and minimize the risk of default. Carrying amount per class of loans and receivables whose terms have been renegotiated follows:

	2019	2018
Term loans	P472,254,731	P562,976,094
Agri-Agra loans	40,001,419	17,663,370
Housing loans	15,526,118	9,975,167
Others	182,889	-
	P527,965,157	P590,614,631

For financial assets such as amounts due from BSP and other banks, interbank loans receivable and SPURA, financial assets at FVPL, financial assets at FVOCI, investment securities at amortized cost, and unquoted debt securities classified as loans, the credit quality is assessed using external credit rating (such as Standard & Poors, Fitch, Moody's, etc.) of the respective counterparties considering relevant BSP mandates as follows:

	December 31, 2019		
	AA - A	BBB and Below or Unrated	Total
Loans and advances to banks: **			
Due from BSP	P21,958,460,423	P -	P21,958,460,423
Due from other banks	223,134,411	447,434,045	670,568,456
Interbank loans receivable and SPURA	13,431,092,701	-	13,431,092,701
	35,612,687,535	447,434,045	36,060,121,580
Financial assets at FVPL:			
Private debt securities	770,870,690	-	770,870,690
Government securities held-for-trading	-	257,571,686	257,571,686
Derivative assets*	-	25,317,500	25,317,500
	770,870,690	282,889,186	1,053,759,876
Financial assets at FVOCI:			
Government securities**	-	916,898,827	916,898,827
Private debt securities**	311,358,600	-	311,358,600
Equity securities	-	161,599,718	161,599,718
	311,358,600	1,078,498,545	1,389,857,145
Investment securities at amortized cost:			
Government securities**	616,299,614	18,336,574,659	18,952,874,273
Private debt securities**	3,093,115,884	504,807,305	3,597,923,189
	3,709,415,498	18,841,381,964	22,550,797,462
Loans and receivables - gross:			
Unquoted debt securities***	-	291,578,203	291,578,203
	P40,404,332,323	P20,941,781,943	P61,346,114,266

*Unrated derivatives pertain to warrants

**Accounts are neither past due nor impaired and carried at Stage 1 in 2019

***Accounts are impaired and carried at Stage 3 in 2019

	December 31, 2018		
	AA – A	BBB and Below or Unrated	Total
Loans and advances to banks: **			
Due from BSP	P21,427,032,880	P -	P21,427,032,880
Due from other banks	3,467,105,394	371,461,170	3,838,566,564
Interbank loans receivable and SPURA	11,985,244,744	-	11,985,244,744
	36,879,383,018	371,461,170	37,250,844,188
Financial assets at FVPL:			
Government securities held-for-trading	-	923,151,534	923,151,534
Derivative assets*	-	26,290,000	26,290,000
Private debt securities	886,967,594	-	886,967,594
	886,967,594	949,441,534	1,836,409,128
Financial assets at FVOCI:			
Government securities**	1,051,075,661	5,917,691,692	6,968,767,353
Private debt securities**	847,543,651	-	847,543,651
Equity securities	-	157,872,192	157,872,192
	1,898,619,312	6,075,563,884	7,974,183,196
Investment securities at amortized cost:			
Government securities**	641,316,453	19,479,730,142	20,121,046,595
Private debt securities**	3,093,150,350	-	3,093,150,350
	3,734,466,803	19,479,730,142	23,214,196,945
Loans and receivables – gross:			
Unquoted debt securities***	-	291,578,207	291,578,207
	-	291,578,207	291,578,207
	P43,399,436,727	P27,167,774,937	P70,567,211,664

*Unrated derivatives pertain to warrants

**Accounts are neither past due nor impaired and carried at Stage 1 in 2018

***Accounts are impaired and carried at Stage 3 in 2018

Aging Analysis of Past Due but not Impaired

The table below shows the aging of past due but not impaired loans and receivables as at December 31, 2019 and 2018.

	December 31, 2019				
	1-30 Days	31-60 Days	61-90 Days	More than 90 Days	Total
Receivable from customers (gross):					
Housing loans	P -	P155,665,265	P95,513,900	P -	P251,179,165
Auto loans	-	137,250,489	43,525,160	-	180,775,649
Term loans	-	7,115,797	-	-	7,115,797
Others	-	7,152,318	3,130,651	-	10,282,969
Sales contract receivables	4,280,916	4,008,139	1,295,918	-	9,584,973
Other receivables*	46,341	18,218,691	6,833,847	-	25,098,879
	P4,327,257	P329,410,699	P150,299,476	P -	P484,037,432

* Comprised of accrued interest receivables, accounts receivables, and RCOCI

	December 31, 2018				
	1-30 Days	31-60 Days	61-90 Days	More than 90 Days	Total
Receivable from customers (gross):					
Housing loans	P4,163,978	P187,802,841	P88,329,285	P26,318,181	P306,614,285
Auto loans	112,488	97,212,542	37,469,915	14,282,486	149,077,431
Others	108,933	9,251,051	3,932,412	2,018,375	15,310,771
Sales contract receivables	-	3,788,145	1,015,491	-	4,803,636
Other receivables*	7,981	14,336,476	7,383,252	480,577	22,208,286
	P4,393,380	P312,391,055	P138,130,355	P43,099,619	P498,014,409

* Comprised of accrued interest receivables, accounts receivables, and RCOCI

Impairment Assessment

The Bank recognizes credit losses on financial assets at amortized cost and debt securities at FVOCI based on whether it has had a significant increase in credit risk since initial recognition. ECLs are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Liquidity Risk and Funding Management

Liquidity risk is the risk to the Bank's earnings and capital arising from its inability to meet funding requirements in a timely manner. To measure and monitor this risk, the Bank has a report on future cash flows and liquidity on a daily basis. To ensure sufficient liquidity, the Bank has a set of internal limits incorporated in its annual budget that allocates a portion of its liabilities into cash, investment securities and other liquid assets. Concentration on a single funding source is also regularly monitored to control the Bank's reliance on a specific product or counterparty.

The Bank has available credit lines from various counterparties that it can utilize to meet sudden liquidity demands. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating both to the market in general and to events specific to the Bank. A contingency funding plan, which covers quantitative and procedural measures, is in place and may be applied under different stress scenarios.

The Bank also manages its liquidity position through the monitoring of a Maximum Cumulative Outflow against a Board-approved limit. This process measures and estimates projected funding requirements that the Bank will need at specific time horizons.

There has been no material change to the Bank's exposure to liquidity and funding management risk or the manner in which it manages and measures the risk since prior financial year.

Analysis of Financial Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the Bank's financial liabilities as at December 31, 2019 and 2018 based on contractual undiscounted repayment obligations (amounts in thousands).

	December 31, 2019					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
Deposit liabilities:						
Demand	P34,158,478	P -	P -	P -	P -	P34,158,478
Savings	24,322,480	46,041,532	1,752,385	77	-	72,116,474
Time	19,280	13,207,699	2,686,001	2,031,851	-	17,944,831
Bills payable	-	1	9	107	-	117
Manager's checks and acceptances payable	-	923,460	-	-	-	923,460
Accrued interest and other expenses*	-	486,213	-	-	-	486,213
Lease liabilities	-	36,726	169,622	486,685	53,195	746,228
Other liabilities**	-	-	1,980,728	-	277,516	2,258,244
Total Undiscounted Financial Liabilities	P58,500,238	P60,695,631	P6,588,745	P2,518,720	P330,711	P128,634,045

*amounts exclude accrued employee and other benefits, accrued taxes payable and accrued lease liability

**amounts exclude withholding tax payable, retirement liability and ECL on off-balance sheet exposures

	December 31, 2018					Total
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
Deposit liabilities:						
Demand	P28,834,196	P -	P -	P -	P -	P28,834,196
Savings	24,085,296	48,875,556	4,889,595	-	-	77,850,447
Time	25,721	21,432,142	1,448,047	2,035,301	-	24,941,211
Bills payable	-	557,946	13	201	-	558,160
Manager's checks and acceptances payable	-	615,496	-	-	-	615,496
Accrued interest and other expenses*	-	604,534	-	-	-	604,534
Other liabilities**	-	-	1,987,021	-	269,520	2,256,541
Total Undiscounted Financial Liabilities	P52,945,213	P72,085,674	P8,324,676	P2,035,502	P269,520	P135,660,585

*amounts exclude accrued employee and other benefits, accrued taxes payable and accrued lease liability

**amounts exclude withholding tax payable, retirement liability and ECL on off-balance sheet exposures

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments (amounts in thousands):

	December 31, 2019				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Commitments	P4,114,539	P571,289	P3,134,707	P1,350	P7,821,885
Contingent liabilities	39,644,142	770,807	1,682,639	1,788,681	43,886,269
	P43,758,681	P1,342,096	P4,817,346	P1,790,031	P51,708,154

	December 31, 2018				
	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Commitments	P2,321,515	P1,058,759	P1,236,392	P3,956,943	P8,573,609
Contingent liabilities	29,869,311	790,610	1,784,821	1,454,511	33,899,253
	P32,190,826	P1,849,369	P3,021,213	P5,411,454	P42,472,862

Market Risk

Market risk arises from the potential decline in earnings and capital due to adverse changes in market conditions and the underlying risk factors, which in turn affect the value and future cash flows of financial instruments, products, and transactions. The Bank is primarily exposed to three sources of market risk, namely: 1) market price risk in the trading book; 2) foreign exchange risk from open foreign currency exposures; and 3) interest rate risk in the banking. The Bank also has equity-related holdings which is a source of equity price risk, although deemed as minimal compared to the first three.

There has been no material change to the Bank's exposure to market risk or the manner in which it manages and measures the risk since prior financial year.

Market Price Risk in the Trading Book

The market price of financial instruments and transactions in the trading book may change unfavorably as a result of movements in interest rates, credit spreads, and other risk factors. The Bank employs an internally developed VAR model, along with other sensitivity metrics, to measure and monitor the probable deterioration in the market value of its trading portfolio. The Bank's RSK simulates the trading book's VAR on a daily basis and the results are compared against Board-approved limits. In addition to the limit on VAR, the trading portfolio is also subject to limits on aggregate exposures, sensitivity metrics, and monthly losses.

Value-at-Risk Methodology

VAR serves as the Bank's key metric in the measurement of risk arising from market price changes of financial assets and foreign currency exposures. Given data for the market risk factors over a 1-year period (260 business days), VAR is the maximum probable loss that may be incurred from positions exposed to market risk. The maximum probable loss is calculated from simulations of daily profit and losses assuming that historical movements in market risk factors will recur, subject to a 99% confidence level and a 1-day holding period.

The Bank's VAR methodology is based on the widely used historical simulation method but with a modification on the usual assumption of equal probabilities in the simulation data points. Profit and loss simulations derived from older data are given less importance by assigning them with progressively lower probabilities of occurrence when used in the calculation of the maximum probable loss.

The table below summarizes the results of the Bank's VAR calculations as at December 31, 2019 and 2018.

	FX Exposures	HFT Securities	FVOCI Securities	Aggregate VAR
2019				
As at December 31, 2019	P1,948,258	P1,126,875	P4,935,389	P5,167,226
Average	1,616,678	4,152,198	17,740,607	21,346,876
Highest	5,121,637	22,581,724	54,493,190	74,012,971
Lowest	448,676	52,909	966,445	1,460,171
2018				
As at December 31, 2018	P1,175,314	P13,308,790	P44,346,560	P50,612,379
Average	1,890,778	22,277,694	75,621,298	85,040,804
Highest	4,248,630	56,919,543	103,270,684	127,500,830
Lowest	366,575	754,136	27,468,385	50,612,087

Interest Rate Risk

The loans provided by the Bank to its borrowers are mostly funded by the deposits of its branch and corporate customers. The difference in the interest revenues from loans and the interest expense in servicing deposits provide the bulk of the Bank's Net Interest Income (NII). Aside from loans, interest revenue is also provided by holdings in debt securities, repurchase agreements (repo), and other interest-bearing assets. From time to time, the Bank also turns to interbank loans and other sources of funding to supplement deposits and these incur additional interest expense.

The Bank's financial performance is subject to some degree of risk due to changes in interest rates. In order to manage these risks effectively, the Bank considers the BRR policy as one of the factors in pricing new customer loans. The BRR is the evaluation of the creditworthiness of an existing or prospective borrower. The account is evaluated independent of any influence from any transactional factors. BRR for asset size of P15.0 million and above measures the customers' credit quality by looking into 3 major aspects, namely: financial condition, industry analysis and management quality. BRR for asset size of below P15.0 million measures the customers' credit quality using the cash, relationship, administration, market, production and security analyses.

The Bank also measures the sensitivity of its assets and liabilities to interest rate fluctuations by way of asset-liability gap analysis on a monthly basis. This analysis focuses on the repricing profile of its rate sensitive assets and liabilities, and its influence on the Bank's accrual earnings. The interest rate repricing gap report assigns all assets and liabilities into various time buckets according to the remaining days to maturity for fixed-rate items, remaining days to next re-pricing for floating-rate items, or based on behavioral assumptions if more applicable. Loans, investments and deposits are entered in the time band according to its contracted maturity if fixed rate or to its next re-pricing date if floating. Moreover, the Bank assumes no prepayment on the loans. Cash and non-maturity deposits, on the other hand, are considered non-rate sensitive.

The difference between the total of the repricing (interest rate-sensitive) assets and repricing (interest rate-sensitive) liabilities gives an indication of the Bank's repricing risk exposure. A positive gap means more assets mature or have to be repriced than liabilities. In this case, the Bank is said to be "asset sensitive" in that time bucket and it benefits from an increase of interest rates as the assets will be repriced faster than liabilities.

A bank with a negative gap is considered "liability sensitive" since it has more liabilities to be repriced during such period than assets. It is negatively affected by a hike in interest rates. An example would be a bank that uses short-term deposits to fund long-term loans at fixed rates. It may encounter a decline in its net interest income if the interest rates increase since the cost of funds (the deposit rates) will increase while the earnings from loans remain fixed.

RSK regularly monitors the mismatches in the repricing of its asset and liabilities through the interest rate gap reports to ALCO and BROCC. To ensure that the Bank's net interest income is protected, the Bank has a set limit for the maximum repricing gap, either positive or negative, for tenors up to 1 year. These limits are reviewed annually and form part of the Bank's risk appetite statements.

The table sets forth the Bank's interest rate repricing gap as at December 31, 2019 and 2018.

In Millions	December 31, 2019								Total
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	Beyond 5 Years	Non-rate Sensitive	
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P1,776	P1,776
Due from BSP	6,750	-	-	-	-	-	-	15,205	21,955
Due from other banks	-	-	-	-	-	-	-	4,590	4,590
Interbank loans receivable	9,400	-	-	-	-	-	-	-	9,400
Financial assets at FVPL	-	-	-	-	-	-	-	1,054	1,054
Financial assets at FVOCI	36	32	129	236	688	-	78	29	1,228
Investment securities at AC	102	1,087	35	1,745	4,361	7,239	8,364	(335)	22,598
Loans - net	10,408	12,605	4,004	4,781	11,012	17,164	10,095	2,131	72,200
Other resources	375	16	-	-	-	-	-	9,613	10,004
	P27,071	P13,740	P4,168	P6,762	P16,061	P24,403	P18,537	P34,063	P144,805
Liabilities and Equity									
Deposit liabilities:	P43,745	P15,973	P1,980	P2,038	P1,038	P607	P -	P58,475	P123,856
Demand deposits	-	-	-	-	-	-	-	34,158	34,158
Savings deposits	-	-	-	-	-	-	-	24,317	24,317
Time deposits	43,745	15,973	1,980	2,038	1,038	607	-	-	65,381
Other liabilities	-	-	-	-	-	-	-	4,906	4,906
	43,745	15,973	1,980	2,038	1,038	607	-	63,381	128,762
Capital funds	-	-	-	-	-	-	-	16,043	16,043
	P43,745	P15,973	P1,980	P2,038	P1,038	P607	P -	P79,424	P144,805
Total periodic gap	(P16,674)	(P2,233)	P2,188	P4,724	P15,023	P23,796	P18,537	(P45,361)	P -

In Millions	December 31, 2018								Total
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	Beyond 5 Years	Non-rate Sensitive	
Resources									
Cash and COCI	P -	P -	P -	P -	P -	P -	P -	P1,748	P1,748
Due from BSP	-	-	-	-	-	-	-	21,427	21,427
Due from other banks	-	-	-	-	-	-	-	10,017	10,017
Interbank loans receivable	5,614	-	-	-	-	-	-	(56)	5,558
Financial assets at FVPL	-	-	-	-	-	-	-	949	949
Financial assets at FVOCI	1,207	1,685	1,212	1,564	1,788	-	467	(107)	7,816
Investment securities at AC	102	33	421	2,748	3,469	6,200	11,332	(334)	23,971
Loans - net	14,801	8,524	3,194	6,049	10,044	12,747	13,685	1,627	70,671
Other resources	223	45	-	-	-	-	-	8,995	9,263
	P21,947	P10,287	P4,827	P10,361	P15,301	P18,947	P25,484	P44,266	P151,420
Liabilities and Equity									
Deposit liabilities:	P49,873	P21,135	P4,458	P1,006	P1,501	P296	P -	P52,909	P131,178
Demand deposits	-	-	-	-	-	-	-	28,834	28,834
Savings deposits	-	-	-	-	-	-	-	24,075	24,075
Time deposits	49,873	21,135	4,458	1,006	1,501	296	-	-	78,269
Other liabilities	557	-	-	-	-	-	-	4,162	4,719
	50,430	21,135	4,458	1,006	1,501	296	-	57,071	135,897
Capital funds	-	-	-	-	-	-	-	15,523	15,523
	P50,430	P21,135	P4,458	P1,006	P1,501	P296	P -	P72,594	P151,420
Total periodic gap	(P28,483)	(P10,848)	P369	P9,355	P13,800	P18,651	P25,484	(P28,328)	P -

The Bank manages interest rate risk separately for its RBU and FCDU books. The interest rate risk of the RBU of the Bank from its accounts is managed in PHP while the FCDU of the Bank, regardless of original currency is managed in USD. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's results of operations and OCI:

December 31, 2019				
Currency	Changes in Interest Rates (In Basis Points)	Sensitivity Of Net Interest Income (In Millions)	Sensitivity Of Trading Gains - net on FA at FVPL (In Millions)	Sensitivity Of OCI (In Millions)
PHP	+200	(P81.19)	(P17.24)	(P20.44)
USD	+100	3.38	(25.29)	(7.75)
PHP	-200	81.19	17.24	20.44
USD	-100	(3.38)	25.29	7.75

December 31, 2018				
Currency	Changes in Interest Rates (In Basis Points)	Sensitivity Of Net Interest Income (In Millions)	Sensitivity Of Trading Gains - net on FA at FVPL (In Millions)	Sensitivity Of OCI (In Millions)
PHP	+200	(P1,063.87)	(P61.33)	(P233.55)
USD	+100	(0.35)	(0.19)	(94.43)
PHP	-200	1,063.87	61.33	233.55
USD	-100	0.35	0.19	94.43

The sensitivity of the results of operations is measured as the effect of the assumed changes in interest rates on the net interest income for one year based on the floating rate of financial assets and liabilities held as at December 31, 2019 and 2018. The sensitivity of "Trading and investment securities gains (losses) - net" and OCI is calculated by revaluing fixed-rate financial assets at FVPL and debt securities at FVOCI, respectively, as at December 31, 2019 and 2018. The total sensitivity of OCI is based on the assumption that there are parallel shifts in the yield curve, while the analysis by maturity band displays the sensitivity to non-parallel changes.

Currency Risk

The Bank's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines. The Bank believes that its profile of foreign currency exposure based on its assets and liabilities is within conservative limits for a financial institution engaged in a type of business similar to that of the Bank.

Foreign currency deposits are generally used to fund the foreign currency-denominated loan and investment portfolios in the FCDU. Banks are required by BSP to match the foreign currency liabilities held in the FCDU with foreign currency assets. In addition, BSP requires a 30.0% liquidity reserve on all foreign currency liabilities held in the FCDU.

Similar to market price risk in the trading book, the Bank employs limits and a VAR model to manage the risk that possible interest or currency movements pose. Such limits are prudently set and the position status is monitored on a daily basis.

The table below summarizes the Bank's exposure to foreign exchange risk as at December 31, 2019 and 2018. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency (based on USD equivalents in thousands):

	December 31, 2019			
	USD	Euro	Others	Total
Assets				
Due from other banks	\$804	\$660	\$383	\$1,847
Loans and receivables	3,150	-	-	3,150
Other assets	2,807	-	-	2,807
Total assets	6,761	660	383	7,804
Liabilities				
Deposit liabilities	-	718	-	718
Other liabilities	97	114	17	228
Total liabilities	97	832	17	946
Net Exposure	\$6,664	(\$172)	\$366	\$6,858
Amount in PHP	P337,432	(P8,709)	P18,532	P347,255

	December 31, 2018			
	USD	Euro	Others	Total
Assets				
Due from other banks	\$307	\$534	\$1,552	\$2,393
Interbank loans receivable	3,200	-	-	3,200
Loans and receivables	1,333	-	-	1,333
Total assets	4,840	534	1,552	6,926
Liabilities				
Deposit liabilities	-	551	-	551
Other liabilities	215	18	7	240
Total liabilities	215	569	7	791
Net Exposure	\$4,625	(\$35)	\$1,545	\$6,135
Amount in PHP	P243,183	(P1,840)	P81,236	P322,578

The table below indicates the currencies which the Bank has significant exposure to as at December 31, 2019 and 2018 based on its foreign currency-denominated assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of other currency rates against the PHP, with all other variables held constant on the results of operations (due to the fair value of currency sensitive monetary assets and liabilities) and OCI. A negative amount in the table reflects a potential net reduction of net income or OCI while positive amount reflects a net potential increase. Change in currency rates are based on the historical movements of each currency for the same period:

	Philippine Peso Appreciates by	Effect on Profit before Tax (In Millions)	Philippine Peso Depreciates by	Effect on Profit before Tax (In Millions)
December 31, 2019				
Currency				
USD	P1.00	(P6.66)	(P1.00)	P6.66
Euro	0.50	0.09	(0.50)	(0.09)
Others	0.40	(0.15)	(0.40)	0.15
<hr/>				
	Philippine Peso Appreciates by	Effect on Profit before Tax (In Millions)	Philippine Peso Depreciates by	Effect on Profit before Tax (In Millions)
December 31, 2018				
Currency				
USD	P1.00	(P4.63)	(P1.00)	P4.63
Euro	0.50	0.02	(0.50)	(0.02)
Others	0.40	(0.62)	(0.40)	0.62

Given the nature and amount of the Bank's equity investments portfolio in 2019 and 2018, management believes the Bank's exposure to currency risk is considered minimal.

Equity Price Risk

Given the nature and amount of the Bank's equity investments portfolio in 2019 and 2018, management believes the Bank's exposure to equity price risk is considered minimal.

6. Categories and Fair Value Measurement

The methods and assumptions used by the Bank in estimating the fair values of financial and non-financial assets and liabilities are as follows:

COCI, Due from BSP and Other Banks and Interbank Loans Receivable and SPURA - Fair values approximate carrying amounts given the short-term nature of the instruments.

Quoted Debt Securities (Financial Assets at FVPL, Financial Assets at FVOCI, and Investment Securities at Amortized Cost) - Fair values are based on quoted market prices.

Quoted Equity Securities (Financial Assets at FVOCI) - Fair values are determined based on market prices quoted in an established exchange, or on published quotes by accredited brokers.

Derivative Instruments (Financial Assets at FVPL) - Fair values are determined based on published quotes or price valuations provided by counterparties or calculations using market-accepted valuation techniques.

Loans and Receivables - The estimated fair value of long-term receivables from customers and sales contract receivables are equivalent to the estimated future cash flows expected to be received which are discounted using current market rates (i.e. BVAL and Libor). Fair value of short-term receivable from customers, sales contract receivables, accounts receivables, accrued interest receivables, and RCOI approximates carrying amounts given the short-term nature of the accounts.

Investment Properties - Fair value is determined using market data approach. The valuations performed by the appraisers are based on recent sales or market prices of similar properties in the same areas the properties are located, quoted from other appraisers and real estate brokers, and adjusted for any difference in the nature, location or condition of the specific property.

Deposit Liabilities - Fair values of long-term time deposits are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate (i.e. BVAL and Libor) and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term time deposits approximate fair value. For demand and savings deposits, carrying amounts approximate fair values considering that these are currently due and demandable.

Bills Payable - For long-term bills payable, fair values are estimated using the discounted cash flow methodology, where future cash flows are discounted using the current market rate and with maturities consistent with those remaining for the liability being valued. Carrying amounts of short-term bills payable approximate fair value.

Manager's Checks and Acceptances Payable, Accrued Interest and Other Expenses and Other Liabilities (excluding non-financial liabilities) - Carrying amounts approximate fair values due to the short-term nature of the accounts. Due to preferred shareholders is determined to be long term in nature due to a pending dispute which affects maturity. Fair value cannot be estimated reliably due to limited to lack of supportable data available.

The following table provides the fair value hierarchy of the Bank's assets and liabilities measured at fair value and those for which fair values should be disclosed (amounts in thousands):

	December 31, 2019				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets Measured at Fair Value					
<i>Financial Assets</i>					
Financial assets at FVPL:					
Private debt securities	P770,871	P -	P770,871	P -	P770,871
Government securities held for trading	257,572	173,419	84,153	-	257,572
Derivative assets	25,318	-	25,318	-	25,318
Financial assets at FVOCI:					
Government securities	916,899	187,661	729,238	-	916,899
Private debt securities	311,359	311,359	-	-	311,359
Equity securities	161,600	124,691	-	36,909	161,600
	P2,443,619	P797,130	P1,609,580	P36,909	P2,443,619

Forward

December 31, 2019					
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets for which Fair Values are Disclosed					
<i>Financial Assets</i>					
Investment securities at amortized cost:					
Government securities	P18,950,382	P8,896,466	P10,269,387	P -	P19,165,853
Private debt securities	3,597,450	3,102,744	505,738	-	3,608,482
Loans and receivables:					
Receivables from customers	72,176,104	-	76,769,861	-	76,769,861
Less unearned interest	22,914	-	22,914	-	22,914
	72,153,190	-	76,746,947	-	76,746,947
Sales contract receivables	469,821	-	553,092	-	553,092
	95,170,843	11,999,210	88,075,164	-	100,074,374
Non-financial Assets					
Investment properties	3,729,769	-	7,173,335	-	7,173,335
	P98,900,612	P11,999,210	P95,248,499	P -	P107,247,709
Liabilities for which Fair Values are Disclosed					
<i>Financial Liabilities</i>					
Time deposit liabilities	P17,681,145	P -	P17,689,214	P -	P17,689,214
Bills payable	105	-	112	-	112
	P17,681,250	P -	P17,689,326	P -	P17,689,326

December 31, 2018					
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
<i>Financial Assets</i>					
Financial assets at FVPL:					
Government securities held for trading	P923,152	P896,640	P26,512	P -	P923,152
Private debt securities	886,968	-	886,968	-	886,968
Derivative assets	26,290	-	26,290	-	26,290
Financial assets at FVOCI:					
Government securities	6,968,767	5,973,404	995,363	-	6,968,767
Private debt securities	847,544	847,544	-	-	847,544
Equity securities	157,872	119,762	-	38,110	157,872
	P9,810,593	P7,837,350	P1,935,133	P38,110	P9,810,593
Assets for which Fair Values are Disclosed					
<i>Financial Assets</i>					
Investment securities at amortized cost:					
Government securities	P20,118,353	P13,147,865	P4,989,900	P -	P18,137,765
Private debt securities	3,092,735	2,906,583	-	-	2,906,583
Loans and receivables:					
Receivables from customers	70,581,141	-	70,040,470	-	70,040,470
Less unearned interest	13,040	-	13,040	-	13,040
	70,568,101	-	70,027,430	-	70,027,430
Sales contract receivables	575,702	-	607,386	-	607,386
	94,354,891	16,054,448	75,624,716	-	91,679,164
Non-financial Assets					
Investment properties	3,122,625	-	6,298,801	-	6,298,801
	P97,477,516	P16,054,448	P81,923,517	P -	P97,977,965
Liabilities for which Fair Values are Disclosed					
<i>Financial Liabilities</i>					
Time deposit liabilities	P24,735,460	P -	P24,580,801	P -	P24,580,801
Bills payable	557,472	-	557,481	-	557,481
	P25,292,932	P -	P25,138,282	P -	P25,138,282

In 2019 and 2018, due to changes in market conditions for certain government securities measured at FVPL and FVOCI, quoted prices in active markets were no longer available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities at FVPL and at FVOCI, with carrying amount of P3.6 million and P360.4 million, respectively, in 2019 and P26.5 million and P995.4 million, respectively, in 2018, were transferred from Level 1 to Level 2 of the fair value hierarchy.

For 2019 and 2018, there have been no transfers into and out of Level 3 of the fair value hierarchy.

An instrument in its entirety is classified as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived. The fair value of the Level 3 instruments is based on cost which approximates its fair value.

As at December 31, 2019 and 2018, the carrying values of the Bank's financial assets and liabilities, not included in the table above, as reflected in the statements of financial position and related notes approximate their respective fair values.

7. Interbank Loans Receivable and Securities Purchased under Resale Agreements - net

This account consists of:

	<i>Note</i>	2019	2018
SPURA		P9,290,661,215	P5,500,000,000
Interbank loans receivable		4,140,431,486	6,485,244,744
		13,431,092,701	11,985,244,744
Less allowance for credit losses	17	1,813,198	1,618,009
		P13,429,279,503	P11,983,626,735

Interbank loans receivable consists of short-term loans granted to other banks.

SPURA represents overnight lending placements with the BSP where the underlying securities cannot be sold or re-pledged to parties other than the BSP.

Interest income on SPURA and interbank loans receivable follows:

	2019	2018
SPURA	P272,552,691	P253,783,499
Interbank loans receivable	43,017,001	12,346,925
	P315,569,692	P266,130,424

Peso-denominated interbank loans receivable bear interest rates ranging from 4.0% to 5.3% and from 3.1% to 5.0% in 2019 and 2018, respectively. Dollar-denominated interbank loans receivable bear interest rates ranging from 1.6% to 2.3% and from 0.6% to 1.9% in 2019 and 2018, respectively.

SPURA bears interest rates ranging from 4.0% to 4.8% and from 3.0% to 4.8% in 2019 and 2018, respectively.

8. Financial Assets at Fair Value through Profit or Loss

Financial assets at FVPL consist of:

	2019	2018
Private debt securities	P770,870,690	P886,967,594
Government securities held-for-trading	257,571,686	923,151,534
Derivative assets	25,317,500	26,290,000
	P1,053,759,876	P1,836,409,128

Private debt securities pertains to investment in MRT III bonds that does not qualify as SPPI, thus, mandatorily classified and measured as financial assets at FVPL.

As at December 31, 2019 and 2018, financial assets at FVPL are adjusted for unrealized gain of P135.5 million and unrealized loss of P19.7 million, respectively (see Note 27).

Derivative Financial Instruments

This includes warrants amounting to \$50 thousand acquired by the Bank in June 2008. The warrants give the Bank the option or right to exchange its holding of certain Republic of the Philippines Global Bonds into peso-denominated government securities upon occurrence of a predetermined credit event. The warrants will mature in November 2032.

The table below shows the fair values of derivative financial instruments entered into by the Bank, recorded as derivative assets or derivative liabilities, together with the notional amount and leverage exposure. The leverage exposure 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 leverage exposure indicates the volume of transactions outstanding as at December 31, 2019 and 2018 and is not indicative of either market risk or credit risk.

	December 31, 2019			December 31, 2018		
	Derivative Assets	Notional Amount	Leverage Exposure	Derivative Assets	Notional Amount	Leverage Exposure
Freestanding derivatives:						
Warrants	P25,317,500	\$50,000	\$ -	P26,290,000	\$50,000	\$ -

9. Financial Assets at Fair Value through Other Comprehensive Income

This account consists of:

	Note	2019	2018
Government securities	19, 37	P916,898,827	P6,968,767,353
Private debt securities	32	311,358,600	847,543,651
Equity securities	32	161,599,718	157,872,192
		P1,389,857,145	P7,974,183,196

As at December 31, 2019 and 2018, the ECL on debt securities at FVOCI included under "Net unrealized gains (losses) on financial assets at FVOCI" amounted to P0.1 million and P0.8 million, respectively (see Note 17).

Equity Securities

This account consists of ordinary shares from a foreign financial institution and a telecommunications company and club shares. The Bank has designated these equity securities as at FVOCI.

Equity securities include the Bank's 8.57% equity interest in Banco Nacional de Guinea Equatorial (BANGE) as part of its partnership with the National Government of the Republic of Equatorial Guinea. Dividend income received from BANGE in 2019 and 2018 amounted to P5.5 million and P6.6 million, respectively, booked under "Miscellaneous Income" in the statements of income (see Notes 30 and 32).

In 2019 and 2018, the Bank disposed club shares with carrying value of P0.03 million and P7.0 million, respectively, and transferred to "Deficit" account the realized gain of P0.3 million and P5.3 million in 2019 and 2018, respectively.

Dividend income in 2019 and 2018 from equity securities at FVOCI amounted to P8.2 million and P13.1 million, respectively (see Note 30).

