PHILIPPINE BUSINESSBANK

a savings bank

Making Things Happen...Today!

CREATING BUSINESS VALUE FOR 21 YEARS

2018 ANNUAL REPORT

OUR VISION

By making things happen today, PBB will help build strong business communities where people can achieve their dreams.

OUR MISSION

The basis for Philippine Business Bank's growth shall be its commitment for higher standards every day, in everything we do in providing competitive products and services and through enthusiastic execution and teamwork in producing satisfaction – for our customers, our shareholders, our associates, and our communities.

ABOUT THE COVER

The Cover reflects Who We Are.

Why do we show up to work? Because we love what we do. We love who we work with and get fired up about improving our product so our customers can grow their businesses.

We're here for the small businesses. The upstarts. The growth-focused startups and the brick-and-mortar shops. At PBB we make a tool that helps these companies succeed. It's a noble purpose and one that we do not ever intend to abandon.

Small businesses are awesome. These companies matter to us because they are owned and operated by our friends and family. We see and feel and hear their pain and understand that our product is uniquely situated to help them. They create a ton of jobs in our economy, support innovation at every level and offer people a chance to climb the economic ladder. As involved members of our community and ambitious professionals in our industry, we care about these things immensely.

And every single one of our customers is a small or medium sized business. When we scroll through our list of accounts it's a window into our amazingly diverse global economy. Every time a new customer signs up it's a chance for us to learn something new and we thrive on that. At PBB, we make things happen…today!

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CORPORATE POLICY

BUSINESS AND GENERAL INFORMATION

Overview

PBB was incorporated as a Philippine corporation and registered with the SEC on January 28, 1997 as "Total Savings Bank" and was granted the authority to operate as a thrift bank under the MB Resolution No. 29 dated January 8, 1997. The BSP issued a Certificate of Authority on February 6, 1997. On December 16, 1997, the SEC approved the change of corporate name of the Bank to "Philippine Business Bank, Inc. (A Savings Bank)" which the shareholders believe better reflects the Bank's business thrust and focus.

The Bank's focus is to become the bank of choice of the SME market segment. The BSP defines small and medium enterprises to be any business concern with assets between Php 3.0 million to Php 100.0 million, excluding the land value on which the entity's office, plant and equipment are situated.

This focus on the SME market is driven by the size and potential of this particular market. According to a recent data from the Department of Trade and Industry, SMEs account for 99.6 percent of total registered enterprises. The Bank believes that the SME segment is the major source of entrepreneurship and economic dynamism which provide trade, manufacturing and outsourcing and services and help contribute to community and local development. Lastly, the Bank believes that the SME segment is underserved with most financial institutions focusing on the banking requirements of large corporations.

To become the bank of choice of the SME market, PBB has increased its branch presence in several commercial and industrial centres of the country and recruited branch and account officers with extensive client networks in these specific communities. The Bank's network grew from two (2) branches in 1997 to 145 branches as of December 31, 2018 and 146 as of April 15, 2019 with most branches located in areas with high concentration of small and medium businesses such as Caloocan, Malabon, Navotas, Valenzuela and Quezon City. PBB has also aggressively expanded its branch network in highly urbanized areas outside Mega Manila such as Davao, General Santos, Bacolod, and Cebu. PBB believes that client proximity, understanding its targets' banking requirements, the reputation of its branch and account management staff within their respective communities, and the overall reputation of PBB, are the key growth factors in the banking business.

PBB attributes its strong growth and attractive financial performance to the following competitive strengths:

1. Strong presence, reputation, and attention to its SME customers

The Bank believes that its deliberate focus on serving the banking needs of the SME market segment is a key factor for its successful growth over its history. Aside from potential size of this market segment, the Bank also believes that the SME segment is largely underserved by most financial institutions with their focus on large companies and the consumer market.

PBB's focus on the SME segment is manifested in its branch strategy, the recruitment of its officers, its business operations and even its corporate culture.

Majority of PBB's branches are located outside of typical commercial and business districts where most banks congregate and are situated in areas with significant SME concentration such as Caloocan, Malabon, Navotas, Valenzuela, Quezon City as well as highly urbanized areas outside Mega Manila such as Davao, General Santos, Bacolod, and Cebu. Aside from targeting such areas, PBB has also significantly increased the number of its branches over the past years.