Net Unrealized Gains (Losses) on Financial Assets at FVOCI

The movements of net unrealized losses on financial assets at FVOCI follow:

	Note	2019	2018
Balance at beginning of year		(P129,757,730)	P8,546,417
Net unrealized gains (losses) recognized as OCI		368,927,255	(133,365,743)
Realized losses (gains) taken to profit or loss	27	(198,827,405)	164,734
Effect of tax	31	(3,305,159)	-
ECL on debt securities at FVOCI	17	(659,788)	196,862
Realized gains taken deficit		(268,500)	(5,300,000)
Balance at end of year		P36,108,673	(P129,757,730)

10. Investment Securities at Amortized Cost - net

This account consists of:

	Note	2019	2018
Government securities		P18,952,874,273	P20,121,046,595
Private debt securities	32	3,597,923,189	3,093,150,350
		22,550,797,462	23,214,196,945
Less allowance for credit losses	17	2,964,709	3,109,226
		P22,547,832,753	P23,211,087,719

11. Loans and Receivables - net

This account consists of:

	Note	2019	2018
Receivables from customers:			
Term loans		P57,024,835,729	P58,052,958,523
Housing loans		8,494,591,887	6,959,566,271
Auto loans		4,693,003,643	3,643,974,116
Direct advances		931,274,215	1,055,526,655
Bills purchased, import bills and trust receipts	21	876,619,124	1,394,457,627
Agri-agra loans		334,962,386	372,157,427
Others		2,156,105,393	1,471,067,652
		74,511,392,377	72,949,708,271
Less unearned interest income		22,914,092	13,039,690
		74,488,478,285	72,936,668,581
Accounts receivable		1,091,478,464	783,088,105
Accrued interest receivable:			
Loans and receivables		584,376,502	776,572,304
Trading and investment securities		225,035,140	293,945,759
Interbank loans receivable and SPURA		4,756,138	2,565,849
Due from BSP and other banks		2,460,937	-
Sales contract receivables		528,276,665	634,923,942
Unquoted debt securities		291,578,203	291,578,207
RCOCI		94,545	414,068
		77,216,534,879	75,719,756,815
Less allowance for credit losses	17	3,474,273,070	3,448,695,973
		P73,742,261,809	P72,271,060,842

Bills purchased, import bills and trust receipts includes bills purchased with contra account in "Bills purchased - contra" under "Other Liabilities" amounting to P0.8 billion P1.1 billion as at December 31, 2019 and 2018, respectively (see Notes 21 and 32). Bills purchased - contra represents liabilities arising from the outright purchases of checks due for clearing as a means of immediate financing offered by the Bank to its clients.

Other receivables from customers pertain to consumer loans such as benefit loans, salary loans, and credit cards.

Accounts receivable mainly consist of amounts due from customers and other parties under open-account arrangements, advances for buyers of foreclosed properties, receivables from employees and other miscellaneous receivables.

Sales contract receivables arise mainly from the sale of foreclosed properties booked under "Investment properties" and "Non-current assets held for sale" accounts.

BSP Regulatory Reporting

As at December 31, 2019 and 2018, the breakdown of receivables from customers as to collateral follows (amounts in thousands, except percentages):

	2019		2018	
	Amount	%	Amount	%
Loans secured by:				
Real estate	P6,998,411	9.4	P6,684,862	9.2
Deed of assignment	4,798,740	6.4	2,014,239	2.8
Chattel	3,596,487	4.8	3,263,869	4.4
Deposit hold-out	733,324	1.0	880,319	1.2
Others	4,912,537	6.6	3,556,997	4.9
	21,039,499	28.2	16,400,286	22.5
Unsecured	53,471,893	71.8	56,549,422	77.5
	P74,511,392	100.0	P72,949,708	100.0

As at December 31, 2019 and 2018, information on the concentration of credit as to industry follows (amounts in thousands, except percentages):

	2019		2018	
	Amount	%	Amount	%
Real estate activities	P18,389,214	24.7	P14,685,641	20.1
Electricity, gas, steam, and air-conditioning supply	12,444,906	16.7	13,889,168	19.0
Construction	10,698,737	14.3	10,682,006	14.6
Manufacturing	8,185,572	11.0	10,005,836	13.7
Agriculture, forestry and fishing	3,983,847	5.3	4,180,643	5.7
Arts, entertainment and recreation	3,500,000	4.7	1,000,000	1.4
Transportation and storage	2,998,915	4.0	3,418,831	4.7
Wholesale and retail trade, repair of motor vehicles and motorcycles	2,170,380	2.9	2,120,594	2.9
Financial and insurance activities	2,080,598	2.8	5,502,170	7.5
Water supply, sewerage, waste management and remediation activities	941,283	1.3	453,828	0.6
Accommodation and food service activities	647,704	0.9	425,385	0.6
Administrative and support service activities	207,513	0.3	954,871	1.3
Others*	8,262,723	11.1	5,631,735	7.9
	P74,511,392	100.0	P72,949,708	100.0

*Others include Mining and Quarrying, Information and Communication, Education and other various activities

BSP considers that concentration of credit risk exists when the total loan exposure to a particular industry or economic sector exceeds 30.0% of total loan portfolio. The BROCC constantly monitors the credit risk concentration of the Bank. As at December 31, 2019 and 2018, the Bank does not have credit concentration in any particular industry.

Under BSP Circular No. 941 *Amendments to the Regulations on Past Due and Non-Performing Loans*, loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement.

As at December 31, 2019 and 2018, the breakdown of receivables from customers as to status follows (amounts in thousands)

	2019	2018
Performing loans	P72,878,388	P71,361,794
Non-performing loans	1,610,090	1,574,875
	P74,488,478	P72,936,669

As at December 31, 2019 and 2018, the NPLs of the Bank, as reported to BSP are as follows:

	2019	2018
Gross NPLs	P1,610,090	P1,574,875
Less deductions as required by BSP	1,320,969	1,301,841
Net NPLs	P289,121	P273,034

Gross and net NPL ratios of the Bank are 1.9% and 0.3%, respectively, as at December 31, 2019 and 2.0% and 0.3%, respectively, as at December 31, 2018.

As at December 31, 2019 and 2018, restructured loans amounted to P0.5 billion and P0.6 billion, respectively. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs. As at December 31, 2019 and 2018, restructured receivables from customers considered as NPLs amounted P0.2 billion.

Interest Income on Loans and Receivables

This account consists of:

	2019	2018
Receivables from customers:		
Term loans	P3,729,495,585	P2,719,698,559
Housing loans	501,280,911	373,151,392
Auto loans	327,044,238	270,126,575
Agri-agra loans	34,055,163	22,707,796
Direct advances	33,414,850	31,737,042
Bills purchased, import bills and trust receipts	5,023,182	19,703,706
Others	255,918,893	189,760,452
	4,886,232,822	3,626,885,522
Sales contract receivable	33,828,277	41,825,704
	P4,920,061,099	P3,668,711,226

Others pertain to interest income from consumer loans such as benefit loans, salary loans, and credit cards.

As at December 31, 2019 and 2018, 44.7% and 46.7%, respectively, of the total receivables from customers were subject to periodic interest repricing. Peso-denominated loans earn annual fixed interest rates ranging from 1.6% to 54.0% and 1.3% to 54.0% in 2019 and 2018, respectively. Dollar-denominated loans earn annual fixed interest rates ranging from 2.9% to 8.5% and 3.1% to 8.0% 2019 and 2018, respectively.

Sales contract receivables bear fixed interest rates ranging from 3.4% and 12.1% and 3.4% to 13.2% in 2019 and 2018, respectively.

12. Non-current Assets Held for Sale

As at December 31, 2019 and 2018, non-current assets held for sale amounting to P48.1 million, were comprised of buildings and were stated at carrying amount.

There were no additions and disposals of non-current assets held for sale in 2019 and 2018.

There are no cumulative income or expenses included in OCI relating to non-current assets held for sale.

13. Investment in an Associate - net

The details of movements of the Bank's equity investment in BIC follow:

	Note	2019	2018
Acquisition cost (24.25%-owned)		P75,395,200	P75,395,200
Accumulated equity in net loss and OCI:			
Balance at beginning of year		(29,487,304)	(23,319,749)
Share in net loss		(2,865,073)	(1,844,496)
Share in other comprehensive income (loss)		4,326,471	(4,323,059)
Balance at end of year		(28,025,906)	(29,487,304)
Allowance for impairment loss	17	(5,925,786)	(5,925,786)
	32	P41,443,508	P39,982,110

The following table shows the summarized financial information of BIC:

	2019**	2018*
Assets	P182,016,390	P185,720,681
Liabilities	(11,115,319)	(11,097,790)
Net assets	170,901,071	174,622,891
Revenues	1,168,193	1,659,125
Net loss for the year	(3,716,713)	(24,612,820)
Other comprehensive income (loss)	(5,106)	19,174
Total comprehensive income (loss)	(3,721,819)	(24,593,646)

*Based on 2018 audited financial statements

**Based on 2019 unaudited numbers

As at December 31, 2019 and 2018, the Bank's subscribed capital stock in BIC amounted to P75.8 million out of BIC's outstanding capital stock of P312.5 million.

14. Property and Equipment - net

The movements in property and equipment follow:

Note	December 31, 2019					Total
	Land (Note 35)	Buildings (Note 35)	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 29)	
Cost						
Balance at January 1, as restated	P41,569,630	P845,238,581	P1,649,552,985	P808,309,177	P550,480,190	P3,895,150,563
Additions	-	7,678,122	189,183,291	10,440,850	211,996,165	419,298,428
Disposals and Others	-	-	(302,879,964)	-	-	(302,879,964)
Balance at December 31	41,569,630	852,916,703	1,535,856,312	818,750,027	762,476,355	4,011,569,027
Less Accumulated Depreciation and Amortization						
Balance at January 1, as restated	-	198,472,522	1,267,389,443	722,813,031	-	2,188,674,996
Depreciation and amortization	-	22,168,433	108,753,170	28,832,576	170,031,581	329,785,760
Disposals	-	-	(254,122,826)	-	-	(254,122,826)
Balance at December 31	-	220,640,955	1,122,019,787	751,645,607	170,031,581	2,264,337,930
Allowance for impairment losses 17	5,022,885	1,133,017	-	-	-	6,155,902
Net Book Value at December 31	P36,546,745	P631,142,731	P413,836,525	P67,104,420	P592,444,774	P1,741,075,195

Note	December 31, 2018 (As restated - see Note 35)					Total
	Land (Note 35)	Buildings (Note 35)	Furniture, Fixtures and Equipment	Leasehold Improvements	Right-of-Use Assets (Note 29)	
Cost						
Balance at January 1, as restated	P41,570,353	P838,758,341	P1,754,713,543	P776,819,527	P -	P3,411,861,764
Additions	-	6,480,240	141,038,070	31,789,650	-	179,307,960
Reclassifications	(723)	-	-	-	-	(723)
Disposals and Others	-	-	(246,198,628)	(300,000)	-	(246,498,628)
Balance at December 31	41,569,630	845,238,581	1,649,552,985	808,309,177	-	3,344,670,373
Less Accumulated Depreciation and Amortization						
Balance at January 1, as restated	-	176,496,736	1,370,455,000	682,792,721	-	2,229,744,457
Depreciation and amortization	-	21,975,786	95,470,830	40,020,310	-	157,466,926
Disposals	-	-	(198,536,387)	-	-	(198,536,387)
Balance at December 31	-	198,472,522	1,267,389,443	722,813,031	-	2,188,674,996
Allowance for impairment losses 17	5,022,885	1,133,017	-	-	-	6,155,902
Net Book Value at December 31	P36,546,745	P645,633,042	P382,163,542	P85,496,146	P -	P1,149,839,475

In 2019 and 2018, net gains on sale of property and equipment under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" account in the statements of income amounted to P0.4 million and P3.9 million, respectively.

In 2018, the Bank reclassified land, as presented above, which is no longer used for administrative purposes and leased-out to third party, from "Property and equipment" account to "Investment properties" account in the statements of financial position.

As at December 31, 2019 and 2018, the cost of fully depreciated property and equipment still in use amounted to P801.4 million and P1.0 billion, respectively.

15. Investment Properties - net

The movements in investment properties follow:

	Note	December 31, 2019		
		Land	Buildings	Total
Balance at January 1, as restated	35	P2,892,960,147	P925,714,857	P3,818,675,004
Additions	30	559,494,733	319,842,177	879,336,910
Disposals	30	(69,755,679)	(127,719,637)	(197,475,316)
Balance at December 31		3,382,699,201	1,117,837,397	4,500,536,598
Less Accumulated Depreciation				
Balance at January 1, as restated	35	-	529,929,280	529,929,280
Depreciation		-	73,682,841	73,682,841
Disposal		-	(8,597,834)	(8,597,834)
		-	595,014,287	595,014,287
Less Allowance for Impairment Losses	17	165,124,070	10,629,048	175,753,118
		P3,217,575,131	P512,194,062	P3,729,769,193

	Note	December 31, 2018 (As restated - see Note 35)		
		Land	Buildings	Total
Balance at January 1, as restated		P2,956,570,194	P928,413,124	P3,884,983,318
Additions		92,626,551	58,364,723	150,991,274
Disposals		(156,237,321)	(61,062,990)	(217,300,311)
Reclassifications	14	723	-	723
Balance at December 31		2,892,960,147	925,714,857	3,818,675,004
Less Accumulated Depreciation				
Balance at January 1, as restated		-	511,919,830	511,919,830
Depreciation		-	58,955,492	58,955,492
Disposal		-	(40,946,042)	(40,946,042)
		-	529,929,280	529,929,280
Allowance for Impairment Losses	17	146,959,442	19,161,294	166,120,736
		P2,746,000,705	P376,624,283	P3,122,624,988

As at December 31, 2019 and 2018, the aggregate market value of investment properties amounted to P7.2 billion and P6.3 billion, respectively. Information about the fair value measurement of investment properties are presented in Note 6.

Gain on foreclosure and sale of investment properties under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" consists of the following:

	2019	2018 (As restated - Note 35)
Gain on foreclosure	P193,461,664	P62,092,904
Gain on assets sold	134,937,859	119,558,672
	P328,399,523	P181,651,576

Rental income on investment properties (included in “Miscellaneous income” account in the statements of income) in 2019 and 2018 amounted to P1.6 million and P2.0 million, respectively (see Note 30).

Direct operating expenses on investment properties that generated rental income (included under “Litigation and acquired assets” in “Other expenses - miscellaneous” account and “Taxes and licenses” account in the statements of income) in 2019 and 2018 amounted to nil. Direct operating expenses on investment properties such as litigation expenses, included under “Litigation and acquired assets” in “Other expenses - miscellaneous” account, and real estate taxes, included under “Taxes and licenses” account in the statements of income, that did not generate rental income in 2019 and 2018 amounted to P70.2 million and P61.4 million, respectively (see Note 31).

16. Other Assets - net

This account consists of:

			2018 (As restated - see Note 35)
	Note	2019	
Miscellaneous assets - TRB		P4,435,986,451	P4,435,986,451
Creditable withholding tax		1,124,318,843	897,330,948
Intangible assets*		393,067,200	295,615,203
Sinking fund	23	277,515,653	269,519,934
Other properties acquired*	35	140,467,777	190,362,721
Documentary stamps		64,327,008	86,986,408
Prepaid expenses		25,290,597	26,717,136
Others	33	181,400,604	176,379,278
		6,642,374,133	6,378,898,079
Less allowance for impairment losses	17	4,615,166,861	4,617,176,923
		P2,027,207,272	P1,761,721,156

**net of accumulated amortization/depreciation, gross of allowance for impairment losses*

Others include security deposit, unused supplies and forms and petty cash fund.

Miscellaneous Assets - TRB

This account includes non-performing assets (NPAs) amounting to P4.4 billion as at December 31, 2019 and 2018 which were assumed by the Bank in connection with the Purchase and Sale Agreement (PSA) entered into by the Bank with Traders Royal Bank (TRB) in 2002 (see Note 33). Pursuant to the requirements of PFRS, the impairment losses on the NPAs amounting to P4.4 billion as at December 31, 2019 and 2018, were charged in full in the period incurred.

For its separate prudential reporting to BSP, the Bank was allowed under the MB Resolution No. 1751, dated November 8, 2001, as further amended by MB Resolution No. 489, dated April 3, 2003 and pursuant to MB Resolution No. 1950, dated November 21, 2013, to defer the full recognition of the impairment losses. The Bank annually recognizes provisions for impairment losses to gradually meet the foregoing provisioning requirement based on the net yield earned by the Bank from the Financial Assistance Agreement (FAA) with Philippine Deposit Insurance Corporation (PDIC) until November 29, 2013 when the collateralized government securities was sold and the obligation was fully settled. In 2019 and 2018, provisions for impairment losses recognized for prudential reporting to BSP amounted to P159.3 million (see Note 33).

Intangible Assets

Intangible assets consist of:

	Note	2019	2018
Software costs*		P333,067,200	P235,615,203
Branch licenses		60,000,000	60,000,000
		393,067,200	295,615,203
Less allowance for impairment losses	17	90,278,696	90,278,696
		P302,788,504	P205,336,507

*net of accumulated amortization, gross of allowance for impairment losses

Movements in software costs follow:

	2019	2018
Cost		
Balance at January 1	P730,123,876	P705,548,281
Additions	131,596,152	24,575,595
Balance at end of year	861,720,028	730,123,876
Less Accumulated Amortization		
Balance at January 1	494,508,673	437,126,957
Amortization for the year	34,144,155	57,381,716
Balance at end of year	528,652,828	494,508,673
Less Allowance for Impairment Losses	90,278,696	90,278,696
Net Book Value	P242,788,504	P145,336,507

Other Properties Acquired

Movements in the other properties acquired follow:

	2019	2018 (As restated - see Note 35)
Cost		
Balance at January 1	P228,602,522	P59,786,522
Additions	49,947,500	232,780,000
Disposals	(31,511,000)	(63,964,000)
Write-off	(383,350)	-
Balance at end of year	246,655,672	228,602,522
Less Accumulated Depreciation		
Balance at January 1	38,239,801	16,360,495
Depreciation for the year	76,976,250	42,619,251
Disposals	(8,644,806)	(20,739,945)
Write-off	(383,350)	-
Balance at end of year	106,187,895	38,239,801
Less Allowance for Impairment Losses	25,777	-
Net Book Value	P140,442,000	P190,362,721

In 2019 and 2018, gain on foreclosure amounted to P1.6 million and P3.2 million, respectively. Gain on sale of other properties acquired under "Gains on foreclosure and sale of property and equipment and foreclosed assets - net" amounted to P5.9 million and P18.6 million in 2019 and 2018, respectively (see Note 32).

17. Allowance for Credit and Impairment Losses

Movements in ECL allowances in 2019 and 2018 on financial assets, other than loans and receivables, are summarized as follows (amounts in thousands):

December 31, 2019						
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 7)	Financial Assets at FVOCI (Note 9)	Investment Securities at Amortized Cost (Note 10)	Total
ECL allowance, January 1, 2019	P2,893	P518	P1,618	P777	P3,109	P8,915
Provision for (reversal of) credit and impairment losses for the year	71	(423)	221	(656)	(119)	(906)
Foreign exchange differences	-	(8)	(26)	(3)	(25)	(62)
ECL allowance, December 31, 2019	P2,964	P87	P1,813	P118	P2,965	P7,947

December 31, 2018						
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 7)	Financial Assets at FVOCI (Note 9)	Investment Securities at Amortized Cost (Note 10)	Total
ECL allowance, January 1, 2018	P3,470	P430	P853	P566	P2,909	P8,228
Provision for (reversal of) credit and impairment losses for the year	(577)	68	751	197	167	606
Foreign exchange differences	-	20	14	14	33	81
ECL allowance, December 31, 2018	P2,893	P518	P1,618	P777	P3,109	P8,915

All accounts above were carried at Stage 1 and there were no transfers into and out of Stage 1 in 2019 and 2018.

The ECL allowance on financial assets at FVOCI is included in the "Net unrealized losses on financial assets at FVOCI" account in the statements of financial position (see Note 9).

As at December 31, 2019 and 2018, ECL on off-balance sheet exposures amounted to P47.9 million and P55.9 million, respectively, (see Note 21). In 2019 and 2018, the Bank recognized reversal of ECL on loan commitment and financial guarantees amounting to P8.0 million and P5.9 million, respectively.

The table below summarizes the movement in ECL allowances on loans and receivables in 2019 and 2018 (amounts in thousands).

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Term Loans				
ECL allowance, January 1, 2019	P592,605	P174,686	P699,277	P1,466,568
Provision for (reversal of) credit and impairment losses for the year	33,062	(90,393)	(136,029)	(193,360)
Transfer from Stage 1	(27,836)	716	27,120	-
Transfer from Stage 2	-	1,609	(1,609)	-
Transfer from Stage 3	-	-	-	-
Movements due to foreclosure	-	-	-	-
Foreign exchange differences	(2,113)	-	(1,255)	(3,368)
ECL allowance, December 31, 2019	595,718	86,618	587,504	1,269,840
Housing Loans				
ECL allowance, January 1, 2019	129,606	15,909	64,352	209,867
Provision for credit and impairment losses for the year	26,326	1,192	25,057	52,575
Transfer from Stage 1	(7,773)	3,544	4,229	-
Transfer from Stage 2	8,416	(11,526)	3,110	-
Transfer from Stage 3	3,454	2,824	(6,278)	-
Movements due to foreclosure	-	-	(2,192)	(2,192)
Foreign exchange differences	(6)	-	-	(6)
ECL allowance, December 31, 2019	160,023	11,943	88,278	260,244
Auto Loans				
ECL allowance, January 1, 2019	66,540	4,614	87,948	159,102
Provision for (reversal of) credit and impairment losses for the year	31,634	(2,579)	19,351	48,406
Transfer from Stage 1	(8,775)	4,996	3,779	-
Transfer from Stage 2	2,669	(4,108)	1,439	-
Transfer from Stage 3	1,439	2,751	(4,190)	-
Movements due to foreclosure	-	-	(13,909)	(13,909)
Foreign exchange differences	-	-	-	-
ECL allowance, December 31, 2019	93,507	5,674	94,418	193,599
Bills Purchased, import bills and Trust Receipts				
ECL allowance, January 1, 2019	3,662	-	78,525	82,187
Provision for (reversal of) credit and impairment losses for the year	4,180	-	(594)	3,586
Transfer from Stage 1	-	-	-	-
Transfer from Stage 2	-	-	-	-
Transfer from Stage 3	-	-	-	-
Movements due to foreclosure	-	-	-	-
Foreign exchange differences	(12)	-	(1,775)	(1,787)
ECL allowance, December 31, 2019	7,830	-	76,156	83,986
Direct Advances				
ECL allowance, January 1, 2019	466	-	163,652	164,118
Provision for (reversal of) credit and impairment losses for the year	568	-	(464)	104
Transfer from Stage 1	-	-	-	-
Transfer from Stage 2	-	-	-	-
Transfer from Stage 3	-	-	-	-
Movements due to foreclosure	-	-	-	-
Foreign exchange differences	(12)	-	-	(12)
ECL allowance, December 31, 2019	1,022	-	163,188	164,210
Agri-agra Loans				
ECL allowance, January 1, 2019	4,911	-	17,663	22,574
Reversal of credit and impairment losses for the year	(1,657)	-	-	(1,657)
Transfer from Stage 1	(1,842)	1,842	-	-
Transfer from Stage 2	-	-	-	-
Transfer from Stage 3	-	-	-	-
Movements due to foreclosure	-	-	-	-
Foreign exchange differences	-	-	-	-
ECL allowance, December 31, 2019	1,412	1,842	17,663	20,917

Forward

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Others*				
ECL allowance, January 1, 2019	P18,026	P271	P245,855	P264,152
Provision for (reversal of) credit and impairment losses for the year	7,008	(17)	73,136	80,127
Transfer from Stage 1	(1,095)	265	830	-
Transfer from Stage 2	124	(170)	46	-
Transfer from Stage 3	84	88	(172)	-
Movements due to foreclosure	-	-	-	-
Foreign exchange differences	(161)	-	(1,626)	(1,787)
ECL allowance, December 31, 2019	23,986	437	318,069	342,492
Total Receivables from Customers				
ECL allowance, January 1, 2019	815,816	195,840	1,357,272	2,368,568
Provision for (reversal of) credit and impairment losses for the year	101,121	(91,797)	(19,543)	(10,219)
Transfer from Stage 1	(47,321)	11,363	35,958	-
Transfer from Stage 2	11,209	(14,195)	2,986	-
Transfer from Stage 3	4,977	5,663	(10,640)	-
Movements due to foreclosure	-	-	(16,101)	(16,101)
Foreign exchange differences	(2,304)	-	(4,656)	(6,960)
ECL allowance, December 31, 2019	883,498	106,514	1,345,276	2,335,288
Sales Contract Receivables				
ECL allowance, January 1, 2019	4,748	48	54,726	59,522
Reversal of credit and impairment losses for the year	(4)	-	(1,063)	(1,067)
Transfer from Stage 1	(2,981)	-	2,981	-
Transfer from Stage 2	-	(26)	26	-
Transfer from Stage 3	-	-	-	-
Movements due to foreclosure	-	-	-	-
Foreign exchange differences	-	-	-	-
ECL allowance, December 31, 2019	1,763	22	56,670	58,455
Other Receivables**				
ECL allowance, January 1, 2019	6,381	25,247	988,978	1,020,606
Provision for credit and impairment losses for the year	5,748	23,211	35,725	64,684
Transfer from Stage 1	(1,080)	264	816	-
Transfer from Stage 2	1,812	(23,555)	21,743	-
Transfer from Stage 3	61	88	(149)	-
Movements due to foreclosure	-	-	(1,259)	(1,259)
Foreign exchange differences	(4)	(14)	(3,483)	(3,501)
ECL allowance, December 31, 2019	12,918	25,241	1,042,371	1,080,530
	P900,402	P131,851	P2,442,020	P3,474,273

	December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Term Loans				
ECL allowance, January 1, 2018	P441,083	P273,428	P919,280	P1,633,791
Provision for (reversal of) credit and impairment losses for the year	158,204	(100,112)	(228,578)	(170,486)
Transfer from Stage 1	(6,992)	-	6,992	-
Transfer from Stage 2	-	(2,125)	2,125	-
Transfer from Stage 3	-	3,171	(3,171)	-
Movements due to foreclosure	-	-	-	-
Foreign exchange differences	310	(324)	2,629	3,263
ECL allowance, December 31, 2018	592,605	174,686	6,99,277	1,466,568
Housing Loans				
ECL allowance, January 1, 2018	107,425	10,049	56,073	173,547
Provision for credit and impairment losses for the year	20,499	1,203	17,315	39,017
Transfer from Stage 1	(9,851)	6,877	2,974	-
Transfer from Stage 2	4,938	(6,461)	1,523	-
Transfer from Stage 3	6,595	4,241	(10,836)	-
Movements due to foreclosure	-	-	(2,697)	(2,697)
Foreign exchange differences	-	-	-	-
ECL allowance, December 31, 2018	129,606	15,909	64,352	209,867

Forward

	December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Auto Loans				
ECL allowance, January 1, 2018	P67,621	P6,382	P78,233	P152,236
Provision for (reversal of) credit and impairment losses for the year	223	(5,012)	25,229	20,440
Transfer from Stage 1	(7,834)	3,948	3,886	-
Transfer from Stage 2	2,203	(3,868)	1,665	-
Transfer from Stage 3	4,327	3,164	(7,491)	-
Movements due to foreclosure	-	-	(13,574)	(13,574)
Foreign exchange differences	-	-	-	-
ECL allowance, December 31, 2018	66,540	4,614	87,948	159,102
Bills Purchased, Import Bills and Trust Receipts				
ECL allowance, January 1, 2018	8,579	-	83,088	91,667
Reversal of credit and impairment losses for the year	(4,926)	-	(7,325)	(12,251)
Transfer from Stage 1	-	-	-	-
Transfer from Stage 2	-	-	-	-
Transfer from Stage 3	-	-	-	-
Movements due to foreclosure	-	-	-	-
Foreign exchange differences	9	-	2,762	2,771
ECL allowance, December 31, 2018	3,662	-	78,525	82,187
Direct Advances				
ECL allowance, January 1, 2018	588	-	146,082	146,670
Provision for (reversal of) credit and impairment losses for the year	19,197	-	(1,774)	17,423
Transfer from Stage 1	(19,344)	-	19,344	-
Transfer from Stage 2	-	-	-	-
Transfer from Stage 3	-	-	-	-
Movements due to foreclosure	-	-	-	-
Foreign exchange differences	25	-	-	25
ECL allowance, December 31, 2018	466	-	163,652	164,118
Agri-agra Loans				
ECL allowance, January 1, 2018	2,601	-	17,663	20,264
Provision for credit and impairment losses for the year	2,310	-	-	2,310
Transfer from Stage 1	-	-	-	-
Transfer from Stage 2	-	-	-	-
Transfer from Stage 3	-	-	-	-
Movements due to foreclosure	-	-	-	-
Foreign exchange differences	-	-	-	-
ECL allowance, December 31, 2018	4,911	-	17,663	22,574
Others*				
ECL allowance, January 1, 2018	15,136	467	204,091	219,694
Provision for (reversal of) credit and impairment losses for the year	3,030	(459)	39,543	42,114
Transfer from Stage 1	(758)	82	676	-
Transfer from Stage 2	134	(150)	16	-
Transfer from Stage 3	468	331	(799)	-
Movements due to foreclosure	-	-	-	-
Foreign exchange differences	16	-	2,328	2,344
ECL allowance, December 31, 2018	18,026	271	245,855	264,152
Total Receivables from Customers				
ECL allowance, January 1, 2018	643,033	290,326	1,504,510	2,437,869
Provision for (reversal of) credit and impairment losses for the year	198,537	(104,380)	(155,590)	(61,433)
Transfer from Stage 1	(44,779)	10,907	33,872	-
Transfer from Stage 2	7,275	(12,604)	5,329	-
Transfer from Stage 3	11,390	10,907	(22,297)	-
Movements due to foreclosure	-	-	(16,271)	(16,271)
Foreign exchange differences	360	324	7,719	8,403
ECL allowance, December 31, 2018	815,816	195,480	1,357,272	2,368,568

Forward

	December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Sales Contract Receivables:				
ECL allowance, January 1, 2018	P10,484	P138	P54,692	P65,314
Reversal of credit and impairment losses for the year	(5,313)	(73)	(406)	(5,792)
Transfer from Stage 1	(471)	50	421	-
Transfer from Stage 2	26	(68)	42	-
Transfer from Stage 3	22	1	(23)	-
Movements due to foreclosure	-	-	-	-
Foreign exchange differences	-	-	-	-
ECL allowance, December 31, 2018	4,748	48	54,726	59,522
Other Receivables:**				
ECL allowance, January 1, 2018	7,170	14,347	971,338	992,855
Provision for credit and impairment losses for the year	257	11,890	11,966	24,113
Transfer from Stage 1	(1,424)	971	453	-
Transfer from Stage 2	243	(2,031)	1,788	-
Transfer from Stage 3	132	50	(182)	-
Movements due to foreclosure	-	-	(1,188)	(1,188)
Foreign exchange differences	3	20	4,803	4,826
ECL allowance, December 31, 2018	6,381	25,247	988,978	1,020,606
	P826,945	P220,775	P2,400,976	P3,448,696

The table below summarizes the movement in the gross carrying amounts of financial assets, other than loans and receivables, in 2019 and 2018 (amounts in thousands).

	December 31, 2019				
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 7)	Financial Assets at FVOCI (Note 9)	Investment Securities at Amortized Cost (Note 10)
Gross carrying amount, January 1, 2019	P21,427,033	P3,838,567	P11,985,245	P7,974,183	P23,214,197
New assets purchased or originated	302,898,084	2,183	1,855,170,775	3,491,762	922,128
Assets derecognized or repaid	(296,148,084)	(58,168)	(1,851,378,614)	(10,024,308)	(1,557,000)
Other movements*	(6,218,573)	(3,112,014)	(2,346,313)	(51,780)	(28,528)
Gross carrying amount, December 31, 2019	P21,958,460	P670,568	P13,431,093	P1,389,857	P22,550,797

*Includes movements in outstanding balances and foreign exchange differences

	December 31, 2018				
	Due from BSP	Due from Other Banks	Interbank Loans Receivable and SPURA (Note 7)	Financial Assets at FVOCI (Note 9)	Investment Securities at Amortized Cost (Note 10)
Gross carrying amount, January 1, 2018	P25,704,212	P3,185,996	P6,316,150	P5,588,102	P24,638,395
New assets purchased or originated	214,199,278	16,572	1,855,676,027	19,980,906	1,217,752
Assets derecognized or repaid	(215,699,278)	(21,769)	(1,854,305,155)	(17,541,056)	(2,901,000)
Other movements*	(2,777,179)	657,768	4,298,223	(53,769)	259,050
Gross carrying amount, December 31, 2018	P21,427,033	P3,838,567	P11,985,245	P7,974,183	P23,214,197

*Includes movements in outstanding balances and foreign exchange differences

The table below summarizes the movement in the gross carrying amounts on loans and receivables in 2019 and 2018 (amounts in thousands).

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Term Loans				
Gross carrying amount, January 1, 2019	P56,954,903	P385,625	P712,431	P58,052,959
New assets purchased or originated	26,585,114	-	-	26,585,114
Assets derecognized or repaid	(24,669,612)	(33,118)	(134,677)	(24,837,407)
Transfer from Stage 1	(39,568)	9,557	30,011	-
Transfer from Stage 2	-	-	-	-
Transfer from Stage 3	-	4,566	(4,566)	-
Other movements	(2,712,989)	(58,160)	(4,681)	(2,775,830)
Gross carrying amount, December 31, 2019	56,117,848	308,470	598,518	57,024,836
Housing Loans				
Gross carrying amount, January 1, 2019	6,395,507	403,921	160,139	6,959,567
New assets purchased or originated	2,406,631	-	-	2,406,631
Assets derecognized or repaid	(237,305)	(53,610)	(42,661)	(333,576)
Transfer from Stage 1	(242,098)	156,733	85,365	-
Transfer from Stage 2	177,914	(246,471)	68,557	-
Transfer from Stage 3	9,731	6,922	(16,653)	-
Other movements	(516,716)	(16,316)	(5,119)	(538,151)
Gross carrying amount, December 31, 2019	7,993,664	251,179	249,628	8,494,471
Auto Loans				
Gross carrying amount, January 1, 2019	3,260,811	203,470	179,398	3,643,679
New assets purchased or originated	2,317,012	-	-	2,317,012
Assets derecognized or repaid	(241,628)	(26,671)	(27,683)	(295,982)
Transfer from Stage 1	(215,592)	177,088	38,504	-
Transfer from Stage 2	86,813	(127,457)	40,644	-
Transfer from Stage 3	3,436	5,989	(9,425)	-
Other movements	(898,116)	(51,644)	(22,104)	(971,864)
Gross carrying amount, December 31, 2019	4,312,736	180,775	199,334	4,692,845
Bills Purchased, Import Bills and Trust Receipts				
Gross carrying amount, January 1, 2019	1,315,932	-	78,525	1,394,457
New assets purchased or originated	800,463	-	-	800,463
Assets derecognized or repaid	(1,315,932)	-	-	(1,315,932)
Transfer from Stage 1	-	-	-	-
Transfer from Stage 2	-	-	-	-
Transfer from Stage 3	-	-	-	-
Other movements	-	-	(2,369)	(2,369)
Gross carrying amount, December 31, 2019	800,463	-	76,156	876,619
Direct Advances				
Gross carrying amount, January 1, 2019	888,175	-	163,859	1,052,034
New assets purchased or originated	758,454	-	-	758,454
Assets derecognized or repaid	(880,015)	-	(671)	(880,686)
Transfer from Stage 1	-	-	-	-
Transfer from Stage 2	-	-	-	-
Transfer from Stage 3	-	-	-	-
Other movements	(1,246)	-	-	(1,246)
Gross carrying amount, December 31, 2019	765,368	-	163,188	928,556
Agri-agra Loans				
Gross carrying amount, January 1, 2019	354,490	-	17,663	372,153
New assets purchased or originated	276,403	-	-	276,403
Assets derecognized or repaid	(299,161)	-	-	(299,161)
Transfer from Stage 1	(22,338)	22,338	-	-
Transfer from Stage 2	-	-	-	-
Transfer from Stage 3	-	-	-	-
Other movements	(14,863)	-	-	(14,863)
Gross carrying amount, December 31, 2019	294,531	22,338	17,663	334,532

Forward

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Others				
Gross carrying amount, January 1, 2019	P1,194,998	P15,694	P251,128	P1,461,820
New assets purchased or originated	439,370	-	-	439,370
Assets derecognized or repaid	(221,350)	(4,630)	(2,454)	(228,434)
Transfer from Stage 1	(17,581)	10,052	7,529	-
Transfer from Stage 2	5,192	(7,020)	1,828	-
Transfer from Stage 3	169	200	(369)	-
Other movements	402,963	(4,013)	64,913	463,863
Gross carrying amount, December 31, 2019	1,803,761	10,283	322,575	2,136,619
Total receivables from customers				
Gross carrying amount, January 1, 2019	70,364,816	1,008,710	1,563,143	72,936,669
New assets purchased or originated	33,583,447	-	-	33,583,447
Assets derecognized or repaid	(27,865,003)	(118,029)	(208,146)	(28,191,178)
Transfer from Stage 1	(537,177)	375,768	161,409	-
Transfer from Stage 2	269,919	(380,948)	111,029	-
Transfer from Stage 3	13,336	17,677	(31,013)	-
Other movements	(3,740,967)	(130,133)	30,640	(3,840,460)
Gross carrying amount, December 31, 2019	72,088,371	773,045	1,627,062	74,488,478
Sales contract receivables				
Gross carrying amount, January 1, 2019	474,781	4,804	155,339	634,924
New assets purchased or originated	110,589	-	-	110,589
Assets derecognized or repaid	(94,809)	(447)	(42,584)	(137,840)
Transfer from Stage 1	(30,588)	9,861	20,727	-
Transfer from Stage 2	3,332	(3,564)	232	-
Transfer from Stage 3	4,748	3,486	(8,234)	-
Other movements	(69,432)	(4,555)	(5,409)	(79,396)
Gross carrying amount, December 31, 2019	398,621	9,585	120,071	528,277
Other Receivables				
Gross carrying amount, January 1, 2019	1,122,533	25,415	1,000,216	2,148,164
New assets purchased or originated	399,108	-	-	399,108
Assets derecognized or repaid	(341,384)	(563)	(1,486)	(343,433)
Transfer from Stage 1	(101,803)	22,196	79,607	-
Transfer from Stage 2	2,699	(24,531)	21,832	-
Transfer from Stage 3	106	263	(369)	-
Other movements	48,715	3,884	(56,658)	(4,059)
Gross carrying amount, December 31, 2019	1,129,974	26,664	1,043,142	2,199,780
	P73,616,966	P809,294	P2,790,275	P77,216,535
	December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Term Loans				
Gross carrying amount, January 1, 2018	P48,916,206	P1,000,047	P936,946	P50,853,199
New assets purchased or originated	38,666,734	-	-	38,666,734
Assets derecognized or repaid	(26,818,169)	(546,678)	(230,912)	(27,595,759)
Transfer from Stage 1	(14,056)	-	14,056	-
Transfer from Stage 2	-	(14,400)	14,400	-
Transfer from Stage 3	-	14,395	(14,395)	-
Other movements	(3,795,812)	(67,739)	(7,664)	(3,871,215)
Gross carrying amount, December 31, 2018	56,954,903	385,625	712,431	58,052,959
Housing Loans				
Gross carrying amount, January 1, 2018	5,036,735	138,007	159,156	5,333,898
New assets purchased or originated	2,254,645	-	-	2,254,645
Assets derecognized or repaid	(125,069)	(11,196)	(37,616)	(173,881)
Transfer from Stage 1	(414,285)	355,132	59,153	-
Transfer from Stage 2	49,323	(65,656)	16,333	-
Transfer from Stage 3	15,517	17,655	(33,172)	-
Other movements	(421,359)	(30,021)	(3,715)	(455,095)
Gross carrying amount, December 31, 2018	6,395,507	403,921	160,139	6,959,567

Forward

	December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Auto Loans				
Gross carrying amount, January 1, 2018	P2,842,555	P151,403	P162,553	P3,156,511
New assets purchased or originated	1,652,015	-	-	1,652,015
Assets derecognized or repaid	(174,703)	(25,886)	(24,104)	(224,693)
Transfer from Stage 1	(252,504)	210,026	42,478	-
Transfer from Stage 2	39,467	(72,859)	33,392	-
Transfer from Stage 3	7,644	8,273	(15,917)	-
Other movements	(853,663)	(67,487)	(19,004)	(940,154)
Gross carrying amount, December 31, 2018	3,260,811	203,470	179,398	3,643,679
Bills Purchased, Import Bills and Trust Receipts				
Gross carrying amount, January 1, 2018	1,287,172	-	83,088	1,370,260
New assets purchased or originated	348,318	-	-	348,318
Assets derecognized or repaid	(380,025)	-	(4,052)	(384,077)
Transfer from Stage 1	-	-	-	-
Transfer from Stage 2	-	-	-	-
Transfer from Stage 3	-	-	-	-
Other movements	60,467	-	(511)	59,956
Gross carrying amount, December 31, 2018	1,315,932	-	78,525	1,394,457
Direct Advances				
Gross carrying amount, January 1, 2018	868,441	-	146,082	1,014,523
New assets purchased or originated	929,598	-	-	929,598
Assets derecognized or repaid	(855,697)	-	-	(855,697)
Transfer from Stage 1	(22,508)	-	22,508	-
Transfer from Stage 2	-	-	-	-
Transfer from Stage 3	-	-	-	-
Other movements	(31,659)	-	(4,731)	(36,390)
Gross carrying amount, December 31, 2018	888,175	-	163,859	1,052,034
Agri-agra Loans				
Gross carrying amount, January 1, 2018	P1,057,584	-	17,663	1,075,247
New assets purchased or originated	288,719	-	-	288,719
Assets derecognized or repaid	(926,454)	-	-	(926,454)
Transfer from Stage 1	-	-	-	-
Transfer from Stage 2	-	-	-	-
Transfer from Stage 3	-	-	-	-
Other movements	(65,359)	-	-	(65,359)
Gross carrying amount, December 31, 2018	354,490	-	17,663	372,153
Others				
Gross carrying amount, January 1, 2018	985,819	21,494	210,856	1,218,169
New assets purchased or originated	479,332	-	-	479,332
Assets derecognized or repaid	(183,958)	(10,469)	(1,343)	(195,770)
Transfer from Stage 1	(21,355)	16,621	4,734	-
Transfer from Stage 2	5,212	(5,917)	705	-
Transfer from Stage 3	739	1,212	(1,951)	-
Other movements	(70,791)	(7,247)	38,127	(39,911)
Gross carrying amount, December 31, 2018	1,194,998	15,694	251,128	1,461,820
Total Receivables from Customers				
Gross carrying amount, January 1, 2018	60,994,512	1,310,951	1,716,344	64,021,807
New assets purchased or originated	44,619,361	-	-	44,619,361
Assets derecognized or repaid	(29,464,075)	(594,229)	(298,027)	(30,356,331)
Transfer from Stage 1	(724,708)	581,779	142,929	-
Transfer from Stage 2	94,002	(158,832)	64,830	-
Transfer from Stage 3	23,900	41,535	(65,435)	-
Other movements	(5,178,176)	(172,494)	2,502	(5,348,168)
Gross carrying amount, December 31, 2018	70,364,816	1,008,710	1,563,143	72,936,669

Forward

	December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Sales Contract Receivables				
Gross carrying amount, January 1, 2018	P1,048,346	P13,798	P141,970	P1,204,114
New assets purchased or originated	138,951	-	-	138,951
Assets derecognized or repaid	(466,650)	(3,331)	(26,188)	(496,169)
Transfer from Stage 1	(51,670)	6,530	45,140	-
Transfer from Stage 2	3,769	(10,133)	6,364	-
Transfer from Stage 3	4,071	161	(4,232)	-
Other movements	(202,036)	(2,221)	(7,715)	(211,972)
Gross carrying amount, December 31, 2018	474,781	4,804	155,339	634,924
Other Receivables				
Gross carrying amount, January 1, 2018	926,340	19,854	973,020	1,919,214
New assets purchased or originated	432,696	-	-	432,696
Assets derecognized or repaid	(230,780)	(12,857)	(20,974)	(264,611)
Transfer from Stage 1	(61,932)	20,339	41,593	-
Transfer from Stage 2	989	(3,457)	2,468	-
Transfer from Stage 3	127	128	(255)	-
Other movements	55,093	1,408	4,364	60,865
Gross carrying amount, December 31, 2018	1,122,533	25,415	1,000,216	2,148,164
	P71,962,130	P1,038,929	P2,718,698	P75,719,757

Movement in allowance for impairment losses as at December 31, 2019 and 2018 for investment in associate and non-financial assets are summarized as follows (amounts in thousands):

	December 31, 2019				Total
	Investment in Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	
Balance at beginning of year, as restated	P5,926	P6,156	P166,121	P4,617,177	P4,795,380
Provision for (Reversal of) impairment losses for the year	-	-	9,632	(2,002)	7,630
Foreign exchange differences	-	-	-	(8)	(8)
Accounts charged-off	-	-	-	-	-
Balance at end of year	P5,926	P6,156	P175,753	P4,615,167	P4,803,002

	December 31, 2018 (As restated - Note 35)				Total
	Investment in Associate (Note 13)	Property and Equipment (Note 14)	Investment Properties (Note 15)	Other Assets (Note 16)	
Balance at beginning of year	P5,926	P14,733	P200,818	P4,617,553	P4,839,030
Provision for (Reversal of) impairment losses for the year	-	(8,577)	(34,697)	(376)	(43,650)
Foreign exchange differences	-	-	-	-	-
Accounts charged-off	-	-	-	-	-
Balance at end of year	P5,926	P6,156	166,121	P4,617,177	P4,795,380

In addition to the reversals of allowance for credit and impairment losses amounting to P92.0 million as disclosed in the tables above, there was a reversal of P89.1 million in 2018 pertaining to a previously-impaired claim of the Bank. It arose from a settlement agreement not fully implemented due to transfer of shares used as payment. Such settlement agreement was rescinded in 2018 and the related loan was settled in cash by the borrower in the same year.

18. Deposit Liabilities

On February 15, 2018, the BSP issued Circular No. 997 which reduced the reserve requirement to 19.0% effective on the reserve week starting on March 2, 2018.

On May 24, 2018, the BSP, through Circular No. 1004, approved the reduction in the reserve requirement from 19.0% to 18.0% effective June 1, 2018.

On May 23, 2019, the BSP issued Circular No. 1041 which reduced the reserve requirement to 17.0% effective on the reserve week starting on May 31, 2019. This was further reduced effective June 28, 2019 and July 26, 2019 to 16.5% and 16.0%, respectively.

On October 3, 2019, the BSP issued Circular No. 1056 which reduced again the reserve requirement to 15.0% effective on the reserve week starting on November 1, 2019.

On November 21, 2019, the BSP issued Circular No. 1063 which further reduced the reserve requirement to 14.0% effective on the reserve week starting on December 6, 2019.

As at December 31, 2019 and 2018, the Bank is in compliance with such reserve requirements. Due from BSP demand deposit account amounting to P15.1 billion and P21.4 billion as at December 31, 2019 and 2018, respectively, is available for meeting these reserve requirements as reported to BSP.

Due from BSP-Overnight Deposit Accounts earned annual interest rates ranging from 3.5% to 4.3% in 2019 and from 2.5% to 4.3% in 2018. Due from BSP-Term Deposit Accounts earned annual interest rates ranging from 4.2% to 5.2% in 2019 and from 2.8% to 4.5% in 2018. Interest income on Due from BSP amounted to P104.9 million in 2019 and P45.2 million in 2018.

Interest expense on deposit liabilities follows:

	2019	2018
Demand	P35,708,157	P32,724,146
Savings	1,912,211,483	1,187,162,285
Time	398,347,203	289,050,090
	P2,346,266,843	P1,508,936,521

Peso-denominated deposits are subject to annual interest rates ranging from 0.1% to 5.3% and from 0.1% to 7.4% in 2019 and 2018, respectively. Foreign currency-denominated deposits are subject to annual interest rates ranging from 0.1% to 3.0% in 2019 and from 0.1% to 3.1% in 2018.

19. Bills Payable

This account consists of:

	2019	2018
Other borrowings	P105,095	P179,700
SSURA	-	557,291,915
	P105,095	P557,471,615

As at December 31, 2019, there are no financial assets at FVOCI pledged and transferred under SSURA transactions. As at December 31, 2018, the carrying and fair value of foreign currency-denominated financial assets at FVOCI pledged and transferred under SSURA transactions of the Bank amounted to P634.7 million.

As at December 31, 2019 and 2018, there are no short-term borrowings from local banks.

Other borrowings include borrowings from the rediscounting facility availed by TRB from Social Security System, which was assumed by the Bank in connection with the PSA entered into by the Bank with TRB in 2002. As at December 31, 2019 and 2018, borrowings from rediscounting facility were collateralized by certain receivables from customers amounting to P0.1 million and P0.2 million, respectively.

Interest expense consists of:

	2019	2018
Local banks	P2,660,677	P423,182
SSURA	597,709	8,475,711
Other borrowings	1,597,608	1,125,131
	P4,855,994	P10,024,024

SSURA are subject to annual interest rate of 2.8% in 2019 and interest rates ranging from 2.6% to 2.8% in 2018.

Peso-denominated short-term borrowings from local banks are subject to annual interest rates ranging from 5.0% to 5.3% and from 3.1% to 4.7% in 2019 and 2018, respectively. Foreign currency denominated short-term borrowings from local banks are subject to annual interest rate of 2.5% in 2019 and interest rates ranging from 1.4% to 2.3% and 2018.

Borrowings from rediscounting facility are subject to annual interest rates ranging from 8.0% to 12% in 2019 and 2018.

20. Accrued Interest, Taxes and Other Expenses

This account consists of:

	<i>Note</i>	2019	2018
Accrued interest payable:			
Deposit liabilities	18	P150,513,201	P300,427,537
Bills payable	19	2,244	4,857,246
		150,515,445	305,284,783
Accrued employee and other benefits		216,523,457	186,091,418
Accrued insurance		123,427,239	128,126,284
Accrued taxes payable		99,115,147	89,595,933
Accrued penalties		81,642,389	64,006,418
Accrued fees and commissions		33,454,721	8,980,975
Accrued equipment-related expenses		26,894,604	32,382,387
Accrued management and professional fees		16,631,150	18,299,530
Accrued lease liability		13,182,866	76,266,060
Other accrued expenses		53,647,785	47,453,437
		P815,034,803	P956,487,225

Other accrued expenses include accruals for utilities expenses, security services, janitorial, messengerial and various expenses attributable to the Bank's operations.

21. Other Liabilities

This account consists of:

	<i>Note</i>	2019	2018
Accounts payable		P978,466,356	P679,783,551
Bills purchased - contra	11	775,822,119	1,080,666,620
Lease liability	29	645,999,494	-
Retirement liability	28	315,118,153	201,207,980
Due to preferred shareholders	23	277,515,653	269,519,934
Other credits-dormant		107,139,500	106,576,833
Withholding tax payable		76,276,475	83,665,901
Due to Treasurer of the Philippines		56,868,348	53,732,106
ECL on off-balance sheet exposures	17	47,868,523	55,896,267
Miscellaneous		62,431,855	66,262,118
		P3,343,506,476	P2,597,311,310

Accounts payable mainly pertains to advance payments from customers, inward and outward remittances received by the Bank pending payment or application to designated accounts.

Other credits - dormant account are long outstanding Managers' Checks that are yet to be encashed by the payee for more than one (1) year from the date of check.

ECL on off-balance sheet exposures relate to committed credit line, credit card lines, outstanding guarantees and unused commercial letter of credits (see Note 37). Miscellaneous include unearned income from bank guarantee, deposits for keys of safety deposit boxes and unclaimed salaries of resigned employees.

22. Maturity Profile of Assets and Liabilities

The following tables present the maturity profile of the assets and liabilities of the Bank based on the amounts to be recovered or settled within and/or after more than 12 months after the reporting period (amounts in thousands):

	Note	2019			2018 (As restated - Note 35)		
		Within 12 Months	Over 12 Months	Total	Within 12 Months	Over 12 Months	Total
Financial Assets - gross							
COCI		P1,776,399	P -	P1,776,399	P1,748,071	P -	P1,748,071
Due from BSP	18	21,958,460	-	21,958,460	21,427,033	-	21,427,033
Due from other banks		670,568	-	670,568	3,838,566	-	3,838,566
Interbank loans receivable and SPURA	7	13,431,093	-	13,431,093	11,985,245	-	11,985,245
Financial assets at FVPL:	8						
Private debt securities		-	770,871	770,871	-	886,968	886,968
Government securities held-for-trading		257,572	-	257,572	923,152	-	923,152
Derivative assets		-	25,318	25,318	-	26,290	26,290
Financial assets at FVOCI:	9						
Government securities		470,437	446,462	916,899	2,652,838	4,315,929	6,968,767
Private debt securities		-	311,359	311,359	558,581	288,963	847,544
Equity securities		-	161,600	161,600	-	157,872	157,872
Investment securities at amortized cost - gross:	10						
Government securities		1,582,316	17,370,558	18,952,874	1,554,155	18,566,892	20,121,047
Private debt securities		352,227	3,245,696	3,597,923	-	3,093,150	3,093,150
Loans and receivables - gross:	11						
Receivable from customers:							
Term loans		23,850,544	33,174,292	57,024,836	23,811,145	34,241,813	58,052,958
Housing loans		524,057	7,970,535	8,494,592	497,111	6,462,455	6,959,566
Auto loans		543,298	4,149,706	4,693,004	462,771	3,181,203	3,643,974
Direct advances		918,763	12,511	931,274	1,046,773	8,754	1,055,527
Bills purchased, import bills and trust receipts		876,619	-	876,619	1,394,458	-	1,394,458
Agri-agra loans		270,591	64,371	334,962	316,828	55,329	372,157
Others		1,532,216	623,889	2,156,105	859,444	611,624	1,471,068
Accounts receivable		1,091,478	-	1,091,478	783,088	-	783,088
Accrued interest receivable		816,629	-	816,629	1,073,084	-	1,073,084
Sales contract receivables		137,614	390,663	528,277	197,603	437,321	634,924
Unquoted debt securities		291,578	-	291,578	291,578	-	291,578
RCOCI		94	-	94	414	-	414
Investment in associate	13	-	75,395	75,395	-	75,395	75,395
		71,352,553	68,793,226	140,145,779	75,421,938	72,409,958	147,831,896
Non-financial Assets - gross							
Non-current assets held for sale	12	48,122	-	48,122	48,122	-	48,122
Property and equipment	14	-	4,011,569	4,011,569	-	3,344,670	3,344,670
Investment properties	15	-	4,500,537	4,500,537	-	3,818,675	3,818,675
Deferred tax assets - net	31	-	880,301	880,301	-	1,003,191	1,003,191
Other assets	16	1,227,041	6,050,174	7,277,215	1,180,867	5,730,780	6,911,647
		1,275,163	15,442,581	16,717,744	1,228,989	13,897,316	15,126,305
		P72,627,716	P84,235,807	156,863,523	P76,650,927	P86,307,274	162,958,201
Less:							
Allowance for credit and impairment losses	17			P8,285,104			P8,252,214
Accumulated equity in net loss	13			28,026			29,487
Accumulated depreciation and amortization	14, 16			3,494,193			3,251,352
Unearned interest	11			22,914			13,040
Total				P145,033,286			P151,412,108

		2019			2018		
	Note	Within 12 Months	Over 12 Months	Total	Within 12 Months	Over 12 Months	Total
Financial Liabilities							
Deposit liabilities:	18						
Demand		P34,158,478	P -	P34,158,478	P28,834,196	P -	P28,834,196
Savings		72,016,488	77	72,016,565	77,608,568	-	77,608,568
Time		15,781,288	1,899,857	17,681,145	22,854,414	1,881,046	24,735,460
Bills payable	19	-	105	105	557,292	180	557,472
Manager's checks		923,460	-	923,460	615,496	-	615,496
Accrued interest and other expenses*	20	486,213	-	486,213	604,534	-	604,534
Other liabilities**	21	2,150,117	754,126	2,904,243	1,987,021	269,520	2,256,541
		125,516,044	2,654,165	128,170,209	133,061,521	2,150,746	135,212,267
Non-financial Liabilities							
Accrued taxes and other expense payable	20	328,822	-	328,822	351,953	-	351,953
Other liabilities	21	439,263	-	439,263	340,770	-	340,770
		768,085	-	768,085	692,723	-	692,723
		P126,284,129	P2,654,165	P128,938,294	P133,754,244	P2,150,746	P135,904,990

*amounts exclude accrued employee and other benefits, accrued taxes payable and accrued lease liability

**amounts exclude withholding tax payable, retirement liability and ECL of loan commitments and financial guarantees

23. Capital

For the two comparative years, capital stock consists of the following (in thousands):

	Shares	Amount
Authorized common stock, P100 par value	212,500,000	P21,250,000,000
Authorized preferred stock, P100 par value	7,500,000	750,000,000
Issued and fully paid (common stock)	112,241,112	11,224,111,200
Additional paid-in capital	-	5,594,079,645.52

As at December 31, 2019 and 2018, the Bank has no outstanding preferred shares. However, the Bank has outstanding liability for the unpaid portion of the redemption price of preferred shares amounting to P277.5 million and P269.5 million as at December 31, 2019 and 2018, respectively, which is recorded as "Due to preferred shareholders" account under "Other liabilities" in Note 21 to the financial statements. As at December 31, 2019 and 2018, the related sinking fund which is recorded under "Other assets" account amounting to P277.5 million and P269.5 million, respectively, has been set up to fund the eventual settlement of this liability (see Note 16).

On April 8, 2010, the SEC approved the Bank's application for the increase in authorized capital stock from P6.0 billion, divided into 52.5 million common shares; 7.5 million preferred shares both with the par value of P100 each, to P22.0 billion divided into 212.5 million common shares; 7.5 million preferred shares both with the par value of P100 each. The related amendment to the Articles of Incorporation of the Bank relative to its proposed increase in authorized capital stock from P6.0 billion to P22.0 billion, was approved by BSP and the SEC on March 26, 2010 and April 8, 2010, respectively.

During its meeting on January 18, 2011, the BOD of the Bank passed a resolution approving the following:

- the sale of fully paid shares of Valiant Ventures & Development Holdings, Inc. (Valiant) in the Bank to SMPI and SMCRP amounting to 2,800,000 shares and 1,972,735 shares, respectively; and
- the assignment of subscription rights of Valiant to SMPI amounting to 523,726 shares (Tranche 1) and 4,713,539 shares (Tranche 2).

In this connection, the Bank secured the approval of the MB of BSP for such sale of shares and assignment of subscription of the shares of Valiant. This is mandated in BSP's MORB since the total shareholdings of Valiant entitles it to a board seat. The Board has also agreed that the sale of shares and assignment of subscription rights be recorded in the stock and transfer book of the Bank only after the approval of the MB has been obtained.

On March 30, 2011, the MB of BSP approved the sale of shares of Valiant. In 2011, the Bank's subscribed common stock totaling 59,741,113 shares have been fully paid in accordance with the subscription agreement.

Equity Restructuring

On May 31, 2016, the BOD approved the Bank to undergo equity restructuring to wipe out the deficit amounting to P3,154,450,041 as at December 31, 2015 through the use of the Bank's Paid-in surplus.

On August 6, 2016, the Bank received from BSP a "No Objection" response to the Bank's application for equity restructuring with the SEC subject to the (1) Bank's compliance with the SEC's other requirements; and (2) condition that the Bank shall provide BSP a certified true copy of SEC's approval of the equity restructuring within 5 days from Bank receipt thereof.

On December 22, 2016, the Bank, through a letter dated December 14, 2016, filed an application with the SEC through the Company Registration and Monitoring Department (CRMD) requesting approval of the Equity Restructuring Plan. Upon filing with the CRMD, the Bank was advised to forward the Application to the Market and Securities Regulation Department (MSRD) for endorsement. In its letter dated December 23, 2016, the MSRD interposed no objection to the Application provided that the Bank submits a certification that it is still in compliance with certain reportorial conditions after the SEC's approval of the Application.

On February 8, 2017, the Application was reverted to the CRMD. On February 13, 2017, the SEC, through the CRMD, formally approved the equity restructuring to wipe-out the deficit as at December 31, 2015 amounting to P3.15 billion against the Paid-in surplus of P8.75 billion subject to the conditions that the remaining Paid-in surplus of P5.59 billion shall not be used to wipe-out future losses without further approval from SEC.

Capital Management

The Bank's capital base, comprised of capital stock, paid-in surplus and surplus reserves, is actively being managed to cover risks inherent in the Bank's operations. In 2009, SMPI and SMCRP infused additional capital amounting to P3.3 billion in the form of paid-up common stock. On February 18, 2010 and March 1, 2010, major stockholders infused P271.9 million and P2.1 billion, respectively, into the Bank in the form of advances for future stock subscriptions, which shall be treated as part of the Bank's paid-up capital upon the SEC's approval thereon and on the increase in the Bank's authorized capital stock.

In a disclosure to the Philippine Stock Exchange on November 7, 2019, San Miguel Corporation (SMC) declared that the BOD of SMC approved to provide an additional equity investment in the Bank of up to P 5.5 billion in support of the application of the Bank for an upgrade of its commercial banking license to a universal banking license. The Bank continues to discuss the terms of the investment with SMC and is currently working on the other requirements of the BSP for a universal banking license.

Under Section 121 of the MORB, *Minimum Required Capital*, the minimum capitalization requirement applicable for the Bank (commercial banks with more than 100 branches) amounted to P15.0 billion. As at December 31, 2019 and 2018, the reported unimpaired capital of the Bank amounted to P16.0 billion and P15.6 billion, respectively.

The guidelines on bank's internal capital adequacy assessment process (ICAAP) under Section 130 and Appendices 94, 95 and 96 of the MORB supplements the BSP's risk-based capital adequacy framework. In compliance with this new circular, the Bank has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Bank. The level and structure of capital are assessed and determined in light of the Bank's business environment, plans, performance, risks and budget; as well as regulatory edicts. The deadline for submission of ICAAP documents is March 31 of each year.

During a meeting with Bank management on June 10, 2019, BSP directed the Bank to value its property and equipment and investment properties using the cost model. The impact of the change in accounting policy for property and equipment and investment properties is disclosed in Note 35. For purposes of regulatory qualifying capital, as approved by the BSP, the restatement has no impact as reporting of the qualifying capital has always been done with land and investment properties valued using the cost method. Capital levels continue to remain well above regulatory minimums. Management and the BOD are currently discussing the possibility of applying the Paid-in surplus of P5.6 billion to offset the deficit resulting in any restatement.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of Regulatory Accounting Principles which differ from PFRSs in some respects.

The BSP sets and monitors compliance to minimum capital requirements for the Bank. In implementing current capital requirements, BSP issued Circular 538 which implemented the Revised Risk-Based Capital Adequacy Framework under Basel II effective July 1, 2007. It requires the Bank to maintain a prescribed risk-based capital adequacy ratio (expressed as a percentage of qualifying capital to risk-weighted assets) of not less than 10.0%.

Under Section 125 and Appendix 59 of the MORB, the regulatory qualifying capital of the Bank consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprised common stock, additional paid-in capital and surplus. Tier 2 composed upper tier 2 and lower tier 2. Upper tier 2 consists of preferred stock, revaluation increment reserve, general loan loss provision and deposit for common stock subscription. Lower tier 2 consists of the unsecured subordinated debt.

The following are the minimum capital requirements for UBs and KBs and their subsidiary banks and quasi-banks (QBs):

- 6.0% Common Equity Tier 1 (CET1)/Risk-Weighted Assets (RWAs)
- 7.5% Tier 1 Capital/RWAs, and
- 10.0% Total Qualifying Capital (Tier1 plus Tier2)/RWAs

The Qualifying Capital must consist of the sum of the following elements, net of required deductions: Tier 1-‘going concern’ [CET1 plus Additional Tier 1(ATI)] and Tier 2 -‘gone concern.’ A bank/quasi-bank must ensure that any component of capital included in qualifying capital complies with all the eligibility criteria for the particular category of capital in which it is included. The Circular further describes the elements/criteria that a domestic bank should meet for each capital category. Regulatory adjustments and calculation guidelines for each capital category are also discussed.

In conformity with the Basel III standards, a Capital Conservation Buffer (CCB) of 2.5% of RWAs, comprised of CET1 capital, has been required of U/KBs and their subsidiary banks and quasi-banks. This buffer is meant to promote the conservation of capital and build-up of adequate cushion that can be drawn down by banks to absorb losses during financial and economic stress.

The CET1 capital requirement includes as an additional capital buffer, the Countercyclical capital buffer (CcyB) of zero percent (0%) subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed two and a half percent (2.5%). Any increases in the CcyB rate shall be effective 12 months after announcement while decreases shall be effective immediately.

The countercyclical buffer requirement will extend the size of the capital conservation buffer. A bank shall not be subject to any restriction on distribution if the following conditions are met:

- a. Has positive retained earnings as of the preceding quarter and has complied with the requirements on the declaration of dividends as provided in the MORB;
- b. Has CET1 of more than the total required (minimum CET1 ratio of 6.0% plus CCB of 2.5% plus CcyB at the rate determined by the MB) before distribution; and
- c. Has complied with the minimum capital ratios (CET1 ratio of 6.0%, Tier 1 ratio of 7.5% and 10.0% CAR) after the distribution.

Otherwise, the policy framework of the capital conservation buffer on the restriction on distributions shall apply, except for drawdowns. Thresholds on the restriction on distribution shall consider the CcyB requirement as an extension of the capital conservation buffer.

As at December 31, 2019 and 2018, based on the CAR reports submitted to BSP, the Bank’s CAR of 15.93% and 15.06%, respectively, exceeded the minimum 10.0% requirement as computed and monitored using the rules and ratios established by the Basel Committee on Banking Supervision (“BIS rules/ratios”), based on the Basel III framework. The increase in CAR ratio was mainly due to the movement in the credit risk weighted amount of loans and other risk assets.

The breakdown of the Bank’s risk-weighted assets as at December 31, 2019 and 2018 as reported to BSP follows (amounts in thousands):

	2019	2018
Credit risk-weighted assets	P89,735,017	P92,890,662
Market-risk weighted assets	409,223	411,555
Operational risk-weighted assets	7,472,407	6,921,163
	P97,616,647	P100,223,380

The Bank is also required to maintain a minimum Tier 1 capital ratio of 7.5% in 2019 and 2018 (in millions) which was complied as per below:

	2019	2018
Tier 1 capital	P14,715	P14,096
Tier 2 capital	837	1,001
Total qualifying capital	P15,552	P15,097
Risk-weighted assets	P97,617	P100,223
Tier 1 capital ratio	15.07%	14.07%
Total capital ratio	15.93%	15.06%

Certain adjustments are made to PFRSs results and reserves to calculate CAR which included the Bank's accounting of the following transactions that require different accounting treatments under PFRSs:

- a) non-performing assets and operating losses of TRB capitalized as miscellaneous assets and subject to staggered allowance provisioning through offset of net yield earned from the financial assistance;
- b) accounting for investment properties.