The Bank believes the success of this branch strategy is shown in its increased business volume. PBB's branches have increased over the past five (5) years from 100 in 2013 to 145 as of December 31, 2018. As a result, PBB's deposit base grew from Php 37.9 billion in 2013 to Php 77.3 billion in 2018. Loan portfolio also increased from Php 31.6 billion in 2013 to Php 75.5 billion as of December 31, 2018, up 2.4 times.

Of equal importance to PBB's current and prospective growth is the staffing of these branches. The Bank aggressively recruits branch managers and account officers who have established good relationships and solid reputation within each branch's catchment area. Through this recruitment strategy, PBB has been able to accelerate its client acquisition.

In line with its view that most SME clients have unique banking requirements with respect to bank transactions that require specific attention, PBB has also deliberately focused on providing its banking services through its branch officers and staff. This contrasts significantly with the trend to automate banking transactions. PBB believes that customer interaction and service will remain key ingredients for its growth.

2. Effective capital utilization

Aside from interest income from its loan products, PBB is focused on earnings generation from its treasury operations. PBB's treasury operations, aside from ensuring liquidity and managing liquidity risk, remains actively involved in the trading of domestic treasury debt, corporate bonds, foreign currency denominated bonds and other financial instruments and is expected to generate income especially during periods of weak loan demand or excess liquidity arising from branch deposit taking efforts.

In 2013, PBB's trading portfolio amounted to Php 8.8 billion, Php 7.9 billion in 2014, Php 9.1 billion in 2015, Php 7.1 billion in 2016, and Php 2.4 billion in 2017. As of December 31, 2018, the portfolio of the Bank was at Php 4.9 billion.

3. Solid lending policies and practices

Despite the growth of PBB's loans and receivables, the Bank has successfully managed credit risk through its internal credit risk rating system, loan evaluation and approval practices, and other formal credit risk mitigating processes. Supplementing these formal processes is PBB's relationship and community based approach to lending, which takes advantage of branch and account officers' position in their respective communities to analyze prospective borrowers' reputation, business performance and risks, and other credit evaluation factors.

The Bank believes that the advantages brought about by these processes have equal weight to its formal credit evaluation efforts, especially for prospective SME clients.

Over the past three (3) years, PBB's NPL ratio was at 2.54% in 2016, 2.12% in 2017, and 1.75% in 2018.

4. Sound balance sheet well positioned for growth

PBB has consistently maintained a sound balance sheet which positions the Bank for future growth. Liquidity, as measured by the ratio of loans to deposit, in 2015, 2016, 2017, and 2018 was at 75.9%, 87.3%, 96.0%, and 97.8%, respectively.

5. Strong base capital is the foundation to PBB's increasing size

PBB's total CAR and Tier 1 CAR was at 17.0% and 16.2%, 14.0% and 13.1%, and 15.0% and 14.0% for the years ending December 2016, 2017, and 2018, respectively.

The Bank's capital for the years ended 2016, 2017, and 2018 was at Php 9.6 billion, Php 10.2 billion, and Php 11.4 billion, respectively.

6. Highly competent and experienced management team

PBB is managed and run by officers who have extensive experience in banking operations from leading universal and commercial banks in the country. With the experience and track record of officers, from the head office and throughout its branch network, the Bank is assured that it possesses extensive knowledge of all aspects of the banking industry, strong relationships with other banks and financial institutions, and familiarity with the Bank's target clients and their banking needs.