The recognition of the Bank is based on the accounting treatment approved by BSP (see Notes 15, 16 and 25).

Under Section 129 of the MORB Basel III, leverage ratio is designed to act as supplementary measure to the risk-based capital requirements. It is defined as the capital measure (numerator) divided by the exposure measure (denominator). The leverage ratio shall not be less than 5.0% computed on both solo (head office plus branches) and consolidated bases (parent bank plus subsidiary financial allied undertakings but excluding insurance companies).

The Bank Exceeded the minimum leverage ratio 5.0% in 2019 and 2018 (in thousands) which was complied as per below breakdown (amounts in thousands):

	2019	2018
Capital measure	P14,714,742	P14,096,444
Exposure measure	148,518,664	156,345,102
Leverage ratio	9.91%	9.02%

The Liquidity Coverage Ratio (LCR) framework under Section 145 of the MORB promotes short-term resilience of liquidity risk profile of a bank. The LCR is the ratio of High-Quality Liquid Assets (HQLAs) to total net cash outflows. Under normal situation, the value of the ratio should be no lower than 100% on a daily basis because the stock of unencumbered HQLA is intended to serve as a defense against the potential onset of liquidity stress. The compliance with the LCR minimum requirement commenced on January 01, 2018 and the prescribed minimum shall be set initially at 90% for 2018 and raised to the minimum level of 100% on January 01, 2019.

Based on the LCR reports submitted to the BSP as at December 31, 2019 and 2018, the Bank's LCR were 149.64% and 121.82% respectively, which were above the prescribed minimum requirement set at 100%.

While the NSFR promotes long-term resilience of banks against liquidity risk and maintains stable funding profile in relation to the composition of its assets and off-balance sheet activities. The implementation of the minimum NSFR was phased-in, banks undergone observation period from 01 July 2018 up to 31 December 2018 while actual implementation commenced on January 01, 2019. The NSR is the ratio of Bank's available stable funding to its required stable funding and shall maintain at least 100% at all times.

As at December 31, 2019 and 2018, the reported NSFR of 137% and 134% respectively, exceeded the required minimum of 100%.

This applies to U/KBs as well as their subsidiary banks and quasi-banks with the framework anchored on the international standards issued by the Basel Committee on Banking Supervision known as the Basel 3 reforms.

24. Surplus Reserves

	2019	2018
Reserve for general provision - special reserve	P223,344,419	P287,401,612
Reserve for trust business	115,918,324	107,593,173
Reserve for self-insurance	60,000,000	60,000,000
	P399,262,743	P454,994,785

The BSP, through Circular No. 1011, *Guidelines on the Adoption of the PFRS 9 - Financial Instruments*, requires appropriation of the Bank's Retained earnings in case the computed allowance for credit losses on loans based on PFRS 9 is less than the BSP required 1.0% general provision on outstanding Stage 1 on-balance sheet loans, except for accounts considered as risk-free under existing regulations.

In compliance with BSP regulations, 10.0% of the Bank's profit from trust business is appropriated to surplus reserve. This yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Bank's authorized capital stock.

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation and other unlawful acts of the Bank's personnel or third parties.

25. Interest Income on Debt Securities

This account consists of:

	Note	2019	2018
Investment securities at amortized cost:	10		
Government securities		P754,709,801	P754,060,444
Private debt securities		171,893,382	163,479,146
Financial assets at FVOCI:	9		
Government securities		162,313,770	153,446,491
Private debt securities		28,175,322	52,899,950
		1,117,092,275	1,123,886,031
Financial assets at FVPL:	8		
Government securities held for trading		16,058,663	62,668,042
		P1,133,150,938	P1,186,554,073

Foreign currency-denominated financial assets at FVPL bear annual interest rates ranging from 0.3% to 8.6% in 2019 and from 0.3% to 9.9% in 2018. Peso-denominated financial assets at FVPL bear annual interest rates ranging from 3.6% to 8.1% in 2019 and 2018.

Foreign currency-denominated financial assets at FVOCI bear EIRs ranging from 2.0% to 3.9% and from 1.1% to 4.5%, respectively, in 2019 and 2018. Peso-denominated financial assets at FVOCI bear EIRs ranging from 6.0% to 7.2% in 2019 and from 2.1% to 7.6% in 2018.

Foreign currency-denominated investment securities at amortized cost bear EIRs ranging from 2.0% to 3.4% and from 1.4% to 3.7%, respectively, in 2019 and 2018. Peso-denominated financial assets at FVOCI bear EIRs ranging from 3.2% to 8.1% in 2019 and from 2.1% to 8.1% in 2018.

26. Service Charges, Fees and Commissions

This account consists of:

	2019	2018
Service charges	P142,303,916	P137,357,081
Credit card fees	114,954,396	66,577,112
Trust income	107,985,620	83,231,022
Remittance fees	41,849,712	16,429,495
Penalty charges	19,629,875	17,398,727
Letters of credit fees	16,036,627	15,382,181
Fees and commissions	3,285,774	3,374,185
Telegraphic transfer fees	3,053,339	3,876,512
Commitment and other loan-related charges	2,280,159	20,221,761
Others	25,894,862	27,964,823
	P477,274,280	P391,812,899

Service charges include charges on loans and deposit taking-related activities.

Others include commission on acceptance fee, insurance, auto and housing loans, processing and sale of demand drafts.

27. Trading and Investment Securities Gains (Losses)

This account consists of realized and unrealized gains (losses) from the following securities:

	Note	2019	2018
Financial assets and liabilities at FVPL:			
Debt securities:			
Unrealized	8	P135,535,224	(P19,715,698)
Realized		21,326,085	(89,534,221)
Financial assets at FVOCI	9	198,827,405	(164,734)
		P355,688,714	(P109,414,653)

28. Employee Benefits

Retirement Plan

The Bank has a funded noncontributory defined benefit retirement plan covering its regular and permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using projected unit credit method.

The Bank's retirement benefits are based on the employee's years of service and a percentage of his gross monthly salary. An employee shall be retired and shall be entitled to full retirement benefits upon his attainment of 60 years of age.

An employee, upon reaching the age of 50 years and with the completion of no less than 10 years of service as a regular employee and with 30 days prior notice to the Bank, may retire at his option and shall be entitled to the retirement benefits.

An employee who has at least 10 years of service as a regular employee, but who has not reached the age of 50 years, may retire at his option and shall be entitled to the retirement benefits but such retirement benefit shall be subject to the pertinent requirements of the BIR.

The Bank's retirement plan is registered with the BIR as a tax-qualified plan under RA No. 4917, as amended, and complies with the minimum retirement benefit specified under RA No. 7641, the "New Retirement Law."

The date of the last actuarial valuation is January 22, 2020. Valuations are performed on an annual basis.

As at December 31, 2019 and 2018, the principal actuarial assumptions used in determining retirement benefits liability for the Bank's retirement plan are shown below:

	2019	2018
Average working life	13.0	13.0
Discount rate	5.3%	7.6%
Future salary increases	6.6%	6.6%

The following table shows reconciliation from the opening balances to the closing balances for net retirement benefit liability and its components (in thousands).

	Defined Benefits Obligation		Fair Value of Plan Assets		Net Retirement Benefit Liability	
	2019	2018	2019	2018	2019	2018
Balance at January 1	P822,021	P862,561	(P620,813)	(P677,115)	P201,208	P185,446
Included in Profit or Loss						
Current service cost	76,083	86,437	-	-	76,083	86,437
Interest expense (income)	62,474	50,028	(47,182)	(39,272)	15,292	10,756
	138,557	136,465	(47,182)	(39,272)	91,375	97,193
Included in OCI						
Remeasurement loss (gain):						
Actuarial loss (gain) arising from:						
Financial assumptions	234,215	(162,837)	-	-	234,215	(162,837)
Experience adjustment	(5,378)	22,345	-	-	(5,378)	22,345
Return on plan assets excluding interest income	-	-	(4,151)	59,061	(4,151)	59,061
	228,837	(140,492)	(4,151)	59,061	224,686	(81,431)
Others						
Contributions paid by the employer	-	-	(202,151)	-	(202,151)	-
Benefits paid	(52,213)	(36,513)	52,213	36,513	-	-
	(52,213)	(36,513)	(149,938)	36,513	(202,151)	-
Balance at December 31	P1,137,202	P822,021	(P822,084)	(P620,813)	P315,118	P201,208

The movements of the remeasurement losses on retirement liability of the Bank follow:

	2019	2018
Balance at beginning of year	P95,312,091	P176,743,526
Remeasurement losses (gains) on:		
Defined benefits obligation	228,837,578	(140,492,272)
Plan assets	(4,151,218)	59,060,837
	224,686,360	(81,431,435)
Balance at end of year	P319,998,451	P95,312,091

The actual gain on plan assets amounted to P51.3 million in 2019 and actual loss amounted to P19.8 million in 2018.

The Bank expects to contribute P158.1 million to its defined benefits retirement plan in 2020.

The major categories of the fair value of plan assets as at December 31, 2019 and 2018 follow:

	2019	2018
Financial assets at FVOCI:		
Government and other debt securities	P425,389,037	P332,059,647
Quoted equity securities	196,084,992	157,927,336
Unquoted equity securities	12,223,787	9,692,186
Deposits with the bank	63,689,062	27,750,343
Loans receivables	115,816,489	88,230,785
Other receivables	8,880,528	5,152,749
Total Plan Assets	P822,083,895	P620,813,046

Sensitivity Analysis

Reasonably possible changes to one of the relevant actuarial assumptions, with all other assumptions constant, would have affected the net retirement liability of the Bank by the amounts shown below:

	December 31, 2019			
	Discount Rate		Salary Increase Rate	
	+1.00%	-1.00%	+1.00%	-1.00%
Present value of the defined benefit obligation	P1,024,750,080	P1,270,093,388	P1,259,632,270	P1,031,132,850
Fair value of plan assets	822,083,895	822,083,895	822,083,895	822,083,895
Net retirement liability	P202,666,185	P448,009,493	P437,548,375	P209,048,955

	December 31, 2018			
	Discount Rate		Salary Increase Rate	
	+0.50%	-0.50%	+0.50%	-0.50%
Present value of the defined benefit obligation	P784,356,340	P862,693,794	P860,361,110	P786,163,520
Fair value of plan assets	620,813,046	620,813,046	620,813,046	620,813,046
Net retirement liability	P163,543,294	P241,880,748	P239,548,064	P165,350,474

The maturity analyses of the undiscounted benefit payments as at December 31, 2019 and 2018 are as follows:

	2019	2018
1 - 5 years	P400,997,606	P360,897,955
6 - 10 years	671,856,271	577,648,555
11 - 15 years	1,109,714,344	1,035,581,740
16 years and up	4,529,654,517	4,232,061,011

The defined benefit plans expose the Bank to actuarial risks, such as longevity risk, interest risk, and market (investment risk).

The overall investment policy and strategy of the retirement plan is based on the Bank's suitability assessment, as provided by its Trust Services Group, in compliance with BSP requirements.

The weighted average duration of the defined benefit obligations is equal to the expected average remaining working lives as at December 31, 2019 and 2018.

Compensation and Fringe Benefits

The details of the following accounts for the year ended December 31 follow:

	2019	2018
Salaries and allowances	P939,044,104	P840,818,170
Employee benefits	318,705,457	301,155,953
Bonuses	298,945,157	286,446,807
Retirement benefits	91,375,015	97,313,094
Overtime	36,468,698	32,037,051
	P1,684,538,431	P1,557,771,075

29. Lease Contracts

Bank as Lessee

The Bank leases the premises occupied by most of its branches. The lease contracts are for periods ranging from 1 to 25 years and are renewable upon mutual agreement between the Bank and the lessors. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 3.0% to 15.0%.

The Bank also leases IT equipment such as ATMs and photocopier machine with contract term of 1 year. These leases are short-term and/or leases of low value items. The Bank has elected not to recognize right-of-use assets and lease liabilities for these leases. Rent expenses related to these contracts are charged against current operations (included under "Rent and utilities" account in the statements of income).

Previously, these leases were classified as operating leases under PAS 17.

Information about leases for which the Bank is a lessee is presented below:

Right-of-Use Assets

Right-of-use assets relate to leased branch and office premises. Details of right-of-use assets are presented within property and equipment (see Note 14).

Lease Liabilities

See Note 5 for maturity analysis of lease liabilities as at December 31, 2019.

As at December 31, 2018, the future minimum lease payments under non-cancellable operating leases were payable as follows (amounts in millions):

Maturity analysis - contractual undiscounted cash flows	
Less than one year	P178.5
Between one and five years	387.2
More than five years	48.3
Total undiscounted lease liabilities at December 31	P614.0

The table below shows the amounts recognized in the statement of income in 2019 related to leases under PFRS 16 (amounts in millions).

Interest on lease liabilities	P45.4
Expenses relating to short-term leases	56.0
Expenses relating to lease of low-value assets, excluding short-term leases of low-value assets.	10.5

Rent expense recognized in the statement of income in 2018 related to operating leases under PAS 17 amounted to P324.0 million.

Total cash outflow for leases recognized in the statement of cash flows in 2019 amounted to P193.4 million.

Bank as Lessor

The Bank leases out its commercial properties for office space. These non-cancellable leases have remaining lease terms of less than 1 year. The Bank has classified these leases as operating leases, because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

Rental income recognized by the Bank (shown under "Miscellaneous" in the statements of income) during the years ended December 31, 2019 and 2018 were P2.6 million and P2.2 million, respectively, and includes rental income on investment properties (Note 15). There is no contingent rental income recognized in 2018.

The following table sets out a maturity analysis of lease payments, showing undiscounted lease payments to be received after the reporting date (amounts in millions).

Operating Leases under PFRS 16	2019
Less than one year	P0.4
Total	P0.4
 Operating Leases under PAS 17	 2018
Less than one year	P1.2
One to two years	0.4
Total	P1.6

30. Miscellaneous Income and Expenses

Miscellaneous Income

This account consists of:

	<i>Note</i>	2019	2018
Gain on exchange	15	P363,450,000	P -
Passed-on GRT		54,649,626	36,992,947
Dividend income	9	8,201,707	13,065,426
Rent income	29	5,509,668	5,053,852
Others		28,050,227	40,222,608
		P459,861,228	P95,334,833

In December 2019, the Bank received a parcel of land located in Sto. Domingo, Quezon City, as a replacement for certain assets (condominium units) booked as investment properties. The assignment of the condominium units to the Bank was made in 1998 as settlement of a loan. However, the covering Condominium Certificates of Title could not be transferred to the Bank since the related project was not completed by the developer. In order to finally settle the issues relating to the above condominium units, a settlement agreement has been executed by the Bank and the borrower to replace the recorded condominium units with the above mentioned parcel of land.

The Bank recognized gain from exchange of properties and provision for deferred tax (included in "Income tax expense" account in the statements of income (see Note 31) from this transaction amounting to P363.5 million and P109.0 million, respectively.

Others include recovery from charged-off assets and excess chattel fees.

Miscellaneous Expense

This account consists of:

	<i>Note</i>	2019	2018
Marketing		P73,927,301	P62,010,994
Subscription fees		69,079,576	1,703,304
Communications		57,879,402	54,550,711
Messengerial services		52,025,020	48,589,626
Supervision and examination fee		47,807,051	44,127,596
Fines and penalties		41,932,646	88,221,536
Forms and supplies		38,009,159	30,728,779
Transportation and travel		22,657,826	18,836,580
Membership dues		12,670,088	7,476,041
Litigation and acquired assets-related expenses	16	11,388,756	43,538,090
Others		41,487,429	21,296,459
		P469,087,641	P421,709,716

Others include management fee on deposits, subscription fee and membership dues.

31. Income and Other Taxes

Income and other taxes are comprised of RBU and FCDU taxes which are discussed as follows:

Regular Banking Unit

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

Income taxes include corporate income tax, as discussed below, and final taxes paid at the rate of 20.0%, which is a final withholding tax on gross interest income from GS and other deposit substitutes.

The corporate income tax rate is 30.0%. Interest allowed as a deductible expense is reduced by an amount equivalent to 33.0% of interest income subjected to final tax.

The regulations also provide for MCIT of 2.0% on modified gross income and allow NOLCO. The MCIT and NOLCO may be applied against the Bank’s income tax liability and taxable income, respectively, over a 3-year period from the year of incurrence.

In addition, Revenue Regulations (RR) No. 10-2002 provides for the ceiling on the amount of entertainment, amusement and representation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Bank is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue. Nondeductible EAR expenses amounted to P45.5 million in 2019 and P66.1 million in 2018. EAR expense is included under “Entertainment, amusement and recreation” account in the statements of income.

In 2011, the BIR issued RR 4-2011, *Proper allocation of costs and expenses amongst income earning of banks and other financial institutions for income tax reporting purposes*, which requires banks to allocate and claim as deduction only those costs and expenses attributable to RBU to arrive at the taxable income of the RBU subject to regular income tax. Any cost or expense related with or incurred for the operations FCDU are not allowed as deduction from the RBU’s taxable income. In computing for the amount allowable as deduction from RBU operations, all costs and expenses should be allocated between the RBU and FCDU by specific identification and by allocation.

Foreign Currency Deposit Unit

RA No. 9294, the existing applicable tax regulation governing the taxation of FCDU provides, among others, the following:

- Offshore income or the income derived by FCDUs from foreign currency transactions with nonresidents, Offshore Banking Units (OBUs) in the Philippines, local commercial banks including branches of foreign banks that may be authorized by BSP to transact business with FCDUs and other depository banks under the foreign currency deposit system shall be exempt from all taxes, except net income from such transactions as may be specified by the Secretary of Finance, upon recommendation by the MB to be subject to the regular income tax payable by banks.

- Gross onshore income or interest income from foreign currency loans granted by FCDUs to residents through offshore units in the Philippines or other depository banks under the expanded system shall be subject to final tax at a rate of 10.0%; and
- Interest income derived by resident individual or corporation on deposits with FCDUs and OBUs are subject to 15.0% final tax.

Income tax expense consists of:

	2019	2018 (As restated - see Note 35)
Current:		
Final	P281,701,979	P267,811,760
MCIT	61,363,313	57,182,035
RCIT	1,536,421	723,047
	344,601,713	325,716,842
Deferred	119,584,686	(70,310,861)
	P464,186,399	P255,405,981

The amount of deferred tax income relates to the origination and reversal of temporary differences.

The reconciliation of the income tax expense computed at the statutory tax rate to the effective income tax shown in the statements of income follows:

	2019	2018 (As restated - See Note 35)
Income before income tax	P1,116,908,933	P238,861,213
Income tax at statutory rate	P335,072,680	P71,658,364
Additions to (reductions in) income taxes resulting from the tax effects of:		
Nondeductible expenses	319,664,541	228,721,683
Tax paid income	(142,426,503)	(128,719,151)
Nontaxable income	(79,941,478)	(80,954,777)
FCDU income	(28,009,350)	556,652
Changes in unrecognized deferred tax assets	12,565,790	175,496,013
Others	47,260,719	(11,352,803)
Effective income tax	P464,186,399	P255,405,981

The components of net deferred tax assets and deferred tax liabilities in the statements of financial position follow:

	Beginning Balance (December 31, 2018 Tax Effect, As restated - see Note 35)	Amount (Charged) Credited to Profit or Loss	Amount Recognized in OCI	Ending Balance (December 31, 2019 Tax Effect)
Deferred tax assets:				
Allowance for credit and impairment losses	P1,050,037,901	P2,889,714	P -	P1,052,927,615
Accumulated depreciation on foreclosed properties	156,013,550	19,290,569	-	175,304,119
Accrued employee benefits and other expenses	86,317,408	13,893,242	-	100,210,650
Unrealized loss on foreclosed properties	138,450,921	(51,154,431)	-	87,296,490
Net lease liability	-	16,066,416	-	16,066,416
Accrued rent expense	18,594,692	(17,152,865)	-	1,441,827
	1,449,414,472	(16,167,355)	-	1,433,247,117
Deferred tax liability:				
Unrealized gain on foreclosed properties	(345,683,932)	(111,852,197)	-	(457,536,129)
Unrealized foreign exchange gain	(53,260,423)	(1,169,021)	-	(54,429,444)
Gain on investment properties sold under installments	(47,278,995)	11,067,976	-	(36,211,019)
Unrealized gain on financial assets at FVOCI	-	-	(3,305,159)	(3,305,159)
Employee benefits	-	(1,464,089)	-	(1,464,089)
	(446,223,350)	(103,417,331)	(3,305,159)	(552,945,840)
Net Deferred Tax Assets (Liabilities)	P1,003,191,122	(P119,584,686)	(P3,305,159)	P880,301,277

	Beginning Balance (January 1, 2018 Tax Effect, as restated - see Note 35)	Amount (Charged) Credited to Profit or Loss	Amount Recognized in OCI	Ending Balance (December 31, 2018 Tax Effect)
Deferred tax assets:				
Allowance for credit and impairment losses	P1,060,451,738	(P10,413,837)	P -	P1,050,037,901
Accumulated depreciation on foreclosed properties	150,845,648	5,167,902	-	156,013,550
Unrealized loss on foreclosed properties	146,647,878	(8,196,957)	-	138,450,921
Accrued rent expense	18,105,965	488,727	-	18,594,692
Retirement benefits	2,610,813	(2,610,813)	-	-
Other accrued expenses	86,104,015	213,393	-	86,317,408
	1,464,766,057	(15,351,585)	-	1,449,414,472
Deferred tax liability:				
Unrealized gain on foreclosed properties	(344,810,357)	(873,575)	-	(345,683,932)
Unrealized foreign exchange gain	(37,064,908)	(16,195,515)	-	(53,260,423)
Gain on investment properties sold under installments	(150,010,531)	102,731,536	-	(47,278,995)
	(531,885,796)	85,662,446	-	(446,223,350)
Net Deferred Tax Assets (Liabilities)	P932,880,261	P70,310,861	P -	P1,003,191,122

Management believes that certain future deductible items may not be realized in the near foreseeable future as future taxable income may not be sufficient for the related tax benefits to be realized. Accordingly, the Bank did not set up deferred tax assets on the following temporary differences and carry forward benefits of NOLCO and MCIT:

	2019		2018	
	Deductible Temporary Differences	Deferred Tax Asset	Deductible Temporary Differences	Deferred Tax Assets
Allowance for credit and impairment losses	P2,280,245,612	P684,073,684	P2,282,938,129	P684,881,439
NOLCO	207,378,429	62,213,529	132,524,523	39,757,357
MCIT	172,123,436	172,123,436	156,443,933	156,443,933
Unrealized loss on financial assets at FVPL	1,556,373	466,912	51,954,240	15,586,272
Retirement benefits	-	-	105,895,889	31,768,767
Others	122,564,407	36,769,322	48,811,082	14,643,325
Deferred tax items not recognized in profit or loss	2,783,868,257	955,646,883	2,778,567,796	943,081,093
Remeasurement losses on retirement liability	319,998,451	95,999,535	95,312,091	28,593,627
Unrealized loss on financial assets at FVOCI	-	-	71,179,467	21,353,840
Deferred tax items not recognized in OCI	319,998,451	95,999,535	166,491,558	49,947,467
	P3,103,866,708	P1,051,646,418	P2,945,059,354	P993,028,560

Details of the Bank's RBU NOLCO and MCIT as at December 31, 2019 follow:

NOLCO

Inception Year	Amount	Expired	Balance	Expiry Year
2016	P17,903,000	(P17,903,000)	P -	2019
2018	114,621,525	-	114,621,525	2021
2019	92,756,904	-	92,756,904	2022
	P225,281,429	(P17,903,000)	P207,378,429	

MCIT

Inception Year	Amount	Expired	Balance	Expiry Year
2016	P45,683,810	P45,683,810	P -	2019
2017	53,578,087	-	53,578,087	2020
2018	57,182,035	-	57,182,035	2021
2019	61,363,313	-	61,363,313	2022
	P217,807,245	P45,683,810	P172,123,435	

32. Related Party Transactions

The Bank has various transactions with its related parties and with certain directors, officers, stockholders and related interests (DOSRI). These transactions usually arise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Bank, transactions with related parties are made substantially on the same terms as with other individuals and businesses of comparable risks.

Under current banking regulations, total outstanding loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the Bank: *Provided, however*, that unsecured loans, other credit accommodations and guarantees to each of the Bank's DOSRI shall not exceed 30% of their respective total loans, other accommodations and guarantees. Loans, other credit accommodations, and guarantees granted by the Bank to its DOSRI for the purpose of project finance, shall be exempted from the 30% unsecured individual ceiling during the project gestation phase: *Provided*, That: the Bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

Except with the prior approval of the Monetary Board, the total outstanding loans, other credit accommodations and guarantees to DOSRI shall not exceed 15% of the total loan portfolio of the bank or 100% of net worth whichever is lower: *Provided*, That in no case shall the total unsecured loans, other credit accommodations and guarantees to said DOSRI exceed 30% of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower. For the purpose of determining compliance with the ceiling on unsecured loans, other credit accommodations and guarantees, banks shall be allowed to average their ceiling on unsecured loans, other credit accommodations and guarantees every week.

The total outstanding loans, other credit accommodations and guarantees to each of the bank's subsidiaries and affiliates shall not exceed 10% of the net worth of the lending bank: *Provided*, That the unsecured loans, other credit accommodations and guarantees to each of said subsidiaries and affiliates shall not exceed 5% of such net worth: *Provided*, further, That the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20% of the net worth of the lending bank: *Provided*, finally, That these subsidiaries and affiliates are not related interest of any of the director, officer, and/or stockholder of the lending bank.

The following table shows information on related party loans (amounts in thousands):

	2019		2018	
	DOSRI Loans	Related Party Loans (inclusive of DOSRI)	DOSRI Loans	Related Party Loans (inclusive of DOSRI)
Total outstanding loans	P1,746	P25,283,718	P1,945	P27,779,049
Percent of DOSRI/Related Party loans to total loans	0.00%	33.93%	0.00%	38.08%
Percent of unsecured DOSRI/Related Party loans to total DOSRI/Related Party loans	16.59%	66.09%	Nil	81.25%
Percent of past due DOSRI/Related Party loans to total DOSRI/Related Party loans	14.18%	0.01%	Nil	0.01%
Percent of non-performing DOSRI/Related Party loans to total DOSRI/Related Party loans	Nil	0.01%	Nil	0.01%

The details of significant related party transactions of the Bank follow (amounts in thousands):

Category	Note	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Associate	13			
2019				
Investment in an associate		P -	P41,444	24.25% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		2,865	-	Share in net loss of BIC
2018				
Investment in an associate		-	39,982	24.25% equity interests in BIC which is a stockholder of the Bank
Share in net loss of an associate		1,844	-	Share in net loss of BIC

Unless otherwise stated, RPTs disclosed are unsecured.

Category	Note	December 31, 2019		December 31, 2018		Nature, Terms and Conditions
		Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance	
Other Related Parties						
Financial assets at FVOCI:						
Equity securities	9	P -	P17,812	P -	P19,014	8.57% equity interest in BANGE
Private debt securities		-	311,359	-	847,544	Long-term bond with interest rate of 6.6% with maturity in 2022.
Maturities		558,581	-	-	-	Matured bond had interest rate of 5.9%
Investment securities at amortized cost	10		2,123,278	-	2,044,392	Long-term bonds issued by affiliates with interest rates ranging from 4.0% to 8.1% with maturity years ranging from 2020 to 2025.
Purchases		-	-	80,990	-	
Loans and receivables - net:	11		24,587,767	-	26,818,759	Term, housing and auto loans with interest rates ranging from 4.1% to 23.0% and with maturity of less than 1 year to 20 years;
Receivables from customers:			-	82,469,328	-	Collateral includes real estate mortgage, unregistered chattel mortgage, hold-out on deposit, assignment of contract and concession agreement, continuing surety agreement, mortgage trust indenture and pledge agreement on shares;
Availments		97,558,958	-	80,903,417	-	Sales contract receivables with annual interest rates ranging from 6.3% to 10.5% and with maturity years of 5 to 10 years
Settlements		100,372,158	-	-	-	Interest income and accrued interest receivables on loans, sales contract receivables and long-term bonds;
Sales contract receivables:			2,729	-	33,724	Consists of current, savings and time deposits which earn interest at the respective bank deposit rates
Availments		-	-	-	-	
Settlements		32,491	-	1,120	-	
Accrued interest receivable		2,337,264	168,340	2,045,134	382,728	
Deposit liabilities:	18		28,795,694	-	29,863,473	
Deposits		3,654,227,740	-	3,700,249,029	-	
Withdrawals		2,330,818,579	-	2,427,698,304	-	
Accrued interest and other expenses:	20					
Accrued interest payable		558,705	13,805	253,452	26,199	Interest expense and accrued interest payable on deposits; other
Accrued other expenses payable		166,865	2,450	156,187	1,439	expenses include professional fees, per diem of Directors and accruals for rent and utilities; On demand, unsecured and non-interest bearing.
Other liabilities	21		2,611	-	1,860	Consists of accounts payable to Bank's officers; On demand, unsecured and non-interest bearing.
Fees and other income	26, 30	62,269	-	61,380	-	Loan and investment-related fees and commission income, gain from the cash sale transactions of foreclosed properties, dividend received from BANGE and passed-on GRT
Commitments and contingent liabilities	32	-	1,897,609	-	3,408,934	Undrawn committed credit line, bank guarantees in favor of related party and outstanding sight import letters of credit

Unless otherwise stated, RPTs disclosed are unsecured and balances are gross of allowance.

As at December 31, 2019 and 2018, outstanding bills purchased of related parties with contra account in "Other liabilities" amounted to P0.7 billion and P1.0 billion, respectively (see Notes 11 and 21).

Other related parties are companies linked directly or indirectly to the Bank through one or more intermediaries or are members of the same group, is controlled by, is under the same significant influence, or is under common control with the Bank.

The related party transactions shall be settled in cash. As at December 31, 2019 and 2018, the allowance for credit losses on outstanding transactions with other related parties amounted to P377.2 million and P475.9 million, respectively. Provision for (reversal of) credit losses recorded in 2019 and 2018 on such related party transactions totaled to (P98.7) million and P33.0 million, respectively. Such outstanding transactions include private debt securities at FVOCI, investment securities at amortized cost, receivables from customers, sales contract receivables and accrued interest receivable under the "Loans and receivables - net" account in the statements of financial position and commitment and contingent liabilities.

Transactions with Retirement Plan

The Bank's retirement plan is managed and administered by the Bank's Trust Services Group which is covered by an IMA Agreement (agency relationship). The fair values of the plan assets are disclosed in Note 28.

Related information on assets/liabilities and income/expense of the funds as at and for the years ended December 31, 2019 and 2018 follow:

	2019	2018
Financial assets at FVOCI:		
Government and other debt securities	P425,389,037	P332,350,247
Quoted equity securities	196,084,992	158,043,603
Unquoted equity securities	12,223,787	9,699,322
Receivables	124,697,017	93,304,164
Deposits with the Bank	66,464,054	27,797,519
Total Plan Assets	P824,858,887	P621,194,855
Due to Broker	P2,582,777	P -
Trust fee payable	177,615	P133,379
Other liabilities	14,600	248,430
Total Plan Liabilities	P2,774,992	P381,809
Plan Income	2019	2018
Interest income	P25,325,513	P19,722,520
Dividend income and others	8,367,986	498,995
	P33,693,499	P20,221,515
Plan Expense		
Trust fees	P1,755,143	P1,627,332
Other expenses	752,211	676,688
Reversal of probable losses on equity securities	277,864	(527,867)
	P2,785,218	P1,776,153

As at December 31, 2019 and 2018, the retirement plan assets of the Bank include 73,067 shares of the Bank classified under financial assets at FVOCI. The allowance for probable losses on the retirement plan's shares of the Bank amounted to P9.9 million and P12.4 million as at December 31, 2019 and 2018, respectively. Limitations and restrictions are covered by the IMA Agreement and anything outside the IMA Agreement must be explicitly authorized by the Board of Trustees (BOT).

Interest income on deposit with the Bank amounted to P10,537 and P7,910 as at December 31, 2019 and 2018, respectively. Investments are subject to the limitations of the agreement and all other actions pertaining to the fund are to be executed only upon explicit authority by the BOT of the fund.

The Bank's contribution to its defined benefits retirement plan amounted to P202.2 million and nil in 2019 and 2018, respectively. Benefits paid out of the Bank's plan assets amounted to P52.2 million and P36.5 million in 2019 and 2018, respectively (see Note 28).

Compensation of Key Management Personnel of the Bank

The remuneration of directors and other members of key management included in the "Compensation and fringe benefits" account in the statements of income for the years ended December 31, 2019 and 2018 follows:

	2019	2018
Short-term employee benefits	P536,003,622	P458,986,174
Post-employment benefits	29,240,005	28,220,797
	P565,243,627	P487,206,971

33. Acquisition of Selected Assets and Assumption of Certain Liabilities of TRB

A summary of the significant transactions related to the PSA entered into by the Bank with TRB on November 9, 2001 follows:

- a. TRB sold and transferred, in favor of the Bank, identified recorded assets owned by TRB both real and personal, or in which TRB has title or interest, and which are included and deemed part of the assets listed and referred to in TRB's Consolidated Statement of Condition (CSOC) as at August 31, 2001. The said assets are inclusive of the banking goodwill of TRB, bank premises, licenses to operate its head office and branches, leasehold rights and patents used in connection with its business or products. In consideration of the sale of identified recorded assets, the Bank assumed identified recorded TRB liabilities including contingent liabilities as listed and referred to in its CSOC as at August 31, 2001. The liabilities assumed do not include the liability for the payment of compensation, retirement pay, separation benefits and any labor benefits whatsoever arising from, incidental to, or connected with employment in, or rendition of employee services to TRB, whether permanent, regular, temporary, casual or contractual and items in litigation, both actual and prospective, against TRB.

- b. The Bank is allowed to avail of certain BSP incentives including but not limited to the following: (a) full waiver of the liquidated damages on the emergency loan of TRB and penalties related to reserve deficiencies and all other outstanding penalties at the time of acquisition may be paid over a period of 1 year, (b) relocation of branches shall be allowed within 1 year from the date of BSP approval of the PSA. Relocation shall be allowed in accordance with BSP Circular No. 293. The 90-day notice requirement on branch relocation has been waived, and (c) availment of rediscounting facility window subject to present BSP regulations.
- c. The Bank paid the outstanding emergency advances owed by TRB to BSP originally amounting to P2.4 billion through dacion en pago with mandatory buy-back agreement of certain assets of the Bank and TRB at a price set at 80.0% of the appraised value of those assets (see discussions on Settlement of Liabilities of TRB).
- d. The Bank arranged with PDIC a liquidity facility for the first year following the effectivity date in the amount not to exceed 10.0% of the assumed deposit liabilities of TRB to service unanticipated withdrawals by TRB depositors, subject to terms and conditions as may be imposed by PDIC.

Settlement of Liabilities of TRB

Part of the liabilities of TRB assumed by the Bank includes P2.4 billion emergency advances from BSP. As settlement for the emergency advances, a dacion en pago with mandatory buy-back agreement involving certain bank premises and ROPA (with a dacion price equivalent to 80.0% of the average appraised value of the dacion properties) was executed. The dacion en pago with mandatory buy-back agreement contained the following significant terms and conditions:

- a. The Bank may repurchase the bank premises and ROPA within 10 years from the execution of the agreement.
- b. The buy-back price for the ROPA is the dacion price plus, if applicable, real estate taxes paid by BSP. The buy-back price for the bank premises used in operations shall be the dacion price plus 6.0% simple interest per annum plus 50.0% of rental rates based on prevailing rates in the locality as mutually agreed by the parties with a 4.3% yearly increment.
- c. Any gain on sale of the dacion properties within the 10-year holding period, in excess or over the buy-back price, net of any taxes paid related to the sale, shall be shared 70-30 between the Bank and BSP, respectively.

As approved by BSP, properties of the Bank and TRB with net book value amounting to P2.3 billion fully settled the liabilities to BSP assumed by the Bank from TRB amounting to P2.4 billion at the time of dacion; the difference amounting to P102.0 million was credited to other deferred credits (ODC) account. Expenses incurred related to the dacion of properties were offset against ODC.

The Bank fully settled its emergency loan with BSP in June 2012 through cash settlement and permanent transfer of dacioned properties.

FAA

The summary of significant transactions related to the FAA entered into by the Bank with the PDIC, for acting as a “White Knight” by agreeing to the terms and conditions of the PSA with TRB, follows:

- a. The PDIC granted the Bank a loan amounting to P1.8 billion representing the amount of insured deposits of TRB as at June 30, 2001, which should have been paid by PDIC under a closure scenario. The proceeds of the loan were used to purchase a 20-year GS with a coupon rate of 15.0% per annum to be pledged as collateral for the loan. Yield on the 20-year GS (net of 20.0% withholding tax and the 3.0% interest to be paid on the loan from PDIC) shall be used to offset on a staggered basis, for prudential reporting purposes, against TRB’s unbooked valuation reserves on NPAs with a total face value of P4.5 billion, which was approved by BSP to be booked as “Miscellaneous assets”.

Pursuant to the requirements of PFRS, the impairment losses on the NPAs amounting to P4.4 billion as at December 31, 2019 and 2018 were charged in full in the period incurred (see Note 16).

On November 29, 2013, the Bank fully settled its loan from PDIC amounting to P1.8 billion.

- b. The Bank infused additional fresh capital amounting to P200.0 million in 2001 and commits to infuse additional capital in the event a shortfall in order to comply with BSP’s pertinent regulations on minimum capital requirement.
- c. The Bank agrees to comply with certain regulatory requirements, to provide information as required by the PDIC, to pursue realization of performance targets based on the financial plan, to secure PDIC’s written consent for the appointment of an external auditor, and to entitle PDIC to appoint a consultant.
- d. The Bank shall not, among others, without the prior written consent of PDIC, grant new DOSRI loans, make any single major or significant total capital expenditures within 5 years as defined in the FAA, establish new banking offices or branches, dispose all or substantial portion of its assets except in the ordinary course of business, declare or pay cash dividends, effect any profit sharing or distribution of bonuses to directors and officers of the Bank not in accordance with the financial plan and other transactions or activities not in accordance with the financial plan.

On September 22, 2009, the Bank and PDIC signed a Supplemental Agreement to the 2002 FAA with the following additional terms:

- To the extent and in the context relevant to the terms of the FAA, PDIC hereby agrees to a limited adjustment of TRB’s unbooked valuation reserves/deferred charges/accumulated operating losses, so as to include operating losses accumulated from the period October 2001 to July 2002 in the amount of P596.0 million which shall bring TRB’s total unbooked valuation reserves, deferred charges and accumulated operating losses to P4.5 billion;
- Extension of the FAA for such limited period as shall exactly be sufficient to fully set off on staggered basis the MA-TRB against the net yield of the new series 20-year GS to be purchased to replace the maturing GS in March 2022 and likewise to be pledged to PDIC; and

- Income resulting from the difference between the auction price and book value of the assets as collateral to BSP, if any, as well as future collections derived by the Bank from NPLs covered by the unbooked valuation reserves shall be deducted from the above amount of P4.5 billion. Such set-off shall be formally and officially reported by BSP to PDIC.

The foregoing Supplemental Agreement did not constitute a significant modification of the terms of the PDIC's below-market loan to the Bank. Had the modification been significant, it would have resulted to the derecognition of the old liability and the recognition of the new liability at its fair value.

In addition, as part of the PSA, there were transactions allowed and approved by BSP, which required different treatment under PFRSs. These transactions and their effects are described below:

Assumption of NPAs of TRB

In addition to the provisions of FAA and subsequent to the approval by BSP and PDIC to recognize NPAs of P144.2 million as miscellaneous assets, the Bank negotiated with BSP and PDIC to include as miscellaneous assets the additional operating losses of TRB amounting to P595.6 million incurred during the transition period of the Bank's assumption of TRB's assets and liabilities.

As at December 31, 2002, a portion of the additional operating losses of TRB amounting to P227.2 million was approved by BSP and PDIC to be included as additional miscellaneous assets. On April 28, 2003, BSP approved the deferral of operating losses amounting to P596.4 million (instead of P595.6 million which was previously negotiated by the Bank and P227.2 million which was previously approved by BSP) thereby increasing the TRB-related bookings to miscellaneous assets to P4.4 billion (see Note 16). NPL included under miscellaneous assets comprised TRB's loans amounting to P3.1 billion as at August 31, 2001 which is excluded in the determination of financial ratios, provisioning and computation of CAR based on the agreed term sheet. Also, BSP considered these miscellaneous assets as non-risk assets and are not subject to classification.

Pursuant to the requirements of PFRS, the impairment losses on the NPAs amounting to P4.4 billion as at December 31, 2019 and 2018 were charged in full in the period incurred (see Note 16).

For its separate prudential reporting to BSP, the Bank continues to recognize the P4.4 billion impairment losses on a staggered basis as provided under MB No. 1950 (see Note 16).

34. Notes to Statements of Cash Flows

As at December 31, 2019, interbank loans receivable amounting to PHP110.9 million were not considered as part of cash and cash equivalents, having a maturity of more than 3 months.

The following is a summary of noncash activities of the Bank:

	2019	2018
Noncash investing activities:		
Additions to investment properties and other properties acquired in settlement of loans	P433,122,836	P338,423,348
Increase in sales contract receivables from sale of property and equipment, investment properties and non-current assets held for sale	118,925,434	86,214,038

The following table shows the reconciliation analysis of liabilities arising from financing liabilities for period ended December 31, 2019 and 2018:

	2019	2018
Beginning balance	P557,204,407	P267,208
Lease liabilities	587,782,880	-
	1,145,254,495	267,208
Additions to lease liabilities	206,273,261	-
Cash flows during the year:		
Proceeds	6,554,445,000	5,151,699,550
Settlements	(7,259,868,167)	(4,594,495,143)
	(705,423,167)	557,204,407
Ending balance	P646,104,589	P557,471,615

As allowed by PAS 7, short-term borrowings from local banks amounting to P6.6 billion and P4.6 billion in 2019 and 2018, respectively, are presented in statements of cash flows on a net basis.

35. Restatement Arising from the Change of Measurement Model for Property and Equipment and Investment Properties

Prior to 2019, the Bank in its statutory financial reporting under PFRS, adopted revaluation model in measuring its Property and Equipment and fair value mode for Investment Properties in line with PAS 16, *Property, Plant and Equipment*, that allows the use of revaluation model or cost model in measuring property, plant and equipment, and PAS 40, *Investment Property*, that allows the use of either fair value model or cost model in measuring investment property. For its prudential reporting to the BSP, it uses cost model as prescribed by the BSP in its Manual of Regulations for Banks.

In its May 2019 letter, the BSP provided a clarification on the matter and commented that the Bank should likewise use cost model for its statutory financial reporting under PFRS. The Bank submitted its explanation on the use of fair value model particularly, its view that such model presented the most reliable and relevant information for its investors. It highlighted that the Bank has been using fair value model since 2014 as disclosed to the BSP in its annual reports and examinations since that year. After consideration of the said explanations of the Bank, the BSP reiterated its position on 10 June 2019, that the Bank should use the “cost model” for both its statutory financial reporting and prudential reports. This clarification by the BSP effectively covers that matter on the useful life under BSP Circular 494 which states that buildings and non-financial assets shall be depreciated over a period not exceeding ten (10) years and three (3) years, respectively.

Accordingly, on October 1, 2019, the Bank retrospectively changed its accounting policy on property and equipment and investment properties and applied it to the financial statements for the annual period ended December 31, 2019. The Bank restated its December 31, 2018 and January 1, 2018 statement of financial positions and December 31, 2018 statement of income and statement of comprehensive income to effect the following:

- a. change in accounting policy on measurement of land and building under ‘Property and Equipment’ from Revaluation Model to Cost Model (see Note 14);
- b. change in accounting policy on measurement of investment properties from Fair Value Model to Cost Model (see Note 15); and
- c. change in estimated useful life used in depreciating building and non-financial assets acquired from foreclosure or dacion en pago to 10 years and 3 years, respectively (see Notes 15 and 16).

The tables below show the reconciliation of previously reported and restated balances of financial statements affected by the restatements as discussed above:

	December 31, 2018		
	As Previously Reported	Prior-period Adjustments	As Restated
Statement of Financial Position			
<i>Assets</i>			
Property and equipment - at appraised values	P1,041,434,468	(P1,041,434,468)	P -
Property and equipment - at cost	467,659,688	682,179,787	1,149,839,475
Investment properties	6,414,383,277	(3,291,758,289)	3,122,624,988
Deferred tax assets - net	-	1,003,191,122	1,003,191,122
Other properties acquired included under "Other Assets"	212,070,712	(21,707,991)	190,362,721
Total Assets	154,081,637,400	(2,669,529,839)	151,412,107,561
<i>Liabilities</i>			
Deferred tax liabilities - net	90,918,316	(90,918,316)	-
Total Liabilities	135,995,907,768	(90,918,316)	135,904,989,452
<i>Equity</i>			
Retained earnings (deficit)	684,414,305	(2,232,388,287)	(1,547,973,982)
Revaluation increment	346,223,236	(346,223,236)	-
Total Equity	18,085,729,632	(2,578,611,523)	15,507,118,109
Statement of Income			
Fair value gain from investment properties	697,486,754	(697,486,754)	-
Reversal of (provision for) credit and impairment losses	146,375,651	34,741,954	181,117,605
Gains on foreclosure and sale of property and equipment and foreclosed assets - net	89,959,416	117,420,363	207,379,779
Depreciation and amortization	(181,353,859)	(77,687,810)	(259,041,669)
Income tax expense	(437,158,979)	181,752,998	(255,405,981)
Net income (loss)	424,714,481	(441,259,249)	(16,544,768)
Statement of Comprehensive Income			
Net income (loss)	424,714,481	(441,259,249)	(16,544,768)
Net change in revaluation increment	209,366,068	(209,366,068)	-
Total comprehensive income (loss)	P590,990,443	(P650,625,317)	(P50,634,874)

	January 1, 2018		
	As Previously Reported	Prior-period Adjustments	As Restated
Statement of Financial Position			
Assets			
Property and equipment - at appraised values	P811,715,955	(P811,715,955)	P -
Property and equipment - at cost	478,285,349	689,098,758	1,167,384,107
Investment properties	5,801,661,936	(2,629,416,936)	3,172,245,000
Deferred tax assets - net	108,225,028	824,655,233	932,880,261
Other properties acquired included under "Other Assets"	44,011,111	(607,306)	43,403,805
Total Assets	140,201,933,899	(1,927,986,206)	138,273,947,693
Equity			
Retained earnings (deficit)	545,222,645	(1,786,399,123)	(1,241,176,478)
Revaluation increment	141,587,083	(141,587,083)	-
Total Equity	P17,485,739,189	(P1,927,986,206)	P15,557,752,983

*Includes the effect of previous adoption of PFRS 9 on January 1, 2018 to total assets

The tables below show the reconciliation of previously reported and restated composition of net deferred tax assets (liabilities) affected by the restatements as discussed above:

	December 31, 2018		
	As Previously Reported	Prior-period Adjustments	As Restated
Deferred tax assets on:			
Allowance for impairment and credit losses	P1,000,201,680	P49,836,221	P1,050,037,901
Unrealized loss on foreclosed properties	34,082,954	104,367,967	138,450,921
Accumulated depreciation on foreclosed properties		156,013,550	156,013,550
Deferred tax assets	1,139,196,734	310,217,738	1,449,414,472
Deferred tax liabilities on:			
Unrealized gain on foreclosed properties	(981,194,245)	635,510,313	(345,683,932)
Revaluation increment	(148,381,387)	148,381,387	-
Deferred tax liabilities	(1,230,115,050)	783,891,700	(446,223,350)
Net deferred tax assets (liabilities)	(P90,918,316)	P1,094,109,438	P1,003,191,122

	January 1, 2018		
	As Previously Reported	Prior-period Adjustments	As Restated
Deferred tax assets on:			
Allowance for impairment and credit losses	P1,000,201,680	P60,250,058	P1,060,451,738
Unrealized loss on foreclosed properties	43,294,442	103,353,436	146,647,878
Accumulated depreciation on foreclosed properties		150,845,648	150,845,648
Deferred tax assets	1,150,316,915	314,449,142	1,464,766,057
Deferred tax liabilities on:			
Unrealized gain on foreclosed properties	(794,336,268)	449,525,911	(344,810,357)
Gain on investment properties sold under installment	(60,629,487)	(89,381,044)	(150,010,531)
Revaluation increment	(150,061,224)	150,061,224	-
Deferred tax liabilities	(1,042,091,887)	510,206,091	(531,885,796)
Net deferred tax assets	P108,225,028	P824,655,233	P932,880,261

The above prior-period adjustments resulted to a deficit of P839.3 million and P1.5 billion as at December 31, 2019 and 2018, respectively, and a deficit of P1.2 billion as at January 1, 2018. It is important to note, however, that the deficit amounts mentioned above did not result from the Bank's operating activities but are substantially attributable to the full recognition of impairment losses for TRB assets in 2014. For statutory and prudential reporting, the impairment losses relating to the TRB assets purchased by the Bank on April 25, 2002 were recognized on a staggered basis as allowed by Monetary Board Resolution No. 619. But in 2014, to align with PFRS and sound financial management, the Bank had chosen to fully recognize the P2.46 billion remaining impairment losses as at December 31, 2014. Management and the BOD are currently discussing the possibility of applying the Paid-in surplus of P5.6 billion to offset the deficit resulting in any restatement.

36. Events after the Reporting

On January 30, 2020, the BOD approved amending the Bank's Articles of Incorporation to retire the 4,248,853 preferred shares redeemed in 2008. If approved by the SEC and the BSP, this retirement will reduce the authorized capital stock to P 21,575,114,700. A new class of 45,500,000 preferred shares was also created by reclassifying existing common and preferred shares.

37. Supplementary Information Required under BSP Circular No. 1074

The following supplementary information is required by Appendix 55 - Disclosure Requirements to the Audited Financial Statements (AFS) to Section 174 of the MORB of the BSP, issued through BSP Circular No. 1074.

A. Financial Performance Indicators

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

	2019	2018
Return on average equity	4.13%	-0.11%
Return on average assets	0.44%	-0.01%
Net interest margin on average earning assets	3.45%	3.28%

B. Commitments and Contingencies

In the normal course of operations, the Bank makes various commitments, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying financial statements. The Bank does not anticipate any material losses as a result of these transactions.

The following is a summary of the Bank's commitments and contingencies at their peso equivalent contractual amounts arising from off-books accounts as at December 31, 2019 and 2018:

	2019	2018
Contingent assets:		
Future/spot exchange bought	P101,270,000	P379,515,194
Fixed income securities purchased	60,938,300	982,009
Outward bills for collection	1,012,065	14,964,062
	P163,220,365	P395,461,265
Commitments and contingent liabilities:		
Trust department accounts	P41,432,823,122	P31,321,037,537
Credit card lines	4,114,539,042	2,321,514,984
Committed credit line	3,325,000,000	5,223,226,985
Outstanding guarantees	1,695,038,981	1,797,089,493
Future/spot exchange sold	658,255,000	721,309,376
Unused commercial letters of credit	382,345,641	1,028,866,793
Late deposits/payments received	99,280,942	58,798,962
Items held for safekeeping/securities held as collateral	851,068	35,540
Fixed income securities sold	19,752	982,009
	P51,708,153,548	P42,472,861,679

The Bank has several loan-related suits, claims and regulatory examinations that remain unsettled or ongoing. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, in consultation with its legal counsels, the suits and claims, if decided adversely, will not involve sums having a material effect on the Bank's financial statements.

Other Commitments

The assets pledged by the Bank are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or re-pledge the assets, they are classified in the statements of financial position as pledged collateral. The pledged assets will be returned to the Bank when the underlying transaction is terminated but, in the event of the Bank's default, the counterparty is entitled to apply the collateral in order to settle the liability.

No asset is being pledged by the Bank to secure outstanding liabilities as at December 31, 2019. As at December 31, 2018, the carrying and the fair value of the assets pledged by the Bank to secure outstanding liabilities amounted to P634.7 million. The related liability and expense amounted to P562.1 million and P8.5 million, respectively, as at December 31, 2018.

C. Trust Assets

Securities and other properties (other than deposits) held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying statements of financial position since these are not assets of the Bank. Total assets held by the Bank's Trust Services Group amounted to P41.4 billion and P31.3 billion as at December 31, 2019 and 2018, respectively.

In compliance with the requirements of current banking regulations relative to the Bank's trust functions, government securities with face value of P439.0 million and P357.0 million as at December 31, 2019 and 2018, respectively, which have been included under "Investment securities at amortized cost" (see Note 10), are deposited with BSP.

Other relevant disclosures required by BSP Circular No. 1074 are in Notes 11, 23 and 32.

38. Supplementary Information Required under Revenue Regulations (RR) No. 15-2010

The Bureau of Internal Revenue (BIR) has issued RR No. 15-2010 which requires certain tax information to be disclosed in the notes to financial statements. The Bank reported and/or paid the following types of taxes for the year:

A. Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees lodged under the 'Taxes and Licenses' account in the Bank's statement of income.

Details of taxes and licenses for the year consist of the following:

Documentary stamp tax	P396,659,660
Gross receipts tax	317,522,307
License and permit fees	28,064,193
Real estate taxes	17,055,853
Fringe benefits	8,146,503
Capital gains tax	5,696,979
Transfer taxes	630,650
Others	116,028
	P773,892,173

B. Withholding Tax Remittances to BIR

As withholding agent, the Bank remitted the following withheld taxes during the year:

Final withholding taxes	P552,137,689
Tax on compensation and benefits	186,092,889
Expanded withholding taxes	72,794,178
	P811,024,756

C. Deficiency Tax Assessments

Period Covered	Amount*
2003	P3,095,735

**Amount of deficiency tax assessments, whether protested or not.*

Management, in consultation with its legal counsels, believes that the deficiency tax assessment above is without legal basis. Accordingly, the Bank has filed abatement on January 27, 2006 for the closure of the case. The said abatement is pending decision by the BIR.

D. Tax Cases

As at December 31, 2019, the Bank has no outstanding tax cases and assessments.

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*BBG-MMDI-QCA-West
Triangle Branch*

Janet D. Casyao
Division Head
*BBG-BOD-Branch
Operations Quality Center*

**Nicole Francine
Ariadne C. Chua**
Department Head
*TMG-FITD-US Treasury
Trading Department*

Peter M. Co
Area Head
BBG-MMD II-Makati Area

Leah Antoinette C. Cruz
Department Head
*HRMDD-Learning &
Development, Employee &
Labor Relations Department*

Renato B. De Leon
Department Head
*FCG-CPD-Information
Management & Budget
Department*

Marian G. De Los Reyes
Department Head
*CBG I-CBD II (Commercial/
SME)-Metro Manila*

Johnny W. Dee
Area Head
*BBG-MMD I-Manila
Proper Area*

Joanne A. Del Rosario
Department Head
*CG-CERD-Credit Review
Department*

Milliel D. Dela Rosa
Section Head
*CoG-CCD-Housing Loans
Credit Evaluation Section*

Joseph Alfred R. Estiva
Department Head
*TMG-FITD-Domestic Fixed
Income Department*

Lynn Karen S. Fajardo
Department Head
*TBG-CMD-Cash Sales
Department*

Cheryl A. Foronda
Branch Head
*BBG-MMD II-MMEA-Pasig
Branch*

Lena R. Galang
Division Head
*CG-Credit Evaluation Review
Division*

Jean N. Gannaban
Department Head
*IAD-Metro Manila Branch
Audit Department*

Cecilia Ruby D. Gloria
Branch Head
*BBG-LD-SLA-San Pedro
Branch*

**Francisco Raymund
P. Gonzales**
Department Head
*CCCPD-Product
Development & Customer
Protection Department*

Cenen R. Grajo
Division Head
*OG-Electronic Banking
& Card Support Division
concurrent Centralized
Operations Support Division*

Rosanne D. Ignacio
Department Head
*CCCPD-Marketing Services
Department*

Manolo B. Kimpo Jr.
Department Head
*TMG-LALM-Domestic Fund
Management Department*

Romil D. Langones
Division Head
*CBG II-Corporate Banking
Division 5 concurrent
Corporate Banking Division 4
(Conglomerates & MNCs)*

Joey R. Laqueo
Branch Head
*BBG-MMD I-MMNA-Malabon
Gen. Luna Branch*

Augustus Caesar B. Lopez
Section Head
*CoG-CCD-Auto Loans Credit
Evaluation Section*

Brian Owen T. Macalinao
Section Head
*CCG-Cards Business System
Administration Department*

Paul V. Manlongat
Area Head
BBG-LD-South Luzon Area

Ester S. Maraas
Quality Assurance Officer
*BBG-BOD-BOQC-VisMin
Division*

Ruby P. Mariano
Area Head
*BBG-MMD I-Metro Manila
North Area*

Roderick M. Martinez
Department Head / Network
& Communications Services
Manager
*ESG-ITSD-Network
Management Department*

Patricia M. Onda
Sales & Marketing Unit Head
*ESG-AAD-AAMD-Sales &
Marketing Section*

**Katherine Anne
E. Ongchangco**
Department Head
*TSG-Business Development
Department*

Juline A. Peña
Branch Head
*BBG-MMD I-QCA-Broadcast
City Branch*

Alyn R. Pugal
Area Operations Officer
*BBG-BOD-BOCC-Central &
North Luzon Area*

Belen T. Ramos
Branch Head
*BBG-MMD I-MPA-Soler
Branch*

**Camilla Genevieve
A. Rimando**
Department Head
*TBG-Digital Channels
Department*

Alfredo T. San Juan Jr.
Department Head
*CoG-CLD-Auto Loans
Department*

Don M. San Juan
Quality Assurance Officer
*BBG-BOD-BOQC-Luzon
Division*

Rio Generoso F. Santiago
Branch Head
*BBG-MMD I-QCA-Cubao
Branch*

Bernard Louie M. Sison
Branch Business
Development Head
*BBG-Branch Business
Development Dept.*

Rowena O. Tan
Department Head
*OG-TOD-International
Treasury Operations
Department*

Rizaldy D. Tolentino
Department Head
*CBG I-CBD II (Commercial/
SME)-North & South Luzon*

Mary Russell D. Velasco
Branch Head
*BBG-MMD II-MMEA-
Eastwood Petron Branch*

Carolina R. Vicente
Department Head /
Solutions Manager
*ESG-SolMD-Solutions
Delivery Department*

Wilson C. Vinoya
Department Head
LSD-Litigation Department

Cherry Anne G. Yap
Area Head
BBG-LD-North Luzon Area

Zach Z. Ziga
Assistant of the
Corporate Secretary
Corporate Secretary Office

As of December 31, 2019



***"The legacy of heroes – the memory
of a great name, and the inheritance
of a great example."***

- Benjamin Disraeli

Tribute to Frontliners

The pandemic that had caused the sudden lockdown of many areas in the country left Filipinos paralyzed and unable to access basic services, one of which was their banking needs.

Bank of Commerce responded to the challenge by having frontliners continue to work in the field. These employees are our real heroes who, despite the high risks, worked to keep our key branches open, and our alternative banking facilities available to serve our customers.

One of our heroes is Aurora R. del Rosario, Vice President and Quezon City Area Head, whom we sadly lost during this time. Her leadership and display of the true spirit of *malasakit* inspired those working with her to be passionate in serving under difficult circumstances.

With Ms. del Rosario's untimely passing, we have lost a role model and true leader. We honor her years of selfless service to the Bank by being determined and staying true to our commitment to banking excellence.

The COVID-19 pandemic is unprecedented in many ways, but it has undeniably brought to light our resilience as an institution, as a community, and as a nation.

The spirit of "*malasakit, walang iwanan*" will help us forge ahead as we navigate an uncertain but hopeful future.

Branch / ATM Directory

METRO MANILA ATMS BRANCHES

Caloocan	3	2
Las Piñas City	4	1
Makati City	11	10
Malabon	3	2
Mandaluyong City	10	2
Manila	14	11
Marikina	5	3
Muntinlupa	5	1
Parañaque	5	3
Pasay City	8	4
Pasig City	5	2
Quezon City	26	16
San Juan	1	1
Taguig	7	2
Valenzuela	3	1

LUZON

Albay	2	1
Baguio	4	1
Bataan	3	1
Batangas	7	4
Bulacan	7	4
Cagayan	2	1
Camarines Sur	1	1
Cavite	5	2
Ilocos Norte	1	1
Ilocos Sur	4	2
Isabela	2	2
La Union	5	2
Laguna	14	4
Nueva Ecija	1	1
Oriental Mindoro	1	1
Palawan	1	1
Pampanga	14	6
Pangasinan	6	2
Quezon	1	1
Rizal	5	1
Tarlac	2	1
Zambales	7	3

VISAYAS

Aklan	3	1
Bohol	1	1
Capiz	1	1
Cebu	14	8
Iloilo	6	5
Leyte	2	2
Negros Occidental	6	4
Negros Oriental	1	1

MINDANAO

Agusan Del Norte	4	1
Bukidnon	3	1
Davao Del Norte	1	1
Davao Del Sur	4	3
General Santos	1	1
Lanao Del Norte	1	1
Misamis Oriental	4	3
Zamboanga del Sur	3	2

GRAND TOTAL 260 140

METRO MANILA

 **ATM AVAILABLE**

Makati Area

AYALA

G/F, STI Holdings Building,
6764 Ayala Ave., Makati City
8-891-3814 / 7-219-0255 /
8-810-0651 (Fax)



BEL-AIR PETRON

Bel-Air Petron Square,
363 Sen. Gil Puyat Avenue,
Brgy. Bel-Air Makati City
8-898-2309 / 8-219-0279 /
8-896-7085



FORT BONIFACIO

GLOBAL CITY

G/F, Kensington Place,
Burgos Circle,
Fort Bonifacio, Taguig City
8-856-1707 / 7-219-0107 /
8-856-1696 (Fax)



BONIFACIO HIGH STREET

G/F, Active Fun Bldg.,
9th Avenue cor. 28th Street
Fort Bonifacio, Taguig City
8-779-8023 / 8-779-8024 /
7-957-9320



DELA COSTA - ALFARO

G/F, Don Chua Lamko Bldg.,
Dela Costa cor. Leviste St.,
Salcedo Village, Makati City
8-840-2789 / 7-261-0762 /
8-840-2719



DELA ROSA

G/F King's Court Building II,
2129 Dela Rosa cor. Chino
Roces Avenue, Makati City
8-831-7156 / 8-831-7155 (Fax)
/ 7-624-9497



JUPITER

64-66 Jupiter St.,
Brgy. Bel-Air, Makati City
5-310-5944 / 8-828-4397 /
8-219-0258



MAGALLANES

G/F, Tritan Plaza Bldg.,
Paseo de Magallanes,
Makati City
8-851-1424 / 7-219-0153 /
8-854-9611 (Fax)



PASAY ROAD

Cedar Executive Bldg.,
1006 A. Arnaiz Ave.
(Pasay Road),
San Lorenzo Village,
Makati City
8-840-5612 / 8-840-5640 (Fax)



PASONG TAMO EXTENSION

2295 Opvi Center
Pasong Tamo Ext.,
Makati City
8-892-9700 / 7-219-0271 /
8-817-9300 (Fax)



ROCKWELL

Level P1, The Powerplant Mall,
Rockwell Center, Makati City
8-898-1523 / 7-219-0114 /
8-898-1522 (Fax)

SALCEDO

G/F, Aguirre Building,
108 Tordesillas cor.
H.V. Dela Costa Streets,
Salcedo Village, Bel-Air,
Makati City
8-813-2220 / 8-813-2734 (Fax)



MAKATI AVENUE - ZUELLIG

Unit 102, G/F, Zuellig Bldg.,
Makati Avenue cor. Paseo de
Roxas and Sta. Potenciana
Streets, Makati City
8-961-7628 / 7-219-0127 /
8-961-8364 (Fax)



Metro Manila North Area

BALIUAG

Victoria Bldg., Ano cor.
Gil Carlos St., Poblacion,
Baliuag, Bulacan
(044) 766-7701 (Fax) /
(044) 766-2811



BALIUAG DRT HIGHWAY

Units 6-11, 3006 Augustine
Square Commercial
Complex, Doña Remedios
Trinidad (DRT) Highway,
Baliuag, Bulacan
(044) 798-1799



BANAWE

128-B WAS Bldg.,
Banawe St., Quezon City
8-711-9428 / 8-711-9456



KAMUNING

Tomas Morato Ave. cor.
Dr. Lascano St., Kamuning
Quezon City
8-261 0766 / 8-922-7981 /
8-922-7982



CALOOCAN

100 8th Avenue cor.
A. Del Mundo St. Brgy 58,
West Grace Park,
Caloocan City
8-287-2344 / 8-287-4709 (Fax)



GRACE PARK

G/F, HGL Bldg., 554 EDSA
cor. Biglang Awa St.,
Caloocan City
8-361-1832 / 8-219-0126 /
8-361-0931 (Fax)



MALABON

29 Gov. Pascual Acacia Ave.,
Malabon City
8-291-0254 / 8-446-7385 /
8-288-7571 (Fax)



MALABON - GEN. LUNA

55 Gen Luna St., San Agustin,
Malabon City
8-441-0977 / 8-332-5392 /
8-281-5612 (Fax)



MALOLOS

Paseo del Congreso,
Malolos, Bulacan
(044) 791-0342 /
(044) 791-2452 (Fax)



SAN JOSE DEL MONTE

Block 2 Lot 12,
Quirino Highway cor.
Diamond Crest Village,
Brgy. San Manuel,
City of San Jose Del Monte,
Bulacan
(044) 802-8866



VALENZUELA

Units 12 & 13, Puregold Price
Club, Brgy. Dalandanan,
McArthur Highway, Valenzuela
8-322-2260



STA. MARIA

Jover Bldg., Brgy. Sta. Clara,
Narra St., Sta. Maria, Bulacan
(044) 796-3797 /
(044) 796-3813



Metro Manila South Area

ALABANG

Unit 6 El Molito Bldg.,
Madrigal Ave, Alabang,
Muntinlupa City
8-850-8718 / 8-219-0121 /
8-850-1574 (Fax)



BF HOMES

33 President's Ave.,
Brgy. B.F. Homes,
Parañaque City
8-219-0149 / 8-403-8941 (Fax)



BICUTAN

G/F, FilHome Builders Bldg.,
68 Doña Soledad Ave.,
Parañaque City
8-219-0129 / 8-776-4146 /
8-831-2546 / 8-823-2321 (Fax)