ABOUT US

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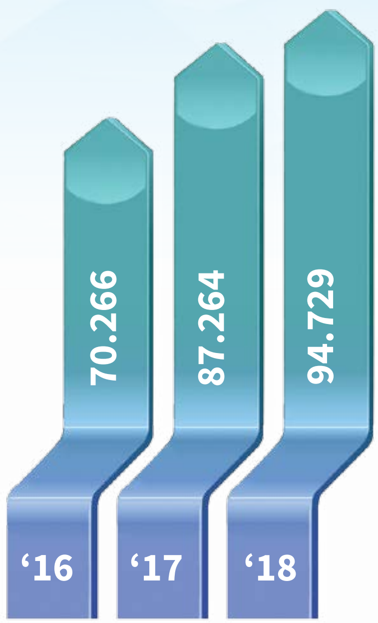
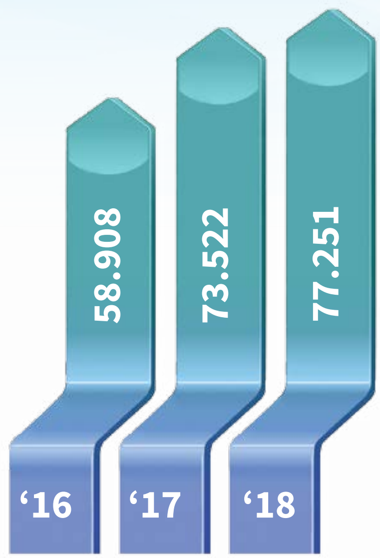
FINANCIAL HIGHLIGHTS

in millions, except per share data	2017	2018	% growth
Profitability			
Net interest income	3,040	3,777	24.3
Non-interest income	387	358	(7.6)
Non-interest expenses	2,253	2,599	15.4
Pre-provision profit	1,174	1,536	30.9
Allowance for credit losses	261	295	13.1
Net income	640	858	34.0
Selected balance sheet data			
Liquid assets	14,029	16,549	18.0
Gross loans	70,938	74,441	4.9
Assets	87,264	94,729	8.6
Deposits	73,522	77,251	5.1
Equity	10,226	11,359	11.1
Per common share data			
Net income per share			
Basic	0.99	1.33	34.0
Diluted	0.99	1.33	34.0
Book value	14.92	16.68	11.8
Others			
Headcount	1,448	1,511	4.4
Officers	562	617	9.8
Staff	886	894	0.9
Selected ratios			
Return on average equity	6.47%	7.95%	
Return on average assets	0.81%	0.94%	
Net Tier 1 CAR	13.09%	14.99%	
Capital adequacy ratio	14.00%	14.01%	

TOTAL RESOURCES
(in billion pesos)



DEPOSIT LIABILITIES
(in billion pesos)



TOTAL LOANS
(in billion pesos)

NET INCOME
(in million pesos)

CAPITAL FUND
(in billion pesos)

AMB. ALFREDO M. YAO
Chairman Emeritus

MESSAGE FROM THE CHAIRMAN EMERITUS

Dear Fellow Shareholders:

In 2018, the country faced a number of challenges. Inflationary concerns due in part to the surge in the prices of rice were persistent throughout the year. In response to inflationary concerns, the nation saw a rapid increase in interest rates especially in the last quarter of the year.

The business of banking is critical in nation-building. As repositories of people's savings, we understand the importance of prudence in our credit and risk-taking activities. When people place their deposits with us they entrust us with their hard-earned savings. This is the reason Philippine Business Bank has continuously, if slowly but surely, grown in the last 21 years: we remain steadfast in our commitment to judicious credit underwriting and servicing the financing needs of the small and medium enterprises or SMEs.

Indeed, in 2018 your Bank continued to invest in expanding its branch network. We have also committed capital to improve our IT infrastructure in recognition of the mission-critical nature of technology for banking in the 21st century.

PBB continues to carry on its mission of providing financial capital to SMEs. While other financial services providers consider SMEs as tangential or peripheral to their businesses, at PBB, the SMEs are at the heart of what we do. They are not just a "business segment" or a "customer cross-section" – they are our partners.

The Philippines may face challenges, trials, and other difficulties. This is all part of the democracy trying to find its place in an increasingly globalized economy. But whatever trials and tribulations the nation might face, your Philippine Business Bank will always be there, ready to assist you in growing your businesses and partnering with you as we grow the country's economy together.

As I end this letter, allow me to thank our clients for their continued loyalty to the Bank. They are who I have in mind when I think of who and what PBB exists for.

AMB. ALFREDO M. YAO
Chairman Emeritus

WE REMAIN STEADFAST IN OUR COMMITMENT TO JUDICIOUS CREDIT UNDERWRITING AND SERVICING THE FINANCING NEEDS OF THE SMALL AND MEDIUM ENTERPRISES OR SMEs.