DASMARIÑAS - CAVITE

Veluz-Frances Plaza Bldg.,
Aguinaldo Highway,
Dasmariñas, Cavite
Manila Line:
(02) 8-529-8129 (Fax)
Cavite Line: (046) 416-2335



LAS PIÑAS

Elena Bldg., Real St.,
Alabang-Zapote Road,
Pamplona, Las Piñas City
8-219-0128 / 8-556-1507 /
8-556-1501 / 8-556-1506 (Fax)



NAIA

NAIA Arrival Area,
Terminal 1, Pasay City
8-219-0132 / 8-853-0712 /
8-833-0713 (Fax)



NAIA TERMINAL 3

Stall 14, Arrival Lobby,
NAIA Terminal 3 Complex,
Pasay City
8-833-7295 / 8-833-7293 (Fax)



RESORTS WORLD

G/F Resorts World Complex,
Newport City, Pasay City
8-219- 0197 / 8-551-3521 /
8-551-3520 (Fax)



IMUS

Lot 3 Blk 1, Anabu 1,
Aguinaldo Highway, Imus,
Cavite
(046) 438-8451 (Fax)



NINOY AQUINO AVENUE

Units W & Y, No. 707
Columbia Airfreight Complex,
Ninoy Aquino Ave.,
Brgy. Sto Niño, Parañaque City
8-851-2680 / 8-219-0185 /
8-854-4071 (Fax)



SUCAT

Fortuna II Bldg.,
8338 Dr. A. Santos Ave.,
Sucat, Parañaque City
8-826-8415 / 8-219-0169 /
8-820-7747 (Fax)



Manila Proper Area

ADUANA

G/F, FEMII (Main) Bldg.,
A. Soriano St., Aduana,
Intramuros, Manila
8-527-2893 / 7-219-0180 /
8-527-2947 (Fax)



ERMITA

1312 A. Mabini St.,
Ermita, Manila
8-254-7549 / 7-219-0178



DASMARIÑAS - BINONDO

STP Bldg., Dasmariñas St.
cor. Marquina St.,
Binondo, Manila
8-247-1472 / 8-247-1473



JUAN LUNA

465 Juan Luna St.,
Binondo, Manila
8-241-0234 / 8-241-0407 (Fax)



PORT AREA

G/F, Mary Bachrach
cor. 25th and AC Delgado
Streets, Port Area, Manila
8-527-7986 / 7-219-0191 /
8-527-3978 (Fax)



QUIAPO

609 Sales St., Quiapo, Manila
8-733-9326 / 7-733-9366 (Fax)

**SOLER**

1004 Reina Regente
cor. Soler St., Binondo, Manila
8-244-7003 / 7-219-0120 /
8-244-7001 (Fax)

**STO. CRISTO**

Kim Siu Ching Foundation
Bldg., 471-483 Sto. Cristo
cor. Jaboneros St.,
Binondo, Manila
8-241-4151 / 8-242-0842 (Fax)

**TAFT AVENUE**

G/F, Endriga Bldg.,
2270 Taft Ave., Malate, Manila
8-523-2297 / 7-219-0194 /
8-521-9124 (Fax)

**TAFT - PGH**

G/F, Mirasol Bldg.,
854 Apacible St.
cor. Taft Ave., Ermita, Manila
8-536-4959 / 7-219-0199 /
8-526-6049 (Fax)

**TUTUBAN**

Units M2-60 21 and 22
Ground Center Mall Tutuban
Center, C.M. Recto Ave.,
Manila
7-219-0124 / 8-356-0086 (Fax)

**UN AVENUE**

429 Victoria Bldg.,
United Nations Ave.,
Ermita, Manila
8-526-0590 / 7-219-0226 /
8-524-9935 (Fax)

**Metro Manila
East Area****CAINTA**

40 Felix Ave., San Isidro,
Cainta, Rizal
8-682-8524 / 7-219-0214 /
8-682-6243 (Fax)

**CONCEPCION**

52 A.M. PACLEB Bldg.,
Bayan-Bayanan Ave.,
Concepcion 1, Marikina City
8-941-0714 / 7-219-0125 /
8-942-0429 (Fax)

**EASTWOOD - PETRON**

188 E. Rodriguez Jr. Ave. (C-5),
Bagumbayan, Quezon City
8-654-0084 / 7-219-9543 /
8-655-1204 (Fax)

**GREENHILLS**

G/F, Eisenhower Tower,
No. 7, Eisenhower St.,
Greenhills, San Juan
8-723-5380 (Telefax) /
7-219-0207 / 8-727-4936 to 39

**MAIN OFFICE - SAN MIGUEL**

Unit A, G/F, San Miguel
Properties Center,
No. 7 St. Francis Street,
Mandaluyong City
8-635-5517 / 7-219-0213 /
8-633-2430 / 8-633-9296 (Fax)

**MARCOS HIGHWAY**

Unit 10, Thaddeus Arcade,
Pitpitan cor. Gil Fernando Ave.,
San Roque, Marikina City
8-647-7172 / 7-219-2723 /
8-647-7165 (Fax)

**MARIKINA**

258 J.P. Rizal St.,
Sta. Elena, Marikina City
8-646-1808 / 7-219-3453 /
8-646-1802 (Fax)

**PASIG**

G/F, Renaissance 1000
Tower, Meralco Ave.,
Pasig City
8-635-0392 / 7-219-0229 /
8-635-3661 / 8-631-3769 (Fax)

**PASIG BOULEVARD**

152 Pasig Blvd.,
Brgy. Bagong Ilog, Pasig City
8-650-6560 / 7-217-3403 /
8-650-6561 (Fax)

**WACK-WACK PETRON**

553 Shaw Blvd.,
Brgy. Wack-Wack,
Mandaluyong City
7-738-1984 / 7-219-0242 /
7-738-1985 (Fax)

**Quezon City
Area****BROADCAST CITY**

Broadcast City Compound,
Capitol Hills, Quezon City
8-932-4628 / 7-219-0188 /
8-932-4969 (Fax)

**COMMONWEALTH**

Verde Oro Bldg.,
535 Commonwealth Ave.,
Old Balara, Quezon City
8-952-7990 / 7-216-7636 /
8-952-7989 (Fax)

**CUBAO**

Unit 1, G/F, Harvester
Corporate Center,
P. Tuazon cor. 7th & 8th Ave.,
Brgy. Socorro, Cubao,
Quezon City
8-911-2486 / 7-219-0202 /
8-911-2485 (Fax)

**E. RODRIGUEZ**

E. Rodriguez Sr. Ave.
cor. 84 Hemady St.,
Brgy. Mariana, New Manila,
Quezon City
8-705-1943 / 8-722-2197

**DEL MONTE**

Bank of Commerce Bldg.,
Del Monte Ave.
cor. D. Tuazon St.,
Quezon City
3-410-8025 / 7-219-3786 /
8-743-2541 (Fax)

**DILIMAN**

Commonwealth Ave.
cor. Masaya St., Diliman,
Quezon City
8-927-6074 / 7-219-7093 /
8-920-2324 (Fax)

**KATIPUNAN - PETRON**

Petron Katipunan Complex,
Katipunan Ave.
cor. Mangyan Road,
La Vista, Quezon City
8-921-4020 / 7-219-0174 /
8-921-4042 (Fax)

**QUEZON AVENUE**

Sto. Domingo Church
Compound, #8 Biak na Bato
St., cor. Quezon Ave.,
Quezon City
8-712-2534 / 8-732-8360 (Fax)

**VISAYAS AVENUE**

No. 15 Visayas Avenue Ext.,
Barangay Culiati, Quezon City
8-426-4732 / 7-219-0155 /
8-426-4854 (Fax)

**WEST AVENUE**

No. 68 - A Carbal Building
West Avenue, Quezon City
8-374-5544 / 7-219-0168 /
8-374-5548 (Fax)



WEST TRIANGLE

1451 Quezon Avenue
cor. Examiner St.,
Quezon City
8-925-1209 / 7-219-0160 /
8-927-4063 (Fax)



FAIRVIEW PETRON

Petron Fairview,
Commonwealth Ave.,
Fairview, Quezon City
8-376-1023 / 8-376-1025 (Fax)



LUZON

North Luzon Area

BAGUIO

G/F, YMCA Baguio Bldg.,
Post Office Loop (Upper
Session Road), Baguio City
(074) 619-0073 /
(074) 619-0072 (Fax)



CANDON

National Highway,
Brgy. San Jose, Candon City,
Ilocos Sur
(077) 674-0623 /
(077) 644-0288 (Fax)



CARMEN

McArthur Highway, Carmen,
Rosales, Pangasinan
(075) 582-7365 /
(075) 582-7370 (Fax)



CAUAYAN CITY, ISABELA

G/F, Majesty Commercial
Bldg., National Highway,
Brgy. Fermin,
Cauayan City, Isabela
(078) 652-2339 (Telefax)



DAGUPAN

Eastgate Plaza Bldg.,
A.B. Fernandez East,
Dagupan City, Pangasinan
(075) 522-8691 /
(075) 522-8963 (Fax)



LAOAG

N. Corpuz Bldg.,
J.P Rizal cor. Gen Hizon St.,
Laoag City
(077) 677-2572 /
(077) 617-1363 /
(077) 617-1603 (Fax)



LA UNION

Northway Plaza, National
Highway, Brgy. Sevilla
San Fernando City, La Union
(072) 700-1618 /
(072) 242-5683 (Fax)



SANTIAGO CITY, ISABELA

G/F, Oryza Building,
Maharlika Highway, Villasis,
Santiago City
(078) 305-5360



TUGUEGARAO

27 Bonifacio
cor. Washington Streets,
Tuguegarao City, Cagayan
(078) 844-8041 /
(078) 844-8044 (Fax)



URDANETA

The Pentagon Bldg.,
McArthur Highway,
Nancayasan, Urdaneta City,
Pangasinan
(075) 656-1017 /
(075) 656-1018 (Fax)



VIGAN

Plaza Maestro Commercial
Complex Jacinto
cor. Florentino St.,
Vigan City, Ilocos Sur
(077) 722-2119 /
(077) 632-0802 (Fax)



Central Luzon Area

ANGELES

McArthur Highway
cor. B. Aquino St., Lourdes
Sur East, Angeles City
(045) 626-2010 (Fax) /
(045) 323-4130 (Fax)



ANGELES NEPOMART

G/F, Entec Bldg., Teresa Ave.,
NepoMart Complex,
Brgy. Cutcut, Angeles City
(045) 497-0551



BALANGA

Paterno St., Poblacion,
Balanga City, Bataan
(047) 237-7622 /
(047) 237-2366 (Fax)



BALIBAGO

McArthur Highway
cor. Victor St., Balibago,
Angeles City
(045) 892-0875 /
(045) 331-3389 /
(045) 625-5586 (Fax)



CABANATUAN

V. P Bldg., Maharlika Highway,
Brgy. H. Concepcion,
Cabanatuan City, Nueva Ecija
(044) 940-1254 /
(044) 940-1263 (Fax)



IBA

TRB Bldg.,
Ramon Magsaysay Ave.,
Iba, Zambales
(047) 602-1866 /
(047) 811-1025 (Fax)



SAN FERNANDO, PAMPANGA

Insular Life Bldg.,
McArthur Highway,
San Fernando, Pampanga
(045) 961-1624 /
(045) 961-1680 (Fax)



STA. CRUZ

National Road cor. Misola St.,
Poblacion South,
Sta. Cruz, Zambales
(047) 831-1113 (Telefax)



SUBIC FREEPORT

The Venue Annex Bldg.,
Unit A, 101 Rizal Highway,
Subic Freeport Zone
(047) 252-1851 /
(047) 252-1863 (Fax)



TARLAC

Units 110-112 Rising Sun Bldg.,
Block 4, Brgy. San Nicolas,
McArthur Highway,
Tarlac City
(045) 982-5401 /
(045) 982-5365 (Fax)



MABALACAT

McArthur Highway,
San Francisco,
Mabalacat City
(045) 649-4407 /
(045) 308-0516



SINDALAN

Jumbo Jenra McArthur
Highway, Brgy. Sindalan,
San Fernando City
(045) 403-9338 /
(045) 409-8108



South Luzon Area

BATANGAS - CAEDO

Caedo Commercial Complex,
Calicanto, Batangas City
(043) 723-6773 /
(043) 723-1410 (Fax)



BATANGAS - P. BURGOS

No. 27 P. Burgos St.,
Batangas City
(043) 723-0275 /
(043) 723-0909 (Fax)



CALAMBA

Units 6 & 7, New Parian
Business Center cor.
Lawa Road, National Highway,
Parian, Calamba City
(049) 502-7922 /
(049) 502-8508 (Fax)

**CALAPAN**

Leona Yap Ong Bldg.,
J.P Rizal St., Calapan City,
Oriental Mindoro
(043) 288-4496 /
(043) 288-4031 (Fax)

**LEGAZPI CITY**

G/F, Diabetes One-Stop
Center, LANDCO Business
Park, Legazpi City
(052) 742-0691 /
(052) 480-6054

**LIPA**

#7 Bank of Commerce Bldg.,
C.M. Recto Ave., Brgy. 9,
Lipa City
(043) 756-4214 /
(043) 756-2558 (Fax)

**LUCENA**

Quezon Ave.
cor. Lakandula St., Brgy. IX,
Lucena City
(042) 710-9691 /
(042) 710-9692 (Fax)

**NAGA**

Romar-I Bldg.,
Elias Angeles St., Naga City
Manila Line:
(02) 250-8093 (Fax)
(054) 473-4080 /
(054) 811-8931

**PUERTO PRINCESA**

WD Building, J. Rizal Ave.,
Brgy. Manggahan,
Puerto Princesa City,
Palawan
(048) 434-2172 /
(048) 434-2170 (Fax)

**SAN PEDRO**

Pacita Commercial Complex,
San Pedro, Laguna
(02) 8-808-2026 /
(02) 8-808-2002

**STA. ROSA**

Shop I-A, G/F, Paseo 3,
Paseo de Sta. Rosa,
Sta. Rosa City, Laguna
(049) 541-1546 /
(049) 541-1795 (Fax)

**TANAUAN**

G 04 The City Walk
#2 Pres. Laurel Highway,
Brgy. Darasa,
Tanauan City, Batangas
(043) 784-6990 /
(043) 784-6994 (Fax)



VISAYAS

Eastern Visayas Area

CEBU F. CABAUG

Units 5 & 6 GPH Central,
F. Cabahug cor. President
Roxas Street, Brgy. Kasambagan,
Mabolo, Cebu City, Cebu
(032) 316-9913 /
(032) 342-7144 (Fax)

**CEBU - BANILAD**

888 First Jomika Realty
Bldg., Banilad,
Mandaue City, Cebu
(032) 231-6704 /
(032) 316-9921 /
(032) 231-6706 (Fax)

**CEBU - MAIN**

B. Rodriguez cor. Osmeña
Blvd., Cebu City
(032) 253-1951 /
(032) 316-9912 /
(032) 255-4223 (Fax)

**CEBU STO. NIÑO -
MAGALLANES**

G/F, Unit-2, Martina Sugbo
Bldg., P. Burgos cor.
Magallanes St., Brgy.
Sto Niño, Cebu City,
(032) 254-1825 /
(032) 316-9925 /
(032) 253-3999

**CEBU TALISAY**

G/F, PCJ Building,
National Highway, Bulacao,
Talisay City, Cebu
(032) 231-6027 /
(032) 462-2065

**LAPU LAPU**

Units 3-5 AJS Bldg., Pusok,
Lapu-Lapu City, Cebu
(032) 341-3854 /
(032) 316-9927 /
(032) 341-3855 (Fax)

**MANDAUE**

Entienza Bldg.,
National Highway,
Mandaue City, Cebu
(032) 346-6901 /
(032) 316-9262 /
(032) 346-6902 (Fax)

**MANDAUE NRA**

G/F, City Time Square
Phase II, Mantawe Ave.,
Brgy. Tipolo,
North Reclamation Area,
Mandaue City
(032) 268-4693 /
(032) 316-9926 /
(032) 564-3249 (Fax)

**ORMOC**

Real St., Ormoc City
(053) 561-8523 /
(053) 255-4366 (Fax)

**TACLOBAN**

Doors 12-13 RUL Bldg.,
Brgy. 15, Justice
Romualdez Street,
Tacloban City
(053) 832-2866 /
0917 328 1721

**TAGBILARAN**

G/F, Karan's Building,
B. Inting St., 2nd District,
Brgy. Poblacion II,
Tagbilaran City,
Bohol (Gulshan Centre)
(038) 411-5400 /
(038) 411-3773 (Fax)



Western Visayas Area

BACOLOD - ARANETA

Yusay Arcade, Araneta St.,
Bacolod City
(034) 433-4667 /
(034) 433-2267 (Fax)

**BACOLOD - CAPITOL**

GR4 & GR5, 888 Chinatown
Premier Mall, Gatuslao St.,
Brgy. 8, Bacolod City
(034) 432-3287

**BACOLOD - LACSON**

Corner 12th & Lacson Streets,
Bacolod City
(034) 433-4238 /
(034) 433-1139 (Fax)

**DUMAGUETE**

G/F, Rusiana Building,
Capitol Area, North National
Highway, Dumaguete City
(035) 225-7668 /
(035) 422-6896 (Fax)

**ESTANCIA**

Clement St., Estancia, Iloilo
(033) 397-0222 /
(033) 397-0220 (Fax)



ILOILO – ATRIA

F&B 2 UPMB Bldg.,
Atria Park District,
Brgy. San Rafael,
Manduriao, Iloilo City
(033) 501-6013 /
(033) 517-0684

**ILOILO – IZNART**

TCT Bldg., Iznart St.,
Iloilo City
(033) 335-0710 /
(033) 335-0712

**ILOILO – J.M. BASA**

G/F, TTW Bldg.,
J.M. Basa & Mapa Streets,
Iloilo City
(033) 337-8721 /
(033) 335-1020 (Fax)

**KABANKALAN**

Guanzon St.,
Kabankalan City,
Negros Occidental
(034) 471-2853 /
(034) 471-2253 (Fax)

**KALIBO**

1280 Garcia Bldg.,
C. Laserna St.,
Kalibo, Aklan
(036) 262-5294 /
(036) 268-9032 (Fax)

**ROXAS CITY**

Gaisano Arcade,
Arnaldo Blvd., Roxas City,
Capiz
(036) 621-0845 /
(036) 621-1760 (Fax)

**MINDANAO****Mindanao Area****BUTUAN**

G/F, Cesia Bldg.,
South Montilla Blvd.,
Butuan City, Agusan del Norte
(085) 815-9633 /
(085) 342-9321 /
(085) 342-6248 (Fax)

**CAGAYAN DE ORO – CARMEN**

Eric Tan Bldg.,
Vamenta Blvd., Carmen,
Cagayan de Oro City
(088) 231-4167 (Fax)

**CAGAYAN DE ORO – LAPASAN**

Suites 6 & 7, Gateway Tower 1,
Limketkai Center,
Cagayan de Oro City
(088) 856-3991 /
(088) 856-3977 (Fax)

**CAGAYAN DE ORO – VELEZ**

Don A. Velez-Akut Streets,
Cagayan de Oro City
(088) 856-4371 (Fax)

**DAVAO – CITY HALL**

Valgoson's Realty Bldg.,
City Hall Drive, Davao City
(082) 221-2590 (Fax)

**DAVAO – LANANG**

Doors 1 & 2,
G/F, Consuelo Bldg.,
Frontine Carmelite Road,
KM 7, Lanang, Davao City
(082) 234-1042 /
(082) 226-2859 (Fax)

**DAVAO – RIZAL**

CAP Dev't Center Bldg.,
Rizal St., Davao City
(082) 226-2223 /
(082) 222-0904 (Fax)

**GENERAL SANTOS**

G/F, Sunshine Hardware Bldg.,
Santiago Blvd.,
General Santos City
(083) 552-9375 /
(083) 552-5236 (Fax)

**ILIGAN CITY**

G/F, Barnuevo Bldg.,
M. Badelles St., Poblacion,
Iligan City
(063) 224-6488

**MARAMAG**

G/F, TRB Bldg.,
Sayre Highway,
North Poblacion Maramag,
Bukidnon
(02) 8-982-6000 local 7809
(02) 7-214-8800 local 7809

**PAGADIAN CITY**

F.S. Pajares Avenue,
Gatas District, Pagadian City,
Zamboanga del Sur
(062) 925-3399

**TAGUM CITY**

Units 104-105, PLJ Bldg.,
Apokon Road,
Magugpo, Tagum City,
Davao del Norte
(084) 216-5364

**ZAMBOANGA – VETERANS**

Veterans Ave.
cor. Camachile St.,
Zamboanga City
(062) 991-2980



Annex A – Material Related Party Transactions

Category: _____
 (Indicate)

Category A-1
 20 calendar days after
 the reference quarter

Annex B

Handwritten: jms

BANK OF COMMERCE Name of Bank	100 Code
SMPC No. 2 Saint Francis Street, Ortigas Center, Mandaluyong City Address	

Report on Material Related Party Transactions

Period	March 31, 2019 (Quarter-End)
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REPUBLIC OF THE PHILIPPINES
MANDALUYONG CIT

I solemnly swear that all matters set forth in this report are true and correct, to the best of my knowledge and belief.

Handwritten Signature
 MICHELANGELO AGUILAR
 President/Chief Executive Officer
 (Signature of Officer/Attorney)

SUBSCRIBED AND SWORN TO before me this APR 22 2019 day of
 April existing in me his Passport No. PHC00000A issued on September 10, 2018.

Notary Public
 Until December 31, 20_____
 PTA No. _____
 Place _____

Doc. No. 157
 Page No. 34
 Book No. 1
 Series of 1000

Handwritten Signature
FILIBERTO A. ESTILLORE
 NOTARY PUBLIC FOR MANDALUYONG CITY
 OFFICE: 1101 NO. 100 ST.
 LANTARAN, TORRE ALABON
 BANGSA, MANDALUYONG CITY
 PSE: 00000000-00000000000000000000
 REPUBLIC OF THE PHILIPPINES
 BOARD OF ATTORNEYS REG. NO. 00000

RPT Resolution no. <u>14-029</u> NOTED Date: <u>24 APR 2019</u> Certified by: _____

[illegible]

Statement of Assets and Liabilities

As at 31st March 2019

Amount in Rupees

(in Lakhs)

Particulars	Assets	Liabilities	Total
Fixed Assets			
Land and Buildings	1,00,00,000		1,00,00,000
Plant and Machinery	2,00,00,000		2,00,00,000
Motor Vehicles	1,00,00,000		1,00,00,000
Other Fixed Assets	50,00,000		50,00,000
Current Assets			
Stocks	1,00,00,000		1,00,00,000
Debtors	2,00,00,000		2,00,00,000
Creditors		1,00,00,000	1,00,00,000
Other Current Assets	50,00,000		50,00,000
Capital			
Share Capital		1,00,00,000	1,00,00,000
Reserves		2,00,00,000	2,00,00,000
Provisions		1,00,00,000	1,00,00,000
Other Liabilities		50,00,000	50,00,000
Total	6,50,00,000	6,50,00,000	6,50,00,000

[illegible]

Business Assets and Liabilities

Assets and Liabilities

Assets and Liabilities

Assets and Liabilities

Assets and Liabilities

Assets and Liabilities

Assets and Liabilities

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Assets and Liabilities

Assets and Liabilities



Table 11: (continued)

Project Name	Project Description	Project Status	Project Location	Project Type	Project Size	Project Cost	Project Impact
Project 1	Project 1 Description	Project 1 Status	Project 1 Location	Project 1 Type	Project 1 Size	Project 1 Cost	Project 1 Impact
Project 2	Project 2 Description	Project 2 Status	Project 2 Location	Project 2 Type	Project 2 Size	Project 2 Cost	Project 2 Impact
Project 3	Project 3 Description	Project 3 Status	Project 3 Location	Project 3 Type	Project 3 Size	Project 3 Cost	Project 3 Impact
Project 4	Project 4 Description	Project 4 Status	Project 4 Location	Project 4 Type	Project 4 Size	Project 4 Cost	Project 4 Impact
Project 5	Project 5 Description	Project 5 Status	Project 5 Location	Project 5 Type	Project 5 Size	Project 5 Cost	Project 5 Impact
Project 6	Project 6 Description	Project 6 Status	Project 6 Location	Project 6 Type	Project 6 Size	Project 6 Cost	Project 6 Impact
Project 7	Project 7 Description	Project 7 Status	Project 7 Location	Project 7 Type	Project 7 Size	Project 7 Cost	Project 7 Impact
Project 8	Project 8 Description	Project 8 Status	Project 8 Location	Project 8 Type	Project 8 Size	Project 8 Cost	Project 8 Impact
Project 9	Project 9 Description	Project 9 Status	Project 9 Location	Project 9 Type	Project 9 Size	Project 9 Cost	Project 9 Impact
Project 10	Project 10 Description	Project 10 Status	Project 10 Location	Project 10 Type	Project 10 Size	Project 10 Cost	Project 10 Impact

Category:

Annex B
Category A-1

Deadline:

20 calendar days after
the reference quarter

19 JUL 19 04:10 BPSOMD401230

MARITON W. HERRERA

BANK OF COMMERCE	120
Name of Bank	Code
SMPC No. 7 Saint Francis Street, Ortigas Center, Mandaluyong City	
Address	

Report on Material Related Party Transactions

As of	June 30, 2019 (Quarter-End)
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RPT Resolution no. 19-057

NOTED

Date: 23 JUL 2019

Certified by:

REPUBLIC OF THE PHILIPPINES)
) S.S.

I solemnly swear that all matters set forth in this report are true and correct, to the best of my knowledge and belief.

MICHELANGELO R. AGUILAR

President/Chief Executive Officer
(Signature of Officer/Alternate)SUBSCRIBED AND SWORN TO BEFORE ME this JUL 17 2019 day of
20 _____, affiant exhibiting to me his Passport No. P8692960A issued on September 10, 2018.

Notary Public

Until December 31

PTR No.

Place

JOYSHIA D. MAGMANLAC

NOTARY PUBLIC FOR MANDALUYONG CITY

APPOINTMENT NO. 0483-19

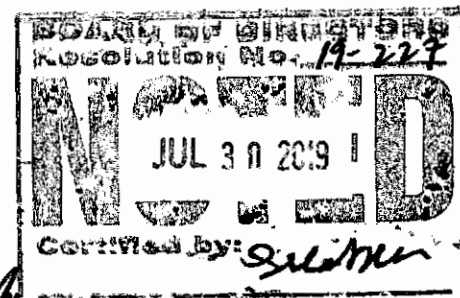
UNTIL DECEMBER 31, 2020

SMPC, #7 ST. FRANCIS ST., MANDALUYONG CITY

PTR No. 330622901-03-2019/ MANDALUYONG CITY

IBP LICENSE NO. 0035

ROLL OF ATTORNEYS NO. 88611

Doc. No. 304
Page No. 62
Book No. 11
Series of 2019

Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price	Terms	Rationale for Entering into the Transaction
GINEBRA SAN MIGUEL, INC.	Affiliate	April 3, 2019	BILLS PURCHASED AVAILABLE	PHP 139,525,035.28	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	April 5, 2019	BILLS PURCHASED AVAILABLE	PHP 213,344,568.99	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	April 8, 2019	BILLS PURCHASED AVAILABLE	PHP 40,737,593.19	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	April 10, 2019	BILLS PURCHASED AVAILABLE	PHP 101,520,423.60	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	April 11, 2019	BILLS PURCHASED AVAILABLE	PHP 43,714,971.04	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	April 17, 2019	BILLS PURCHASED AVAILABLE	PHP 291,888,894.68	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	April 24, 2019	BILLS PURCHASED AVAILABLE	PHP 140,921,112.45	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	April 25, 2019	BILLS PURCHASED AVAILABLE	PHP 209,548,075.81	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	April 26, 2019	BILLS PURCHASED AVAILABLE	PHP 195,375,929.02	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	May 3, 2019	BILLS PURCHASED AVAILABLE	PHP 189,483,991.68	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	May 8, 2019	BILLS PURCHASED AVAILABLE	PHP 114,630,033.21	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	May 9, 2019	BILLS PURCHASED AVAILABLE	PHP 46,142,197.33	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	May 10, 2019	BILLS PURCHASED AVAILABLE	PHP 138,380,974.85	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	May 15, 2019	BILLS PURCHASED AVAILABLE	PHP 101,610,427.18	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	May 17, 2019	BILLS PURCHASED AVAILABLE	PHP 181,162,741.31	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	May 30, 2019	BILLS PURCHASED AVAILABLE	PHP 54,222,410.29	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	May 31, 2019	BILLS PURCHASED AVAILABLE	PHP 30,000,000.00	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	June 4, 2019	BILLS PURCHASED AVAILABLE	PHP 276,617,979.72	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	June 6, 2019	BILLS PURCHASED AVAILABLE	PHP 30,195,110.68	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	June 7, 2019	BILLS PURCHASED AVAILABLE	PHP 138,227,293.99	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	June 11, 2019	BILLS PURCHASED AVAILABLE	PHP 100,937,639.42	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	June 13, 2019	BILLS PURCHASED AVAILABLE	PHP 57,585,638.31	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	June 14, 2019	BILLS PURCHASED AVAILABLE	PHP 97,784,436.88	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	June 18, 2019	BILLS PURCHASED AVAILABLE	PHP 226,103,149.36	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	June 19, 2019	BILLS PURCHASED AVAILABLE	PHP 107,029,777.41	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	June 20, 2019	BILLS PURCHASED AVAILABLE	PHP 68,224,488.66	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	June 20, 2019	BILLS PURCHASED AVAILABLE	PHP 38,236,911.63	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	June 21, 2019	BILLS PURCHASED AVAILABLE	PHP 288,618,193.57	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	June 25, 2019	BILLS PURCHASED AVAILABLE	PHP 139,414,909.10	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	June 26, 2019	BILLS PURCHASED AVAILABLE	PHP 82,086,746.91	3 Days	Regular business transaction with resulting profit
MAGNOLIA, INC.	Affiliate	April 10, 2019	BILLS PURCHASED AVAILABLE	PHP 47,300,000.00	3 Days	Regular business transaction with resulting profit
MAGNOLIA, INC.	Affiliate	April 11, 2019	BILLS PURCHASED AVAILABLE	PHP 32,370,000.00	3 Days	Regular business transaction with resulting profit
MAGNOLIA, INC.	Affiliate	April 15, 2019	BILLS PURCHASED AVAILABLE	PHP 33,880,000.00	3 Days	Regular business transaction with resulting profit
MAGNOLIA, INC.	Affiliate	May 28, 2019	BILLS PURCHASED AVAILABLE	USD 607,500.00	60 Days	Regular business transaction with resulting profit
NORTHERN CEMENT CORPORATION	Affiliate	April 3, 2019	LETTER OF CREDIT	USD 607,500.00	60 Days	Regular business transaction with resulting profit
NORTHERN CEMENT CORPORATION	Affiliate	April 29, 2019	LETTER OF CREDIT	USD 607,500.00	60 Days	Regular business transaction with resulting profit
NORTHERN CEMENT CORPORATION	Affiliate	May 22, 2019	LETTER OF CREDIT	USD 607,500.00	60 Days	Regular business transaction with resulting profit
NORTHERN CEMENT CORPORATION	Affiliate	June 21, 2019	LETTER OF CREDIT	USD 607,500.00	60 Days	Regular business transaction with resulting profit
GOLDEN BAY GRAIN TERMINAL CORP.	Affiliate	April 15, 2019	LOAN	PHP 30,700,000.00	38 Days	Regular business transaction with resulting profit
GOLDEN BAY GRAIN TERMINAL CORP.	Affiliate	April 25, 2019	LOAN	PHP 97,500,000.00	35 Days	Regular business transaction with resulting profit
GOLDEN BAY GRAIN TERMINAL CORP.	Affiliate	April 29, 2019	LOAN	PHP 118,700,000.00	38 Days	Regular business transaction with resulting profit
GOLDEN BAY GRAIN TERMINAL CORP.	Affiliate	May 30, 2019	LOAN	PHP 96,500,000.00	34 Days	Regular business transaction with resulting profit
GOLDEN BAY GRAIN TERMINAL CORP.	Affiliate	June 6, 2019	LOAN	PHP 119,700,000.00	32 Days	Regular business transaction with resulting profit
GOLDEN BAY GRAIN TERMINAL CORP.	Affiliate	June 14, 2019	LOAN	PHP 31,000,000.00	32 Days	Regular business transaction with resulting profit
PETRON CORPORATION	Affiliate	April 10, 2019	LOAN	PHP 2,153,000,000.00	30 Days	Regular business transaction with resulting profit
PETRON CORPORATION	Affiliate	April 29, 2019	LOAN	PHP 570,000,000.00	30 Days	Regular business transaction with resulting profit
PETRON CORPORATION	Affiliate	April 30, 2019	LOAN	PHP 460,000,000.00	30 Days	Regular business transaction with resulting profit
PETRON CORPORATION	Affiliate	May 10, 2019	LOAN	PHP 2,153,000,000.00	31 Days	Regular business transaction with resulting profit
PETRON CORPORATION	Affiliate	June 4, 2019	LOAN	PHP 1,030,000,000.00	24 Days	Regular business transaction with resulting profit
PETRON CORPORATION	Affiliate	June 10, 2019	LOAN	PHP 2,153,000,000.00	17 Days	Regular business transaction with resulting profit