"

MESSAGE FROM THE CHAIRMAN

OURS IS A COMMITTED MANAGEMENT TEAM WITH A RANGE OF TALENTS WHOSE EFFORT IS COLLECTIVE AND FOCUS IS SINGULAR TOWARDS THE BANK'S SUCCESS WITH AN OWNERSHIP MINDSET.

Dear Shareholders:

Greetings! Philippine Business Bank achieved strong financial results in 2018 with record reported net earnings of Php 858 million. We are blessed; blessed to work in an industry whose primary purpose is to improve lives. While not sensational and at times frustrating, it is both humbling and fulfilling to show up every day to work in an industry that is geared toward facilitating the accomplishment of financial dreams and objectives of our clients and communities.

I want to say thank you as we kick off a new year for Philippine Business Bank. Thank you for allowing me to serve as your Chairman and representing your interests, and the interests of the bank; interests that encompass everyone from our employees to our shareholders to our communities to our clients. I do not take the charge lightly, and I promise you that I will do all that I can in my years as Chairman to help advance our mission.

Philippine Business Bank made a solid progress throughout 2018 with a 34% increase in net income from last year's earnings of Php 640.1 million. Interest income expanded to Php 5.5 billion from Php 3.9 billion in 2017, up 41.9%. Core income grew to Php 1.6 billion from Php 1.0 billion, a 51.4% increase YoY. Profit before tax also expanded by 35.9% to Php 1.2 billion versus Php 913.3 million in 2017. PBB remains one of the country's stable banks and is recognized as the number one savings bank without a parent bank.

We should never take our eyes off delivering value to our communities, employees, and shareholders, but the fact is that our industry is heavily impacted by state and particularly national politics. Time spent connecting with legislators, appointees, and policymakers enables us to better serve those in our communities.

THE BOARD AND MANAGEMENT

The strategy and success of the Bank require the full teamwork of board, management and staff aligned to serve the long-term collective interests of its shareholders and other stakeholders.

The Board has been preparing for change and attended closely to its succession and renewal program. The responsibility for the Bank's future now rests on the collective efforts of this renewed Board.

Ours is a committed management team with a range of talents whose effort is collective and focus is singular towards the Bank's success with an ownership mindset.

Together with the fine and loyal staff in the Bank, we are ready for new challenges.

CLOSING

On behalf of the Board I would like to thank our President and CEO, Rolando R. Avante, and his senior colleagues for their leadership, as well as each of our 1,511 employees for their commitment to providing legendary service to our customers.

I also want to thank our shareholders for their ongoing support and our clients for the opportunity to serve them every day. We look forward to continuing to work on your behalf in 2019.

FRANCIS T. LEE
Chairman

FRANCIS T. LEE
Chairman

ROLANDO R. AVANTE
President and CEO

MESSAGE FROM THE PRESIDENT AND CEO

Dear Shareholders:

Banking is an industry where change is happening fast, permeating deeper and with far-wider implications than ever before.

Digital technologies are reshaping business models and the competitive landscape, reinventing the customer experience and redefining relationships between financial institutions and their stakeholders.

In all of this, PBB sees the opportunity to build deeper and more personal relationships with those we serve. We create Business Value. We also see new and better ways to run our business, empower our colleagues and compete in the market. The bank of the future is full of promise and potential. And we are dedicating significant resources to create it. PBB is responding to these changes, we are committed to improve the Bank.

ECONOMIC REVIEW

The Philippines has been one of the region's strong economic performers over the past years, reaping the fruits of prudent policies and critical reforms. The team welcomes the authorities' strategy of maintaining policy continuity while adapting to emerging challenges and taking advantage of the strong economy to implement reforms to improve inclusive growth and job creation.

Build, Build, Build program

The Build, Build Build (BBB) program is also lifting several sectors.

During the first quarter of 2018, the public sector's construction activities grew by 25%. Private sector construction also grew at 7%.

According to the National Economic and Development Authority (NEDA), the government has maintained its spending targets for infrastructure development. And according to the Department of Finance (DoF), the strong macroeconomic fundamentals backed by tax reforms and the ambitious Php 8.4 – trillion "Build, Build, Build" infrastructure projects would continue to boost economic growth as the competitiveness of the economy rises and more jobs are created.