Material Related Party Transactions

BANK OF COMMERCE 120
Name of Bank Bank Code

June 30, 2019
Date

Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price	Terms	Rationale for Entering into the Transaction
PETRON CORPORATION	Affiliate	June 10, 2019	INVESTMENT IN EQUITIES	PHP 100,000,000.00	-	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	April 1, 2019	BILLS PURCHASED AVALIEMENT	PHP 581,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	April 2, 2019	BILLS PURCHASED AVALIEMENT	PHP 76,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	April 3, 2019	BILLS PURCHASED AVALIEMENT	PHP 474,700,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	April 4, 2019	BILLS PURCHASED AVALIEMENT	PHP 178,300,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	April 5, 2019	BILLS PURCHASED AVALIEMENT	PHP 191,300,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	April 8, 2019	BILLS PURCHASED AVALIEMENT	PHP 463,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	April 10, 2019	BILLS PURCHASED AVALIEMENT	PHP 925,977,600.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	April 11, 2019	BILLS PURCHASED AVALIEMENT	PHP 261,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	April 12, 2019	BILLS PURCHASED AVALIEMENT	PHP 259,200,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	April 15, 2019	BILLS PURCHASED AVALIEMENT	PHP 660,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	April 16, 2019	BILLS PURCHASED AVALIEMENT	PHP 588,966,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	April 17, 2019	BILLS PURCHASED AVALIEMENT	PHP 853,300,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	April 22, 2019	BILLS PURCHASED AVALIEMENT	PHP 445,040,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	April 23, 2019	BILLS PURCHASED AVALIEMENT	PHP 714,231,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	April 24, 2019	BILLS PURCHASED AVALIEMENT	PHP 441,897,500.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	April 25, 2019	BILLS PURCHASED AVALIEMENT	PHP 284,900,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	April 26, 2019	BILLS PURCHASED AVALIEMENT	PHP 287,200,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	April 29, 2019	BILLS PURCHASED AVALIEMENT	PHP 485,700,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	April 30, 2019	BILLS PURCHASED AVALIEMENT	PHP 577,009,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	May 2, 2019	BILLS PURCHASED AVALIEMENT	PHP 634,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	May 3, 2019	BILLS PURCHASED AVALIEMENT	PHP 236,800,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	May 6, 2019	BILLS PURCHASED AVALIEMENT	PHP 530,416,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	May 7, 2019	BILLS PURCHASED AVALIEMENT	PHP 302,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	May 8, 2019	BILLS PURCHASED AVALIEMENT	PHP 547,700,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	May 9, 2019	BILLS PURCHASED AVALIEMENT	PHP 303,200,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	May 10, 2019	BILLS PURCHASED AVALIEMENT	PHP 266,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	May 14, 2019	BILLS PURCHASED AVALIEMENT	PHP 54,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	May 15, 2019	BILLS PURCHASED AVALIEMENT	PHP 367,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	May 16, 2019	BILLS PURCHASED AVALIEMENT	PHP 54,598,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	May 17, 2019	BILLS PURCHASED AVALIEMENT	PHP 289,200,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	May 20, 2019	BILLS PURCHASED AVALIEMENT	PHP 731,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	May 21, 2019	BILLS PURCHASED AVALIEMENT	PHP 488,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	May 24, 2019	BILLS PURCHASED AVALIEMENT	PHP 701,800,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	May 27, 2019	BILLS PURCHASED AVALIEMENT	PHP 511,700,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	May 28, 2019	BILLS PURCHASED AVALIEMENT	PHP 383,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	May 29, 2019	BILLS PURCHASED AVALIEMENT	PHP 790,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	May 30, 2019	BILLS PURCHASED AVALIEMENT	PHP 395,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	June 3, 2019	BILLS PURCHASED AVALIEMENT	PHP 591,400,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	June 4, 2019	BILLS PURCHASED AVALIEMENT	PHP 678,300,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	June 6, 2019	BILLS PURCHASED AVALIEMENT	PHP 436,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	June 7, 2019	BILLS PURCHASED AVALIEMENT	PHP 336,400,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	June 10, 2019	BILLS PURCHASED AVALIEMENT	PHP 240,400,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	June 11, 2019	BILLS PURCHASED AVALIEMENT	PHP 529,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	June 13, 2019	BILLS PURCHASED AVALIEMENT	PHP 367,600,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	June 14, 2019	BILLS PURCHASED AVALIEMENT	PHP 507,200,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	June 14, 2019	BILLS PURCHASED AVALIEMENT	PHP 312,400,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	June 17, 2019	BILLS PURCHASED AVALIEMENT	PHP 614,200,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	June 18, 2019	BILLS PURCHASED AVALIEMENT	PHP 316,300,000.00	3 Days	Regular business transaction with resulting profit

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Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price	Terms	Rationale for Entering into the Transaction
SAN MIGUEL BREWERY INC.	Affiliate	June 19, 2019	BILLS PURCHASED AVAILABLE	PHP 52,400,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	June 20, 2019	BILLS PURCHASED AVAILABLE	PHP 307,700,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	June 21, 2019	BILLS PURCHASED AVAILABLE	PHP 302,200,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	June 24, 2019	BILLS PURCHASED AVAILABLE	PHP 371,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	June 25, 2019	BILLS PURCHASED AVAILABLE	PHP 432,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	June 26, 2019	BILLS PURCHASED AVAILABLE	PHP 563,600,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	June 27, 2019	BILLS PURCHASED AVAILABLE	PHP 371,600,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	June 28, 2019	BILLS PURCHASED AVAILABLE	PHP 54,208,220.40	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	June 28, 2019	BILLS PURCHASED AVAILABLE	PHP 519,100,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	April 8, 2019	BILLS PURCHASED AVAILABLE	PHP 198,552,580.18	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	April 10, 2019	BILLS PURCHASED AVAILABLE	PHP 86,400,229.38	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	April 22, 2019	BILLS PURCHASED AVAILABLE	PHP 175,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	April 25, 2019	BILLS PURCHASED AVAILABLE	PHP 176,036,494.08	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	May 9, 2019	BILLS PURCHASED AVAILABLE	PHP 113,051,201.99	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	May 10, 2019	BILLS PURCHASED AVAILABLE	PHP 204,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	May 10, 2019	BILLS PURCHASED AVAILABLE	PHP 243,736,836.59	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	May 14, 2019	BILLS PURCHASED AVAILABLE	PHP 95,477,151.87	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	May 27, 2019	BILLS PURCHASED AVAILABLE	PHP 105,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	May 27, 2019	BILLS PURCHASED AVAILABLE	PHP 186,110,213.58	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	June 7, 2019	BILLS PURCHASED AVAILABLE	PHP 119,343,675.27	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	June 11, 2019	BILLS PURCHASED AVAILABLE	PHP 108,016,759.01	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	June 14, 2019	BILLS PURCHASED AVAILABLE	PHP 222,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	June 19, 2019	BILLS PURCHASED AVAILABLE	PHP 179,089,527.14	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	June 25, 2019	BILLS PURCHASED AVAILABLE	PHP 181,352,264.32	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	June 28, 2019	BILLS PURCHASED AVAILABLE	PHP 108,880,621.94	3 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	April 3, 2019	LOAN	PHP 487,000,000.00	41 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	April 5, 2019	LOAN	PHP 208,000,000.00	35 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	April 16, 2019	LOAN	PHP 765,000,000.00	48 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	April 17, 2019	LOAN	PHP 591,000,000.00	54 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	April 23, 2019	LOAN	PHP 410,000,000.00	34 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	April 26, 2019	LOAN	PHP 219,000,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	May 7, 2019	LOAN	PHP 142,000,000.00	31 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	May 10, 2019	LOAN	PHP 332,000,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	May 14, 2019	LOAN	PHP 790,000,000.00	30 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	May 16, 2019	LOAN	PHP 195,000,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	May 27, 2019	LOAN	PHP 423,000,000.00	31 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	May 28, 2019	LOAN	PHP 512,000,000.00	34 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	June 3, 2019	LOAN	PHP 187,000,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	June 6, 2019	LOAN	PHP 598,000,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	June 10, 2019	LOAN	PHP 189,000,000.00	30 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	June 13, 2019	LOAN	PHP 1,582,000,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	June 20, 2019	LOAN	PHP 299,000,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	June 27, 2019	LOAN	PHP 192,000,000.00	33 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	April 16, 2019	LOAN	PHP 474,200,000.00	44 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	April 26, 2019	LOAN	PHP 185,000,000.00	46 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	April 30, 2019	LOAN	PHP 36,000,000.00	59 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	May 2, 2019	LOAN	PHP 73,200,000.00	42 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	May 29, 2019	LOAN	PHP 167,500,000.00	33 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	May 30, 2019	LOAN	PHP 354,500,000.00	40 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	May 31, 2019	LOAN	PHP 79,800,000.00	33 Days	Regular business transaction with resulting profit



Material Related Party Transactions

BANK OF COMMERCE 120
Name of Bank Bank Code

June 30, 2019
Date

Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price	Terms	Rationale for Entering into the Transaction
SAN MIGUEL MILLS INC	Affiliate	June 28, 2019	LOAN	PHP 854,300,000.00	34 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	April 28, 2019	BILLS PURCHASED AVAILMENT	PHP 70,900,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	May 3, 2019	BILLS PURCHASED AVAILMENT	PHP 43,200,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	May 21, 2019	BILLS PURCHASED AVAILMENT	PHP 44,350,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	June 10, 2019	BILLS PURCHASED AVAILMENT	PHP 35,400,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	June 13, 2019	BILLS PURCHASED AVAILMENT	PHP 35,460,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	June 25, 2019	BILLS PURCHASED AVAILMENT	PHP 30,640,000.00	3 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	April 3, 2019	LOAN	PHP 286,000,000.00	41 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	April 12, 2019	LOAN	PHP 848,000,000.00	90 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	April 16, 2019	LOAN	PHP 911,000,000.00	91 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	May 14, 2019	LOAN	PHP 286,000,000.00	58 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	May 22, 2019	LOAN	PHP 355,000,000.00	57 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	May 28, 2019	LOAN	PHP 200,000,000.00	63 Days	Regular business transaction with resulting profit
SOUTH LUZON TOLLWAY CORPORATION	Beneficiary is an Affiliate (Bank Guarantee issued for the account of Santa Clara International Corp.)	May 3, 2019	BANK GUARANTEE	PHP 199,640,619.34	367 Days	Regular business transaction with resulting profit
SOUTH LUZON TOLLWAY CORPORATION	Beneficiary is an Affiliate (Bank Guarantee issued for the account of Santa Clara International Corp.)	May 3, 2019	BANK GUARANTEE	PHP 357,821,009.29	367 Days	Regular business transaction with resulting profit
SOUTH LUZON TOLLWAY CORPORATION	Beneficiary is an Affiliate (Bank Guarantee issued for the account of Santa Clara International Corp.)	May 3, 2019	BANK GUARANTEE	PHP 199,640,621.34	367 Days	Regular business transaction with resulting profit
SOUTH LUZON TOLLWAY CORPORATION	Beneficiary is an Affiliate (Bank Guarantee issued for the account of Santa Clara International Corp.)	May 17, 2019	BANK GUARANTEE	PHP 399,281,238.72	365 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	June 7, 2019	BILLS PURCHASED AVAILMENT	PHP 132,828,833.07	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	June 14, 2019	BILLS PURCHASED AVAILMENT	PHP 227,443,835.64	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	June 20, 2019	BILLS PURCHASED AVAILMENT	PHP 168,524,225.02	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	June 28, 2019	BILLS PURCHASED AVAILMENT	PHP 481,256,062.47	3 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	April 10, 2019	LOAN	PHP 101,000,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	April 15, 2019	LOAN	PHP 168,500,000.00	88 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	May 3, 2019	LOAN	PHP 236,000,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	May 10, 2019	LOAN	PHP 70,500,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	May 14, 2019	LOAN	PHP 62,000,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	May 23, 2019	LOAN	PHP 30,000,000.00	89 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	May 27, 2019	LOAN	PHP 121,500,000.00	88 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	May 28, 2019	LOAN	PHP 53,500,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	May 30, 2019	LOAN	PHP 101,000,000.00	90 Days	Regular business transaction with resulting profit

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Category:

Annex B
Category A-1

Deadline:

20 calendar days after
the reference quarter

31 OCT 2019 12:04:11 PM (Mandayong)

BANK OF COMMERCE	120
Name of Bank	Code
SMPC No. 7 Saint Francis Street, Ortigas Center, Mandaluyong City	
Address	

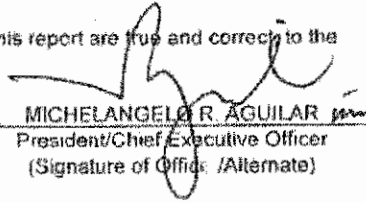
MARITON HERRERA

Report on Material Related Party Transactions

As of	September 30, 2019 (Quarter-End)
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REPUBLIC OF THE PHILIPPINES)
_____) S.S.


I solemnly swear that all matters set forth in this report are true and correct to the best of my knowledge and belief.


MICHELANGELO R. AGUILAR
President/Chief Executive Officer
(Signature of Officer /Alternate)

SUBSCRIBED AND SWORN TO BEFORE ME this OCT 21 2019 day of
20 _____, affiant exhibiting to me his Passport No. P8692960A issued on September 10, 2018.

Notary Public
Until December 31, 20 _____
PTR No. _____
Place _____

Doc No 72
Page No III
Book No III
Series of 2019


EVA Z. BANZON
NOTARY PUBLIC FOR MANDALUYONG CITY
APPOINTMENT NO. 6528-19
UNTIL DECEMBER 31, 2020
SMPC, 87 ST. FRANCIS ST., MANDALUYONG CITY
PTR No. 38042801-03-2019/MANDALUYONG CITY
ISP OR No. 06901601-03-2019
ROLL OF ATTORNEYS NO. 62160

Material Related Party Transactions

BANK OF COMMERCE 120
Name of Bank Bank Code
September 30, 2019
Date

Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price	Terms	Rationale for Entering into the Transaction
CAN ASIA, INC.	Affiliate	September 27, 2019	DIRECTIONAL LOAN	PHP 35,700,000.00	31 Days	Regular business transaction with resulting profit
CAN ASIA, INC.	Affiliate	September 27, 2019	DIRECTIONAL LOAN	PHP 41,300,000.00	31 Days	Regular business transaction with resulting profit
CAN ASIA, INC.	Affiliate	September 16, 2019	DIRECTIONAL LOAN	PHP 33,400,000.00	31 Days	Regular business transaction with resulting profit
CAN ASIA, INC.	Affiliate	September 2, 2019	DIRECTIONAL LOAN	PHP 30,000,000.00	31 Days	Regular business transaction with resulting profit
CAN ASIA, INC.	Affiliate	July 09, 2019	DIRECTIONAL LOAN	PHP 42,000,000.00	90 Days	Regular business transaction with resulting profit
CAN ASIA, INC.	Affiliate	July 23, 2019	DIRECTIONAL LOAN	PHP 76,000,000.00	90 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	July 04, 2019	BILLS PURCHASED AVAILABLE	PHP 121,638,332.32	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	July 11, 2019	BILLS PURCHASED AVAILABLE	PHP 278,893,475.55	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	July 18, 2019	BILLS PURCHASED AVAILABLE	PHP 80,993,176.83	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	July 18, 2019	BILLS PURCHASED AVAILABLE	PHP 300,000,000.00	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	July 25, 2019	BILLS PURCHASED AVAILABLE	PHP 300,000,000.00	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	July 26, 2019	BILLS PURCHASED AVAILABLE	PHP 90,000,000.00	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	July 26, 2019	BILLS PURCHASED AVAILABLE	PHP 100,000,000.00	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	July 26, 2019	BILLS PURCHASED AVAILABLE	PHP 435,000,000.00	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	July 29, 2019	BILLS PURCHASED AVAILABLE	PHP 310,000,000.00	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	July 30, 2019	BILLS PURCHASED AVAILABLE	PHP 613,728,570.56	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	August 01, 2019	BILLS PURCHASED AVAILABLE	PHP 115,350,623.98	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	August 08, 2019	BILLS PURCHASED AVAILABLE	PHP 150,828,672.54	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	August 16, 2019	BILLS PURCHASED AVAILABLE	PHP 143,018,287.08	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	August 23, 2019	BILLS PURCHASED AVAILABLE	PHP 230,760,764.11	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	August 29, 2019	BILLS PURCHASED AVAILABLE	PHP 148,992,020.00	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	August 29, 2019	BILLS PURCHASED AVAILABLE	PHP 230,000,000.00	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	September 06, 2019	BILLS PURCHASED AVAILABLE	PHP 96,889,849.94	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	September 13, 2019	BILLS PURCHASED AVAILABLE	PHP 318,034,416.84	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	September 20, 2019	BILLS PURCHASED AVAILABLE	PHP 200,000,000.00	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	September 20, 2019	BILLS PURCHASED AVAILABLE	PHP 210,398,874.19	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	September 27, 2019	BILLS PURCHASED AVAILABLE	PHP 103,578,290.88	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	September 27, 2019	BILLS PURCHASED AVAILABLE	PHP 350,000,000.00	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	July 03, 2019	BILLS PURCHASED AVAILABLE	PHP 118,348,376.40	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	July 05, 2019	BILLS PURCHASED AVAILABLE	PHP 81,894,316.24	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	July 10, 2019	BILLS PURCHASED AVAILABLE	PHP 141,391,843.07	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	July 11, 2019	BILLS PURCHASED AVAILABLE	PHP 66,598,701.56	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	July 12, 2019	BILLS PURCHASED AVAILABLE	PHP 38,989,861.62	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	July 15, 2019	BILLS PURCHASED AVAILABLE	PHP 49,821,566.62	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	July 17, 2019	BILLS PURCHASED AVAILABLE	PHP 92,605,466.86	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	July 19, 2019	BILLS PURCHASED AVAILABLE	PHP 104,775,228.71	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	July 23, 2019	BILLS PURCHASED AVAILABLE	PHP 105,568,121.78	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	July 24, 2019	BILLS PURCHASED AVAILABLE	PHP 68,938,981.83	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	July 25, 2019	BILLS PURCHASED AVAILABLE	PHP 185,047,755.76	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	July 26, 2019	BILLS PURCHASED AVAILABLE	PHP 102,948,747.11	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	July 31, 2019	BILLS PURCHASED AVAILABLE	PHP 237,558,858.83	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	August 02, 2019	BILLS PURCHASED AVAILABLE	PHP 78,841,168.88	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	August 07, 2019	BILLS PURCHASED AVAILABLE	PHP 123,508,801.82	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	August 08, 2019	BILLS PURCHASED AVAILABLE	PHP 151,771,649.56	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	August 09, 2019	BILLS PURCHASED AVAILABLE	PHP 109,510,682.52	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	August 13, 2019	BILLS PURCHASED AVAILABLE	PHP 30,712,808.39	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	August 14, 2019	BILLS PURCHASED AVAILABLE	PHP 141,833,337.36	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	August 15, 2019	BILLS PURCHASED AVAILABLE	PHP 99,338,550.32	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	August 16, 2019	BILLS PURCHASED AVAILABLE	PHP 138,038,029.97	3 Days	Regular business transaction with resulting profit

Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price	Terms	Rationale for Entering into the Transaction
GINEBRA SAN MIGUEL, INC.	Affiliate	August 20, 2019	BILLS PURCHASED AVAILABLE	PHP 247,899,468.89	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	August 22, 2019	BILLS PURCHASED AVAILABLE	PHP 76,941,928.40	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	August 23, 2019	BILLS PURCHASED AVAILABLE	PHP 177,352,201.80	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	August 28, 2019	BILLS PURCHASED AVAILABLE	PHP 99,181,382.49	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	August 29, 2019	BILLS PURCHASED AVAILABLE	PHP 189,753,675.51	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	August 30, 2019	BILLS PURCHASED AVAILABLE	PHP 134,072,921.22	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	September 03, 2019	BILLS PURCHASED AVAILABLE	PHP 42,575,943.96	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	September 04, 2019	BILLS PURCHASED AVAILABLE	PHP 59,498,239.73	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	September 06, 2019	BILLS PURCHASED AVAILABLE	PHP 69,830,069.21	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	September 11, 2019	BILLS PURCHASED AVAILABLE	PHP 129,421,420.49	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	September 12, 2019	BILLS PURCHASED AVAILABLE	PHP 52,524,660.08	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	September 13, 2019	BILLS PURCHASED AVAILABLE	PHP 253,384,440.37	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	September 18, 2019	BILLS PURCHASED AVAILABLE	PHP 123,390,404.82	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	September 19, 2019	BILLS PURCHASED AVAILABLE	PHP 50,307,502.49	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	September 20, 2019	BILLS PURCHASED AVAILABLE	PHP 208,768,207.06	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	September 25, 2019	BILLS PURCHASED AVAILABLE	PHP 247,836,290.25	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	September 26, 2019	BILLS PURCHASED AVAILABLE	PHP 43,929,022.87	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	September 27, 2019	BILLS PURCHASED AVAILABLE	PHP 87,259,186.19	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	September 30, 2019	BILLS PURCHASED AVAILABLE	PHP 144,169,522.58	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	July 11, 2019	LOAN	PHP 104,000,000.00	32 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	July 12, 2019	LOAN	PHP 41,000,000.00	31 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	August 20, 2019	LOAN	PHP 78,000,000.00	35 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	August 23, 2019	LOAN	PHP 70,000,000.00	35 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	August 30, 2019	LOAN	PHP 140,000,000.00	35 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	September 20, 2019	LOAN	PHP 42,000,000.00	35 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	September 27, 2019	LOAN	PHP 54,000,000.00	34 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	September 30, 2019	LOAN	PHP 50,000,000.00	35 Days	Regular business transaction with resulting profit
GOLDEN BAY GRAIN TERMINAL CORP.	Affiliate	July 16, 2019	LOAN	PHP 31,500,000.00	30 Days	Regular business transaction with resulting profit
GOLDEN BAY GRAIN TERMINAL CORP.	Affiliate	July 23, 2019	LOAN	PHP 82,800,000.00	30 Days	Regular business transaction with resulting profit
GOLDEN BAY GRAIN TERMINAL CORP.	Affiliate	July 25, 2019	LOAN	PHP 126,200,000.00	33 Days	Regular business transaction with resulting profit
GOLDEN BAY GRAIN TERMINAL CORP.	Affiliate	August 22, 2019	LOAN	PHP 105,000,000.00	32 Days	Regular business transaction with resulting profit
GOLDEN BAY GRAIN TERMINAL CORP.	Affiliate	August 27, 2019	LOAN	PHP 127,000,000.00	30 Days	Regular business transaction with resulting profit
GOLDEN BAY GRAIN TERMINAL CORP.	Affiliate	September 24, 2019	LOAN	PHP 41,500,000.00	30 Days	Regular business transaction with resulting profit
MANILA NORTH HARBOUR PORT, INC.	Affiliate	September 26, 2019	LOAN	PHP 88,100,000.00	32 Days	Regular business transaction with resulting profit
MINDANAO CORRUGATED FIBERBOARD, INC.	Affiliate	July 8, 2019	DIRECTIONAL LOAN	PHP 184,000,000.00	182 Days	Regular business transaction with resulting profit
MINDANAO CORRUGATED FIBERBOARD, INC.	Affiliate	August 29, 2019	DIRECTIONAL LOAN	PHP 30,000,000.00	90 Days	Regular business transaction with resulting profit
MINDANAO CORRUGATED FIBERBOARD, INC.	Affiliate	September 2, 2019	DIRECTIONAL LOAN	PHP 30,000,000.00	63 Days	Regular business transaction with resulting profit
NORTHERN CEMENT CORPORATION	Affiliate	August 28, 2019	DIRECTIONAL LOAN	PHP 30,000,000.00	90 Days	Regular business transaction with resulting profit
NORTHERN CEMENT CORPORATION	Affiliate	July 19, 2019	LETTER OF CREDIT	USD 607,500.00	60 Days	Regular business transaction with resulting profit
NORTHERN CEMENT CORPORATION	Affiliate	August 23, 2019	LETTER OF CREDIT	USD 607,500.00	60 Days	Regular business transaction with resulting profit
PETRON CORPORATION	Affiliate	August 13, 2019	LOAN	PHP 30,000,000.00	90 Days	Regular business transaction with resulting profit
PETRON CORPORATION	Affiliate	July 19, 2019	LOAN	PHP 300,000,000.00	31 Days	Regular business transaction with resulting profit
PETRON CORPORATION	Affiliate	August 20, 2019	LOAN	PHP 1,500,000,000.00	30 Days	Regular business transaction with resulting profit
PETRON CORPORATION	Affiliate	September 19, 2019	LOAN	PHP 1,500,000,000.00	29 Days	Regular business transaction with resulting profit
PETRON CORPORATION	Affiliate	September 23, 2019	LOAN	PHP 170,000,000.00	29 Days	Regular business transaction with resulting profit
PETRON CORPORATION	Affiliate	September 24, 2019	LOAN	PHP 520,000,000.00	29 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	July 1, 2019	BILLS PURCHASED AVAILABLE	PHP 31,800,279.12	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	July 1, 2019	BILLS PURCHASED AVAILABLE	PHP 547,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	July 2, 2019	BILLS PURCHASED AVAILABLE	PHP 145,400,000.00	3 Days	Regular business transaction with resulting profit

Date _____

Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price	Terms	Rationale for Entering Into the Transaction
SAN MIGUEL BREWERY INC.	Affiliate	July 3, 2019	BILLS PURCHASED AVALIEMT	PHP 392,600,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	July 4, 2019	BILLS PURCHASED AVALIEMT	PHP 148,000,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	July 5, 2019	BILLS PURCHASED AVALIEMT	PHP 178,300,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	July 8, 2019	BILLS PURCHASED AVALIEMT	PHP 372,200,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	July 9, 2019	BILLS PURCHASED AVALIEMT	PHP 325,500,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	July 10, 2019	BILLS PURCHASED AVALIEMT	PHP 555,700,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	July 11, 2019	BILLS PURCHASED AVALIEMT	PHP 257,700,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	July 12, 2019	BILLS PURCHASED AVALIEMT	PHP 267,700,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	July 15, 2019	BILLS PURCHASED AVALIEMT	PHP 558,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	July 16, 2019	BILLS PURCHASED AVALIEMT	PHP 285,000,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	July 17, 2019	BILLS PURCHASED AVALIEMT	PHP 535,000,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	July 18, 2019	BILLS PURCHASED AVALIEMT	PHP 261,700,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	July 19, 2019	BILLS PURCHASED AVALIEMT	PHP 279,300,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	July 22, 2019	BILLS PURCHASED AVALIEMT	PHP 754,500,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	July 23, 2019	BILLS PURCHASED AVALIEMT	PHP 335,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	July 24, 2019	BILLS PURCHASED AVALIEMT	PHP 535,500,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	July 25, 2019	BILLS PURCHASED AVALIEMT	PHP 385,255,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	July 26, 2019	BILLS PURCHASED AVALIEMT	PHP 270,300,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	July 29, 2019	BILLS PURCHASED AVALIEMT	PHP 473,000,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	July 30, 2019	BILLS PURCHASED AVALIEMT	PHP 481,100,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	July 31, 2019	BILLS PURCHASED AVALIEMT	PHP 637,750,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	August 1, 2019	BILLS PURCHASED AVALIEMT	PHP 339,100,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	August 2, 2019	BILLS PURCHASED AVALIEMT	PHP 92,900,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	August 5, 2019	BILLS PURCHASED AVALIEMT	PHP 403,600,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	August 6, 2019	BILLS PURCHASED AVALIEMT	PHP 189,400,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	August 7, 2019	BILLS PURCHASED AVALIEMT	PHP 325,000,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	August 8, 2019	BILLS PURCHASED AVALIEMT	PHP 245,300,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	August 9, 2019	BILLS PURCHASED AVALIEMT	PHP 250,100,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	August 13, 2019	BILLS PURCHASED AVALIEMT	PHP 59,000,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	August 14, 2019	BILLS PURCHASED AVALIEMT	PHP 486,300,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	August 15, 2019	BILLS PURCHASED AVALIEMT	PHP 283,700,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	August 16, 2019	BILLS PURCHASED AVALIEMT	PHP 273,200,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	August 19, 2019	BILLS PURCHASED AVALIEMT	PHP 46,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	August 20, 2019	BILLS PURCHASED AVALIEMT	PHP 401,500,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	August 22, 2019	BILLS PURCHASED AVALIEMT	PHP 59,500,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	August 23, 2019	BILLS PURCHASED AVALIEMT	PHP 323,600,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	August 27, 2019	BILLS PURCHASED AVALIEMT	PHP 491,000,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	August 28, 2019	BILLS PURCHASED AVALIEMT	PHP 569,500,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	August 29, 2019	BILLS PURCHASED AVALIEMT	PHP 415,200,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	September 2, 2019	BILLS PURCHASED AVALIEMT	PHP 85,000,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	September 3, 2019	BILLS PURCHASED AVALIEMT	PHP 176,300,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	September 4, 2019	BILLS PURCHASED AVALIEMT	PHP 322,600,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	September 5, 2019	BILLS PURCHASED AVALIEMT	PHP 148,245,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	September 6, 2019	BILLS PURCHASED AVALIEMT	PHP 179,100,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	September 9, 2019	BILLS PURCHASED AVALIEMT	PHP 426,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	September 10, 2019	BILLS PURCHASED AVALIEMT	PHP 333,500,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	September 11, 2019	BILLS PURCHASED AVALIEMT	PHP 508,600,000.00	3 Days	Regular business transaction with resulting profit
	Affiliate	September 12, 2019	BILLS PURCHASED AVALIEMT	PHP 276,719,000.00	3 Days	Regular business transaction with resulting profit

Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price	Terms	Rationale for Entering into the Transaction
SAN MIGUEL BREWERY INC.	Affiliate	September 13, 2019	BILLS PURCHASED AVAILABLE	PHP 275,700,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	September 16, 2019	BILLS PURCHASED AVAILABLE	PHP 342,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	September 17, 2019	BILLS PURCHASED AVAILABLE	PHP 294,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	September 18, 2019	BILLS PURCHASED AVAILABLE	PHP 546,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	September 18, 2019	BILLS PURCHASED AVAILABLE	PHP 398,300,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	September 20, 2019	BILLS PURCHASED AVAILABLE	PHP 304,300,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	September 23, 2019	BILLS PURCHASED AVAILABLE	PHP 392,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	September 24, 2019	BILLS PURCHASED AVAILABLE	PHP 332,800,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	September 25, 2019	BILLS PURCHASED AVAILABLE	PHP 277,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	September 26, 2019	BILLS PURCHASED AVAILABLE	PHP 369,600,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	September 27, 2019	BILLS PURCHASED AVAILABLE	PHP 374,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	September 30, 2019	BILLS PURCHASED AVAILABLE	PHP 58,560,823.60	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	September 30, 2019	BILLS PURCHASED AVAILABLE	PHP 700,100,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL CONSOLIDATED POWER CORP.	Affiliate	July 31, 2019	LOAN	PHP 101,859,154.93	144 Months	Regular business transaction with resulting profit
SAN MIGUEL CONSOLIDATED POWER CORP.	Affiliate	July 31, 2019	LOAN	PHP 45,070,422.54	144 Months	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	July 9, 2019	BILLS PURCHASED AVAILABLE	PHP 116,140,814.20	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	July 10, 2019	BILLS PURCHASED AVAILABLE	PHP 102,552,315.07	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	July 12, 2019	BILLS PURCHASED AVAILABLE	PHP 195,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	July 31, 2019	BILLS PURCHASED AVAILABLE	PHP 65,202,873.28	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	August 9, 2019	BILLS PURCHASED AVAILABLE	PHP 99,835,317.08	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	August 9, 2019	BILLS PURCHASED AVAILABLE	PHP 153,328,912.26	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	August 14, 2019	BILLS PURCHASED AVAILABLE	PHP 290,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	September 3, 2019	BILLS PURCHASED AVAILABLE	PHP 251,171,888.53	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	September 11, 2019	BILLS PURCHASED AVAILABLE	PHP 100,804,115.71	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	September 12, 2019	BILLS PURCHASED AVAILABLE	PHP 305,774,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	July 1, 2019	LOAN	PHP 593,000,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	July 5, 2019	LOAN	PHP 116,000,000.00	31 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	July 8, 2019	LOAN	PHP 370,000,000.00	30 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	July 15, 2019	LOAN	PHP 1,117,000,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	July 22, 2019	LOAN	PHP 1,000,000,000.00	37 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	September 5, 2019	LOAN	PHP 416,000,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	September 19, 2019	LOAN	PHP 282,000,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	September 20, 2019	LOAN	PHP 162,500,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	September 20, 2019	LOAN	PHP 100,000,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	September 20, 2019	LOAN	PHP 122,300,000.00	30 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	July 3, 2019	LOAN	PHP 144,000,000.00	30 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	July 8, 2019	LOAN	PHP 160,600,000.00	30 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	July 9, 2019	LOAN	PHP 288,000,000.00	30 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	July 31, 2019	LOAN	PHP 845,000,000.00	30 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	August 1, 2019	LOAN	PHP 908,300,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	August 2, 2019	LOAN	PHP 141,000,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	August 7, 2019	LOAN	PHP 154,500,000.00	30 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	August 30, 2019	LOAN	PHP 929,000,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	September 2, 2019	LOAN	PHP 865,500,000.00	30 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	September 3, 2019	LOAN	PHP 86,500,000.00	30 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	September 6, 2019	LOAN	PHP 121,000,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	September 19, 2019	LOAN	PHP 363,500,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	September 17, 2019	DIRECTIONAL LOAN	PHP 88,200,000.00	30 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORP.	Affiliate	September 13, 2019	DIRECTIONAL LOAN	PHP 103,600,000.00	32 Days	Regular business transaction with resulting profit

Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price	Terms	Rationale for Entering Into the Transaction
SAN MIGUEL YAMAMURA PACKAGING CORP	Affiliate	September 6, 2019	DIRECTIONAL LOAN	PHP 30,600,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORP	Affiliate	September 23, 2019	DIRECTIONAL LOAN	PHP 47,000,000.00	60 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORP	Affiliate	September 23, 2019	DIRECTIONAL LOAN	PHP 37,000,000.00	60 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORP	Affiliate	September 23, 2019	DIRECTIONAL LOAN	PHP 55,000,000.00	60 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORP	Affiliate	August 23, 2019	DIRECTIONAL LOAN	PHP 30,000,000.00	60 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORP	Affiliate	September 24, 2019	DIRECTIONAL LOAN	PHP 35,000,000.00	62 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORP	Affiliate	September 27, 2019	DIRECTIONAL LOAN	PHP 37,100,000.00	31 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORP	Affiliate	August 14, 2019	DIRECTIONAL LOAN	PHP 100,000,000.00	62 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORP	Affiliate	August 14, 2019	DIRECTIONAL LOAN	PHP 108,400,000.00	90 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORP	Affiliate	September 13, 2019	DIRECTIONAL LOAN	PHP 53,600,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORP	Affiliate	July 16, 2019	DIRECTIONAL LOAN	PHP 95,000,000.00	91 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORP	Affiliate	August 13, 2019	DIRECTIONAL LOAN	PHP 130,500,000.00	90 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORP	Affiliate	July 30, 2019	DIRECTIONAL LOAN	PHP 150,000,000.00	90 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORP	Affiliate	September 12, 2019	DIRECTIONAL LOAN	PHP 35,000,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORP	Affiliate	July 12, 2019	DIRECTIONAL LOAN	PHP 90,000,000.00	81 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORP	Affiliate	July 3, 2019	DIRECTIONAL LOAN	PHP 258,500,000.00	90 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORP	Affiliate	September 17, 2019	DIRECTIONAL LOAN	PHP 33,000,000.00	90 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	September 24, 2019	DIRECTIONAL LOAN	PHP 90,500,000.00	30 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	September 27, 2019	DIRECTIONAL LOAN	PHP 85,000,000.00	31 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	September 27, 2019	DIRECTIONAL LOAN	PHP 138,500,000.00	31 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	September 3, 2019	DIRECTIONAL LOAN	PHP 43,000,000.00	30 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	August 6, 2019	DIRECTIONAL LOAN	PHP 80,000,000.00	91 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	September 20, 2019	DIRECTIONAL LOAN	PHP 50,000,000.00	90 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	September 20, 2019	DIRECTIONAL LOAN	PHP 47,000,000.00	90 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	August 6, 2019	DIRECTIONAL LOAN	PHP 85,000,000.00	91 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	July 25, 2019	DIRECTIONAL LOAN	PHP 100,000,000.00	90 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	July 16, 2019	DIRECTIONAL LOAN	PHP 65,000,000.00	91 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	July 3, 2019	DIRECTIONAL LOAN	PHP 50,000,000.00	90 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	July 30, 2019	DIRECTIONAL LOAN	PHP 40,000,000.00	90 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	August 20, 2019	DIRECTIONAL LOAN	PHP 85,000,000.00	90 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	September 3, 2019	DIRECTIONAL LOAN	PHP 65,800,000.00	90 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	September 11, 2019	DIRECTIONAL LOAN	PHP 117,400,000.00	90 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	July 18, 2019	DIRECTIONAL LOAN	PHP 200,000,000.00	90 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	September 24, 2019	DIRECTIONAL LOAN	PHP 30,000,000.00	65 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	July 22, 2019	DIRECTIONAL LOAN	PHP 50,000,000.00	91 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	September 10, 2019	DIRECTIONAL LOAN	PHP 88,000,000.00	30 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	September 26, 2019	DIRECTIONAL LOAN	PHP 167,400,000.00	28 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	July 11, 2019	LOAN	PHP 1,134,000,000.00	61 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	July 16, 2019	LOAN	PHP 911,000,000.00	31 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	July 18, 2019	LOAN	PHP 355,900,000.00	35 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	August 16, 2019	LOAN	PHP 818,800,000.00	40 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	August 19, 2019	LOAN	PHP 200,000,000.00	38 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	August 22, 2019	LOAN	PHP 365,000,000.00	91 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	September 10, 2019	LOAN	PHP 1,134,000,000.00	36 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	September 25, 2019	LOAN	PHP 818,800,000.00	41 Days	Regular business transaction with resulting profit
JE MANALO & CO., INC.	Economic Interdependence	September 11, 2019	DOMESTIC STANDBY LETTER OF CREDIT	PHP 50,000,000.00	90 Days	Regular business transaction with resulting profit
PANASIA ENERGY, INC.	Economic Interdependence	September 2, 2019	CREDIT	PHP 86,490,000.00	48 Days	Regular business transaction with resulting profit

Material Related Party Transactions
BANK OF COMMERCE 120
Name of Bank Bank Code

September 30, 2019
Date

Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price	Terms	Rationale for Entering into the Transaction
PANASIA ENERGY, INC.	Economic Interdependence	September 2, 2019	DOMESTIC STANDBY LETTER OF CREDIT	PHP 50,000,000.00	48 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	July 9, 2019	LOAN	PHP 101,000,000.00	62 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	July 12, 2019	LOAN	PHP 168,500,000.00	62 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	August 13, 2019	LOAN	PHP 69,500,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	August 16, 2019	LOAN	PHP 67,400,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	August 22, 2019	LOAN	PHP 43,700,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	August 23, 2019	LOAN	PHP 189,100,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	August 27, 2019	LOAN	PHP 99,400,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	August 28, 2019	LOAN	PHP 75,600,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	September 3, 2019	LOAN	PHP 56,000,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	September 5, 2019	LOAN	PHP 80,000,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	September 12, 2019	LOAN	PHP 101,000,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	September 20, 2019	LOAN	PHP 98,600,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	September 24, 2019	LOAN	PHP 69,900,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	September 23, 2019	LOAN	PHP 69,900,000.00	88 Days	Regular business transaction with resulting profit

Category

Category A-1

Annex B

Deadline

30 calendar days after
the reference quarter

20240120-44102P332705612

10
L. GARCIA

BANK OF COMMERCE	120
Name of Bank	Code
SMPC No. 7 Saint Francis Street, Origas Center, Mandaluyong City	
Address	

Report on Material Related Party Transactions

As of	December 31, 2019
	(Quarter-End)

REPUBLIC OF THE PHILIPPINES)

S.S.

I solemnly swear that all matters set forth in this report are true and correct to the best of my knowledge and belief.

MICHELANGELO R. AGUIAR
President/Chief Executive Officer
(Signature of Officer/Alternate)

SUBSCRIBED AND SWORN TO BEFORE ME this JAN 20 2020 day of
20 MANILA City, Philippines, to me by Passport No. P9820960A, issued on September 10, 2019, expires on 9 Sept. 2020.

W. J. BANGON

Notary Public:
Until December 31, 2020
PTR No. 20190101010101010101
Place SMPC 47 ST. MICHAEL'S, MANILA, PHILIPPINES
Office, SMPC 47 ST. MICHAEL'S, MANILA, PHILIPPINES
Ref. No. 20190101010101010101
Not. of Atty. W. J. BANGON

Doc. No. 40
Page No. 1
Book No. 1
Series of 2020

Material Related Party Transactions
BANK OF COMMERCE 120
Name of Bank **Bank Code**

December 31, 2019
Date

Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price	Terms	Rationale for Entering into the Transaction
CAN ASIA, INC.	Affiliate	December 16, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 44,900,000.00	30 Days	Regular business transaction with resulting profit
CAN ASIA, INC.	Affiliate	December 19, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 62,200,000.00	32 Days	Regular business transaction with resulting profit
CAN ASIA, INC.	Affiliate	December 19, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 43,800,000.00	32 Days	Regular business transaction with resulting profit
CAN ASIA, INC.	Affiliate	October 3, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 30,000,000.00	96 Days	Regular business transaction with resulting profit
CAN ASIA, INC.	Affiliate	October 7, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 42,000,000.00	91 Days	Regular business transaction with resulting profit
CAN ASIA, INC.	Affiliate	October 21, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 79,000,000.00	91 Days	Regular business transaction with resulting profit
CAN ASIA, INC.	Affiliate	October 28, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 35,000,000.00	91 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	October 4, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 141,628,965.32	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	October 10, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 192,564,590.88	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	October 4, 2019	BILLS PURCHASED AVAILABLE	PHP 141,628,965.32	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	October 10, 2019	BILLS PURCHASED AVAILABLE	PHP 192,564,590.88	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	October 17, 2019	BILLS PURCHASED AVAILABLE	PHP 186,628,040.36	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	October 30, 2019	BILLS PURCHASED AVAILABLE	PHP 465,820,569.92	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	October 23, 2019	BILLS PURCHASED AVAILABLE	PHP 155,284,446.09	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	November 7, 2019	BILLS PURCHASED AVAILABLE	PHP 193,642,528.98	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	November 14, 2019	BILLS PURCHASED AVAILABLE	PHP 100,000,000.00	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	November 14, 2019	BILLS PURCHASED AVAILABLE	PHP 133,314,325.20	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	November 21, 2019	BILLS PURCHASED AVAILABLE	PHP 92,650,752.95	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	November 28, 2019	BILLS PURCHASED AVAILABLE	PHP 81,416,491.31	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	November 28, 2019	BILLS PURCHASED AVAILABLE	PHP 110,000,000.00	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	November 29, 2019	BILLS PURCHASED AVAILABLE	PHP 300,000,000.00	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	December 4, 2019	BILLS PURCHASED AVAILABLE	PHP 136,312,382.20	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	December 12, 2019	BILLS PURCHASED AVAILABLE	PHP 131,303,739.46	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	December 12, 2019	BILLS PURCHASED AVAILABLE	PHP 153,612,186.60	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	December 18, 2019	BILLS PURCHASED AVAILABLE	PHP 421,700,200.76	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	December 26, 2019	BILLS PURCHASED AVAILABLE	PHP 300,000,000.00	3 Days	Regular business transaction with resulting profit
EAGLE CEMENT CORPORATION	Presence of corresponding person	December 26, 2019	DIRECTIONAL LOAN (FUNDERS)	PHP 100,000,000.00	-	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	October 02, 2019	LOAN	PHP 47,000,000.00	35 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	October 04, 2019	LOAN	PHP 151,000,000.00	35 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	October 01, 2019	BILLS PURCHASED AVAILABLE	PHP 119,082,362.05	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	October 02, 2019	BILLS PURCHASED AVAILABLE	PHP 40,104,515.39	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	October 04, 2019	BILLS PURCHASED AVAILABLE	PHP 69,275,855.34	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	October 08, 2019	BILLS PURCHASED AVAILABLE	PHP 75,882,268.36	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	October 09, 2019	BILLS PURCHASED AVAILABLE	PHP 104,134,684.97	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	October 10, 2019	BILLS PURCHASED AVAILABLE	PHP 42,457,723.05	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	October 11, 2019	BILLS PURCHASED AVAILABLE	PHP 90,573,193.23	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	October 16, 2019	BILLS PURCHASED AVAILABLE	PHP 126,192,351.93	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	October 18, 2019	BILLS PURCHASED AVAILABLE	PHP 122,078,481.37	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	October 22, 2019	BILLS PURCHASED AVAILABLE	PHP 57,250,952.38	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	October 23, 2019	BILLS PURCHASED AVAILABLE	PHP 151,550,078.86	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	October 24, 2019	BILLS PURCHASED AVAILABLE	PHP 34,761,530.43	3 Days	Regular business transaction with resulting profit

Material Related Party Transactions

BANK OF COMMERCE 120
Name of Bank Bank Code

December 31, 2019
Date

Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price	Terms	Rationale for Entering into the Transaction
GINEBRA SAN MIGUEL, INC.	Affiliate	October 25, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 459,239,104.38	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	November 05, 2019	LOAN	PHP 245,000,000.00	35 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	October 30, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 192,722,195.93	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	November 06, 2019	LOAN	PHP 153,000,000.00	36 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	October 31, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 280,462,706.40	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	November 08, 2019	LOAN	PHP 192,000,000.00	35 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	November 05, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 54,504,663.80	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	November 07, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 61,684,895.24	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	November 12, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 186,539,750.86	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	November 13, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 83,106,963.72	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	November 14, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 54,326,704.84	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	November 15, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 168,338,598.71	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	November 18, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 30,828,148.65	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	November 20, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 161,170,303.17	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	November 22, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 174,503,182.26	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	November 25, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 181,919,670.58	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	November 27, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 122,093,149.64	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	November 28, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 76,888,573.43	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	December 03, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 70,835,222.35	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	December 06, 2019	LOAN	PHP 45,000,000.00	33 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	December 4, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 56,925,886.09	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	December 5, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 142,590,930.51	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	December 6, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 87,099,286.51	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	December 11, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 51,412,848.10	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	December 18, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 143,836,665.54	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	December 20, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 210,593,599.84	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	December 23, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 240,617,544.04	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	December 26, 2019	BILLS PURCHASED AVAILABLE LOAN	PHP 244,433,564.12	3 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	December 11, 2019	LOAN	PHP 108,000,000.00	30 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	December 11, 2019	LOAN	PHP 124,000,000.00	34 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	December 27, 2019	LOAN	PHP 300,000,000.00	53 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	December 13, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 100,000,000.00	31 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	December 13, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 90,500,000.00	60 Days	Regular business transaction with resulting profit
GINEBRA SAN MIGUEL, INC.	Affiliate	December 12, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 50,000,000.00	62 Days	Regular business transaction with resulting profit
GOLDEN BAY GRAIN TERMINAL CORP.	Affiliate	October 28, 2019	LOAN	PHP 81,500,000.00	30 Days	Regular business transaction with resulting profit
J.E. MANALO & COMPANY INC.	Affiliate	October 25, 2019	LOAN	PHP 50,000,000.00	90 Days	Regular business transaction with resulting profit
J.E. MANALO & COMPANY INC.	Affiliate	December 10, 2019	LOAN	PHP 50,000,000.00	90 Days	Regular business transaction with resulting profit
J.E. MANALO & COMPANY INC.	Affiliate	December 23, 2019	LOAN	PHP 200,000,000.00	14 Days	Regular business transaction with resulting profit
MAGNOLIA, INC.	Affiliate	December 12, 2019	LOAN	PHP 44,700,000.00	32 Days	Regular business transaction with resulting profit
MAGNOLIA, INC.	Affiliate	December 19, 2019	LOAN	PHP 116,800,000.00	32 Days	Regular business transaction with resulting profit
MANILA NORTH HARBOR PORT, INC.	Affiliate	December 16, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 50,000,000.00	30 Days	Regular business transaction with resulting profit
MINDANAO CORRUGATED FIBERBOARD, INC.	Affiliate	November 27, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 30,000,000.00	91 Days	Regular business transaction with resulting profit
MINDANAO CORRUGATED FIBERBOARD, INC.	Affiliate	November 26, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 30,000,000.00	90 Days	Regular business transaction with resulting profit

Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price	Terms	Rationale for Entering into the Transaction
NORTHERN CEMENT CORPORATION	Affiliate	November 21, 2019	DIRECTIONAL LOAN (BORROWER)	USD 607,500.00	60 Days	Regular business transaction with resulting profit
PANASIA ENERGY, INC.	Economic Interdependence	October 30, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 50,000,000.00	52 Days	Regular business transaction with resulting profit
PANASIA ENERGY, INC.	Economic Interdependence	October 30, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 86,490,000.00	52 Days	Regular business transaction with resulting profit
PETRON CORPORATION	Affiliate	October 18, 2019	LOAN	PHP 1,500,000,000.00	31 Days	Regular business transaction with resulting profit
PETRON CORPORATION	Affiliate	October 18, 2019	LOAN	PHP 993,000,000.00	26 Days	Regular business transaction with resulting profit
PETRON CORPORATION	Affiliate	October 23, 2019	LOAN	PHP 520,000,000.00	30 Days	Regular business transaction with resulting profit
PETRON CORPORATION	Affiliate	October 29, 2019	LOAN	PHP 170,000,000.00	24 Days	Regular business transaction with resulting profit
ROBERTO COYUTO JR.	Corresponding Person in Affiliated Companies	December 23, 2019	ESCROW	PHP 200,000,000.00	-	Regular business transaction with resulting profit
SAN CARLOS BIOENERGY CORPORATION	Economic Interdependence	November 21, 2019	LOAN	PHP 301,000,000.00	90 Days	Regular business transaction with resulting profit
SAN CARLOS BIOENERGY CORPORATION	Economic Interdependence	November 25, 2019	LOAN	PHP 199,000,000.00	88 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 1, 2019	BILLS PURCHASED AVALIEMENT	PHP 600,400,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 2, 2019	BILLS PURCHASED AVALIEMENT	PHP 85,800,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 3, 2019	BILLS PURCHASED AVALIEMENT	PHP 246,800,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 4, 2019	BILLS PURCHASED AVALIEMENT	PHP 106,700,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 7, 2019	BILLS PURCHASED AVALIEMENT	PHP 323,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 8, 2019	BILLS PURCHASED AVALIEMENT	PHP 206,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 9, 2019	BILLS PURCHASED AVALIEMENT	PHP 443,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 10, 2019	BILLS PURCHASED AVALIEMENT	PHP 225,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 11, 2019	BILLS PURCHASED AVALIEMENT	PHP 256,600,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 14, 2019	BILLS PURCHASED AVALIEMENT	PHP 628,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 15, 2019	BILLS PURCHASED AVALIEMENT	PHP 327,300,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 16, 2019	BILLS PURCHASED AVALIEMENT	PHP 593,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 17, 2019	BILLS PURCHASED AVALIEMENT	PHP 313,200,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 18, 2019	BILLS PURCHASED AVALIEMENT	PHP 300,700,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 21, 2019	BILLS PURCHASED AVALIEMENT	PHP 522,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 22, 2019	BILLS PURCHASED AVALIEMENT	PHP 411,200,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 23, 2019	BILLS PURCHASED AVALIEMENT	PHP 554,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 24, 2019	BILLS PURCHASED AVALIEMENT	PHP 341,300,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 25, 2019	BILLS PURCHASED AVALIEMENT	PHP 373,600,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 28, 2019	BILLS PURCHASED AVALIEMENT	PHP 566,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 29, 2019	BILLS PURCHASED AVALIEMENT	PHP 459,600,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 30, 2019	BILLS PURCHASED AVALIEMENT	PHP 575,200,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	October 31, 2019	BILLS PURCHASED AVALIEMENT	PHP 512,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	November 4, 2019	BILLS PURCHASED AVALIEMENT	PHP 56,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	November 5, 2019	BILLS PURCHASED AVALIEMENT	PHP 273,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	November 6, 2019	BILLS PURCHASED AVALIEMENT	PHP 200,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	November 7, 2019	BILLS PURCHASED AVALIEMENT	PHP 197,800,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	November 8, 2019	BILLS PURCHASED AVALIEMENT	PHP 271,600,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	November 11, 2019	BILLS PURCHASED AVALIEMENT	PHP 613,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	November 12, 2019	BILLS PURCHASED AVALIEMENT	PHP 318,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	November 13, 2019	BILLS PURCHASED AVALIEMENT	PHP 581,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	November 14, 2019	BILLS PURCHASED AVALIEMENT	PHP 316,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	November 15, 2019	BILLS PURCHASED AVALIEMENT	PHP 310,200,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	November 18, 2019	BILLS PURCHASED AVALIEMENT	PHP 450,200,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	November 19, 2019	BILLS PURCHASED AVALIEMENT	PHP 451,300,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	November 20, 2019	BILLS PURCHASED AVALIEMENT	PHP 542,800,000.00	3 Days	Regular business transaction with resulting profit

Material Related Party Transactions

BANK OF COMMERCE 120
Name of Bank Bank Code

December 31, 2019
Date

Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price	Terms	Rationale for Entering into the Transaction
SAN MIGUEL BREWERY INC.	Affiliate	November 21, 2019	BILLS PURCHASED AVALIEMENT	PHP 364,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	November 22, 2019	BILLS PURCHASED AVALIEMENT	PHP 332,700,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	November 25, 2019	BILLS PURCHASED AVALIEMENT	PHP 475,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	November 26, 2019	BILLS PURCHASED AVALIEMENT	PHP 409,200,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	November 27, 2019	BILLS PURCHASED AVALIEMENT	PHP 625,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	November 28, 2019	BILLS PURCHASED AVALIEMENT	PHP 449,700,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	November 29, 2019	BILLS PURCHASED AVALIEMENT	PHP 503,200,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	December 2, 2019	BILLS PURCHASED AVALIEMENT	PHP 636,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	December 3, 2019	BILLS PURCHASED AVALIEMENT	PHP 131,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	December 4, 2019	BILLS PURCHASED AVALIEMENT	PHP 212,900,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	December 5, 2019	BILLS PURCHASED AVALIEMENT	PHP 190,600,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	December 6, 2019	BILLS PURCHASED AVALIEMENT	PHP 196,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	December 9, 2019	BILLS PURCHASED AVALIEMENT	PHP 485,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	December 10, 2019	BILLS PURCHASED AVALIEMENT	PHP 306,700,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	December 11, 2019	BILLS PURCHASED AVALIEMENT	PHP 66,774,347.19	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	December 11, 2019	BILLS PURCHASED AVALIEMENT	PHP 519,700,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	December 12, 2019	BILLS PURCHASED AVALIEMENT	PHP 335,300,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	December 13, 2019	BILLS PURCHASED AVALIEMENT	PHP 334,900,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	December 16, 2019	BILLS PURCHASED AVALIEMENT	PHP 495,400,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	December 17, 2019	BILLS PURCHASED AVALIEMENT	PHP 513,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	December 18, 2019	BILLS PURCHASED AVALIEMENT	PHP 618,300,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	December 19, 2019	BILLS PURCHASED AVALIEMENT	PHP 559,700,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	December 20, 2019	BILLS PURCHASED AVALIEMENT	PHP 480,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	December 23, 2019	BILLS PURCHASED AVALIEMENT	PHP 748,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	December 26, 2019	BILLS PURCHASED AVALIEMENT	PHP 297,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC.	Affiliate	December 27, 2019	BILLS PURCHASED AVALIEMENT	PHP 571,507,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL BREWERY INC. RETIREMENT PLAN	Affiliate	December 28, 2019	DIRECTIONAL LOAN (FUNDER)	PHP 102,500,000.00	-	Regular business transaction with resulting profit
SAN MIGUEL CORPORATION	Affiliate	December 11, 2019	DIRECTIONAL LOAN (FUNDER)	PHP 1,390,467,598.11	-	Regular business transaction with resulting profit
SAN MIGUEL CORPORATION	Affiliate	November 22, 2019	DIRECTIONAL LOAN (FUNDER)	PHP 41,500,000.00	-	Regular business transaction with resulting profit
SAN MIGUEL CORPORATION	Affiliate	November 21, 2019	DIRECTIONAL LOAN (FUNDER)	PHP 1,088,365,927.78	-	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	October 9, 2019	BILLS PURCHASED AVALIEMENT	PHP 118,843,797.15	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	October 11, 2019	BILLS PURCHASED AVALIEMENT	PHP 102,450,272.79	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	October 18, 2019	BILLS PURCHASED AVALIEMENT	PHP 437,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	November 7, 2019	BILLS PURCHASED AVALIEMENT	PHP 116,200,904.87	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	November 8, 2019	BILLS PURCHASED AVALIEMENT	PHP 114,165,909.43	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	November 19, 2019	BILLS PURCHASED AVALIEMENT	PHP 257,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	December 9, 2019	BILLS PURCHASED AVALIEMENT	PHP 52,159,103.97	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	December 10, 2019	BILLS PURCHASED AVALIEMENT	PHP 48,021,938.96	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	December 10, 2019	BILLS PURCHASED AVALIEMENT	PHP 48,990,283.43	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	December 10, 2019	BILLS PURCHASED AVALIEMENT	PHP 62,292,609.36	3 Days	Regular business transaction with resulting profit
SAN MIGUEL ENERGY CORPORATION	Affiliate	December 13, 2019	BILLS PURCHASED AVALIEMENT	PHP 266,500,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	October 4, 2019	LOAN	PHP 685,000,000.00	33 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	October 7, 2019	LOAN	PHP 333,000,000.00	31 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	October 21, 2019	LOAN	PHP 604,500,000.00	25 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	October 22, 2019	LOAN	PHP 64,000,000.00	24 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	October 24, 2019	LOAN	PHP 172,500,000.00	22 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	October 25, 2019	LOAN	PHP 768,000,000.00	21 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	October 28, 2019	LOAN	PHP 239,000,000.00	18 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	October 30, 2019	LOAN	PHP 754,000,000.00	16 Days	Regular business transaction with resulting profit

Material Related Party Transactions
BANK OF COMMERCE 120
Name of Bank **Bank Code**
 December 31, 2019
Date

Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price	Terms	Rationale for Entering into the Transaction
SAN MIGUEL FOODS, INC.	Affiliate	November 7, 2019	LOAN	PHP 722,000,000.00	8 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	November 12, 2019	LOAN	PHP 226,000,000.00	3 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	November 15, 2019	LOAN	PHP 1,821,000,000.00	31 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	November 21, 2019	LOAN	PHP 260,000,000.00	8 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	December 2, 2019	LOAN	PHP 107,000,000.00	38 Days	Regular business transaction with resulting profit
SAN MIGUEL FOODS, INC.	Affiliate	December 16, 2019	LOAN	PHP 1,277,000,000.00	35 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	October 1, 2019	LOAN	PHP 813,500,000.00	30 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	October 2, 2019	LOAN	PHP 745,000,000.00	33 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	October 3, 2019	LOAN	PHP 63,500,000.00	33 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	October 8, 2019	LOAN	PHP 82,500,000.00	31 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	October 21, 2019	LOAN	PHP 83,500,000.00	30 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	October 31, 2019	LOAN	PHP 540,000,000.00	29 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	November 4, 2019	LOAN	PHP 729,000,000.00	25 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	November 21, 2019	LOAN	PHP 708,500,000.00	8 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	November 22, 2019	LOAN	PHP 145,100,000.00	7 Days	Regular business transaction with resulting profit
SAN MIGUEL MILLS INC	Affiliate	November 29, 2019	LOAN	PHP 1,104,500,000.00	38 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	December 16, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 51,200,000.00	30 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	December 19, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 60,500,000.00	32 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	December 4, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 60,400,000.00	61 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	December 16, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 46,900,000.00	30 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	December 4, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 136,200,000.00	61 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	November 22, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 40,000,000.00	90 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	November 22, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 47,000,000.00	90 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	November 22, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 55,000,000.00	90 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	December 11, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 31,000,000.00	90 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	December 20, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 30,000,000.00	90 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	November 25, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 35,000,000.00	91 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	December 16, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 34,000,000.00	92 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	December 4, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 58,000,000.00	90 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	December 16, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 96,800,000.00	30 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	November 28, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 40,000,000.00	60 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	December 13, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 110,500,000.00	60 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	December 16, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 50,300,000.00	30 Days	Regular business transaction with resulting profit

Material Related Party Transactions

BANK OF COMMERCE 120
Name of Bank Bank Code

December 31, 2019
Date

Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price	Terms	Rationale for Entering into the Transaction
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	October 15, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 95,000,000.00	91 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	October 28, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 150,000,000.00	91 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	November 11, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 130,500,000.00	92 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	December 16, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 33,000,000.00	92 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	December 16, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 45,000,000.00	92 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	December 16, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 30,200,000.00	30 Days	Regular business transaction with resulting profit
SAN MIGUEL YAMAMURA PACKAGING CORPORATION	Affiliate	November 28, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 50,600,000.00	60 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	December 9, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 45,300,000.00	31 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	December 5, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 85,000,000.00	33 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	November 28, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 100,000,000.00	60 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	December 5, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 150,000,000.00	62 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	December 9, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 34,500,000.00	31 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	December 5, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 32,100,000.00	33 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	November 20, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 50,300,000.00	90 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	November 5, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 70,000,000.00	91 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	November 20, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 30,000,000.00	90 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	December 19, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 50,000,000.00	90 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	December 19, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 47,000,000.00	90 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	November 5, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 85,000,000.00	91 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	November 5, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 30,000,000.00	91 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	October 23, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 100,000,000.00	92 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	October 15, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 65,000,000.00	91 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	October 28, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 40,000,000.00	91 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	October 1, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 50,000,000.00	98 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	November 18, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 90,000,000.00	92 Days	Regular business transaction with resulting profit

Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price	Terms	Rationale for Entering into the Transaction
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	December 10, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 117,400,000.00	62 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	December 2, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 65,800,000.00	91 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	December 18, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 200,000,000.00	90 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	October 21, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 50,000,000.00	91 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	November 28, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 30,000,000.00	91 Days	Regular business transaction with resulting profit
SL HARBOR BULK TERMINAL CORPORATION	Affiliate	November 26, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 100,000,000.00	93 Days	Regular business transaction with resulting profit
SMC POWERGEN INC.	Affiliate	November 18, 2019	DIRECTIONAL LOAN (FUNDER)	PHP 665,163,618.48	-	Regular business transaction with resulting profit
SMC POWERGEN INC.	Affiliate	November 18, 2019	DIRECTIONAL LOAN (FUNDER)	PHP 53,208,408.35	-	Regular business transaction with resulting profit
SMC POWERGEN INC.	Affiliate	November 21, 2019	DIRECTIONAL LOAN (FUNDER)	PHP 1,979,697,667.98	-	Regular business transaction with resulting profit
SMC POWERGEN INC.	Affiliate	November 13, 2019	DIRECTIONAL LOAN (FUNDER)	PHP 205,760,327.66	-	Regular business transaction with resulting profit
SMC POWERGEN INC.	Affiliate	December 20, 2019	DIRECTIONAL LOAN (FUNDER)	PHP 165,566,805.24	-	Regular business transaction with resulting profit
SMC POWERGEN INC.	Affiliate	December 17, 2019	DIRECTIONAL LOAN (FUNDER)	PHP 375,256,863.00	-	Regular business transaction with resulting profit
SMC POWERGEN INC.	Affiliate	December 17, 2019	DIRECTIONAL LOAN (FUNDER)	PHP 872,218,654.55	-	Regular business transaction with resulting profit
SMC POWERGEN INC.	Affiliate	December 20, 2019	DIRECTIONAL LOAN (FUNDER)	PHP 31,056,795.65	-	Regular business transaction with resulting profit
SMC POWERGEN INC.	Affiliate	December 19, 2019	DIRECTIONAL LOAN (FUNDER)	PHP 289,535,442.26	-	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	October 15, 2019	LOAN	PHP 1,122,000,000.00	35 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	November 5, 2019	LOAN	PHP 818,800,000.00	37 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	November 19, 2019	LOAN	PHP 1,122,000,000.00	30 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	November 21, 2019	LOAN	PHP 355,000,000.00	49 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	November 27, 2019	LOAN	PHP 65,000,000.00	62 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	December 12, 2019	LOAN	PHP 818,800,000.00	90 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	December 19, 2019	LOAN	PHP 1,122,000,000.00	90 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	December 13, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 74,400,000.00	60 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	December 17, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 50,400,000.00	63 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	December 13, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 54,000,000.00	69 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	November 27, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 36,000,000.00	62 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	November 27, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 33,600,000.00	62 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	November 26, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 120,500,000.00	63 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	November 13, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 150,000,000.00	69 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	November 21, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 36,800,000.00	60 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	November 27, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 32,000,000.00	91 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	November 13, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 46,000,000.00	90 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	November 27, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 40,000,000.00	91 Days	Regular business transaction with resulting profit

Material Related Party Transactions
BANK OF COMMERCE 120
Name of Bank **Bank Code**

December 31, 2019
Date

Related Counterparty	Relationship Between the Parties	Transaction Date	Type of Transaction	Amount/Contract Price	Terms	Rationale for Entering into the Transaction
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	November 27, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 110,000,000.00	91 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	November 27, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 100,000,000.00	91 Days	Regular business transaction with resulting profit
SMC SHIPPING AND LIGHTERAGE CORPORATION	Affiliate	November 18, 2019	DIRECTIONAL LOAN (BORROWER)	PHP 100,000,000.00	92 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	November 11, 2019	LOAN	PHP 69,500,000.00	88 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	November 14, 2019	LOAN	PHP 67,400,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	November 20, 2019	LOAN	PHP 43,700,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	November 21, 2019	LOAN	PHP 169,100,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	November 25, 2019	LOAN	PHP 99,400,000.00	88 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	November 26, 2019	LOAN	PHP 75,600,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	November 27, 2019	LOAN	PHP 1,000,000,000.00	91 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	December 2, 2019	LOAN	PHP 56,000,000.00	88 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	December 4, 2019	LOAN	PHP 80,000,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	December 19, 2019	LOAN	PHP 98,600,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	December 20, 2019	LOAN	PHP 69,900,000.00	90 Days	Regular business transaction with resulting profit
8990 HOUSING DEVELOPMENT CORPORATION	Presence of Bank Director's Brother-in-law	December 11, 2019	LOAN	PHP 101,000,000.00	90 Days	Regular business transaction with resulting profit



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