WE WILL STRENGTHEN OUR INITIATIVES ON NATIONWIDE REVITALIZATION BY ACTIVELY PARTICIPATING AS A REGIONAL FINANCIAL INSTITUTION. "

MESSAGE FROM THE PRESIDENT AND CEO

The government has slightly raised the country's deficit ceiling to sustain the BBB's momentum. However, securing the rest of the funds for the Php 8-trillion infrastructure push continues to be a challenge.

GDP and Inflation

The country's Gross Domestic Product is expected to continue to be one of the highest in the region. Inflation after surging in 2018 is expected to slowly decelerate in 2019. These, in turn, will allow possible policy rate cuts and other moves by the BSP can further support economic activity. Foreign exchange rates are expected to move competitively with the other regional currencies.

2018 FINANCIAL PERFORMANCE

The year 2018 is a tough one, both local and global economies were challenged by various factors. We began the year on a cautious note with the global economy confronted with many uncertainties arising from the threats of protectionism, the possibility of slower growth in the major economies, the uncertain pace of monetary tightening in the United States and heightened geopolitical tensions in Asia. However, as the year progressed, global growth gathered strength across the major developed and emerging economies. In short, stronger growth and a gradual pace of monetary normalization were strong drivers for the pickup in risk-taking and consumer confidence. Around the world, equity markets responded with stellar performances.

The Bank sustained profitability as core income grew:

41.9%

Interest income increased by 41.9% Year-over-Year (YoY) to **Php 5.5 billion** as of year-end 2018

24.3%

Net interest income grew by 24.3% to **Php 3.8 billion**

51.4%

Core Income1 reached **Php 1.6 billion**, a 51.4% increase YoY

30.9%

Pre-tax pre-provision profit (PTPP2) ended at **Php 1.536 billion** for the full year ending 2018 from Php 1.173 billion in 2017, up 30.9% YoY

35.9%

Profit before tax expanded to **Php 1.2 billion**, up 35.9% YoY

34.0%

Net income grew to **Php 858.0 million**, a 34.0% growth

Balance sheet expansion continues:

8.6%

Total resources stood at **Php 94.7 billion**, up 8.6% versus YE2017

7.1%

Loans and other receivables at **Php 75.5 billion** as of December 2018 up 7.1% YoY

10.3%

Total deposits increased by 5.1% to **Php 77.3 billion**. Low-cost funds grew 10.3%, while time deposits reached **Php 46.4 billion**

11.1%

Total equity grew by Php 1.1 billion to **Php 11.4 billion**, a 11.1% increase YoY

Shareholders' equity was at Php 11.4 billion, equivalent to a book value per share of Php 16.68 net of preferred shares. Earnings per share ended at Php 1.33 per share in December 2018, higher than the Php 0.99 per share in the same period last year.

Capital fund stood at Php 11.359 billion, while the Group's capital position remained above the BSP's minimum requirements of 10% with Capital Adequacy Ratio Tier 1 (CAR) and Total CAR at 14.99% and 14.01% respectively as of December 31, 2018.

A good anticipation of the changing market developments and factors enabled PBB to adjust the Bank's balance sheet, and improve its process flow earning higher fee based income this year. Maintaining a good asset quality is always a focus and with the continued management of the Bank's loan portfolio, PBB's asset base grew to Php 94.7 billion.

CONTINUING THE JOURNEY

Through the steady execution of our strategies, we have made good progress in transforming PBB into a larger, stronger and more diversified financial services group.

On December 2018, the Monetary Board in its Resolution No. 2141 approved the merger of Philippine Business Bank and Insular Savers Bank ("ISB"), with PBB as the surviving entity. This merger opens an opportunity for the Bank to further develop its brand in the consumer lending business. PBB will capitalize on ISB's proprietary consumer lending products such as second hand car financing, group salary loan products, and utilize and integrate its business processes, systems, human capital, and infrastructure.

MESSAGE FROM THE PRESIDENT AND CEO

The Bank believes that ISB's second hand car loan and company group salary loan products are very promising. ISB has already established a foothold in these markets, especially in Metro Manila, which will help PBB expand its market base. These products will be distributed in select branches nationwide expanding the Bank's consumer loan portfolio by at least 20% in the next 5 years. ISB will boost the Bank's bottom line by 8% to 10%.

STRIKING THE RIGHT BALANCE

We believe striking the right balance between capital, growth and profitability will become increasingly important for banks to compete effectively. As we adapt to an ever evolving business environment, the core pillars of our strategy that have served us well over the past several years will remain relevant. PBB's strategy going forward will focus on the following key elements:

Balanced Business Scorecard: We will continue our disciplined approach of driving performance improvement through a balanced business scorecard, focusing on customers, products, risk management, productivity, people and shareholder value.

Customer Experience: Over many decades, we have earned our customers' trust and confidence by maintaining a solid reputation for financial strength and integrity. Building on this foundation, our goal now is to create a superior and differentiated customer experience at PBB that will ultimately give us a sustainable competitive advantage. To do so we will continue to improve our service delivery by leveraging our customer insights to develop superior customer value propositions, by focusing on quality and by investing in customer experience delivery capabilities across our organization.

Taking Care of our People: PBB continues to invest in its people and improve its infrastructure to further expand its capabilities in order to better serve its clients.

2019 ECONOMIC PROGNOSIS

The country's economic momentum is expected to abate slightly in 2019 with solid fixed investment and government spending towards the midterm elections in May bolstering the economy, while private consumption is seen to be an impetus for growth, the Philippine GDP expanding by 6.4% in 2019 and 6.2% in 2020.

2019 OUTLOOK

PBB will be taking a strategy that hearkens back to such fundamentals, focusing on 'the five C's' that have led the bank's success so far: customer focus, credit quality, cooperation and cohesion, commitment, and control.

The bank will take a more measured, more thorough look through its clients, taking care to avoid unnecessary risks and striving to improve relationships with clients that have good credit. PBB is also looking to raise cooperation within the bank, along with the commitment it expects from its people, to raise efficiency and ultimately have more control over its financial decisions.

PBB plans to grow its client base by exploring new business opportunities in the consumer banking space while it continues to build on its strengths in the SME financing business. The bank also reaffirmed its commitment to strengthening its compliance system to its improve its relationships with its clients.

We will strengthen our initiatives on nationwide revitalization by actively participating as a regional financial institution. At the same time, we will take steps to offer greater convenience to our customers by offering SMEs support at the point of their need.

ACKNOWLEDGMENT

On behalf of the Bank's leadership team, I would like to extend my appreciation to all the people who make this company successful – our employees, clients, business partners, regulators, Board of Directors and investors.

We all appreciate your invariably continued support and patronage that are indispensable to accomplish our commitments. At PBB We Make Things Happen…Today!

ROLANDO R. AVANTE
President and CEO

FINANCIAL RESULTS OF BUSINESS SEGMENTS

PRINCIPAL BUSINESS ACTIVITIES

PBB provides close to a full range of banking services and products, including cash management, retail and corporate lending, deposit products, international trade finance, treasury and trust products.

Commercial Banking Group

Commercial Banking Group services the SME and mid-market segments which are PBB's key clientele. These segments have traditionally not been the focus of banks in the country, which is heavily skewed towards large conglomerates. Further, PBB's familiarity with the SME market is also a source of the Bank's competitive advantage. Whereas other banks have only recently gone into the SME and commercial lending business, the Bank's core focus has always been on the SME.

Corporate Banking Group

Corporate Banking Group markets and lends wholesale bank products to medium to large corporate accounts. These clients are basically the clients above the SME/commercial banking market and most of which are the major conglomerates of listed companies in the Philippines.

Corbank continues to ensure that its portfolio remains excellently managed in terms of accurate and complete documentation, favorable financial returns, professional and quality customer service, healthy composition of sustainable enterprises and appropriate positioning as benchmarked with growing competition.

Consumer Banking Group

Consumer Banking Group offers traditional and program based consumer loan products that target market niches with high volume opportunities, e.g. unserved and underserved retail market segments. The group is currently processing loan applications for auto loans and housing loans, where most of the loan applications are referred by the branches as the Bank's main distribution centers.

To reach the retail market segments, the group expanded its network through the establishment of nine (9) consumer lending offices in the following areas: (1) National Capital Region, (2) Cebu, (3) Davao, (4) Batangas, (5) Baguio, (6) Cagayan de Oro, (7) Bacolod, (8) Legazpi, and (9) Iloilo. As of today, the desks located in the Visayas region are fully operational and are housed within PBB (Bacolod and Cebu) and ISB (Iloilo) branches.

The upcoming completion of the merger of PBB and ISB opens a door and opportunity for the Bank to carve a name and develop a brand in some niches of the market in the consumer lending business by capitalizing on some of ISB's proprietary consumer lending products, business process, systems, human resources, and infrastructure, among others.

Branch Banking Group

Branch Banking Group is engaged in the Bank's core business such as deposit and loan generation. They are responsible for providing marketing support to branches via lead referrals, cash incentive programs, and cross-sell initiatives. It utilizes a decentralized sales strategy, allowing for tailor-fit tactical outreach initiatives within each locality.

The Bank offers a comprehensive range of deposit products consisting of the following:

1. Checking account
2. Savings account
3. Automatic Transfer Account
4. Payroll Account
5. SSS Pensioners Account
6. Peso Time deposit
7. Hi-5 Time Deposit
8. Dollar Time Deposit
9. Hi-Green Deposit
10. Dollar Savings
11. Chinese Yuan/Renminbi Savings
12. Campus Savers
13. E-banking/Business Connect

Branches are encouraged to transact foreign exchange trades particularly the USD and RMB currencies. PBB is one of the 14 banks authorized by the Bank of China (BOC) to trade Renminbi directly to Philippine peso. More importantly, the branches' focus will revolve around building personal and professional ties in the community and fostering true business partnership relationships with the Bank's clients.

Branch expansion

Last December 2018, PBB and ISB was able to secure merger approval from the BSP. The merger will result to the conversion of ISB's 10 branches into PBB branches, making the Bank's total network to 156 branches.

PBB looks for areas with a rich concentration of SME and commercial enterprises, examines deposit data, and maps key businesses in a target city as it evaluates an area for branch expansion. In 2018, the Bank was able to open three branches: (1) Solano, Nueva Vizcaya, (2) Ormoc, Leyte, and (3) Aseana City, Paranaque. In February 2019, the Bank opened its 146th branch in Catbalogan, Leyte, which was the last non-restricted license incentive from the acquired Bataan Savings and Loan Bank.

In 2018, the BSP has instructed all banks to convert their Other Banking Offices (OBOs) to Branch Lite Units. The Bank converted two namely: (1) Cebu City OBO and (2) Taguig City OBO but was declared as non-transactional branches. PBB was able to secure the approval of two transactional branch lite licenses in the following areas:

1. Pueblo De Panay Branch Lite – annexed to PBB Roxas City Branch
2. Pearl Plaza Branch Lite

This will bring PBB's branch lite units to four (2 transactional and 2 Marketing Offices).

FINANCIAL RESULTS OF BUSINESS SEGMENTS

Treasury Services Group

The Treasury Services Group's main responsibility is to manage and balance the daily cash flow and liquidity of funds of the Bank. The group also handles the bank's investments in securities, and foreign exchange.

The general mission of TSG is to manage the liquidity of the Bank. This means that all current and projected cash inflows and outflows must be monitored to ensure that there is sufficient cash to fund company operations, as well as to ensure that the excess cash is properly manage and invested.

TSG is divided into four sub-units namely:

1. Assets & Liabilities Management: manages the Bank's resources and identifies opportunities in the interest differential business;
2. Fixed Income Desk: monitors the daily movements of corporate bonds and US treasuries for investments and handles the trading of government securities and sovereign bonds;
3. Foreign Exchange Management Desk: oversees all foreign exchange transactions of PBB such as over-the-counter market for trading securities and interbank dealings; and,
4. Financial Market Sales and Distribution Unit: markets government securities and fixed income instruments to clients.

The group offers the following products and services:

- Philippine Domestic Dollar Transfer System – Local transfer for US Dollar;
- FX Forward – hedging tools;
- Renminbi Transfer System - Local transfer for Chinese yuan;
- Auto FX Services – 133 available currencies;
- Telegraphic Transfer - International cable transfer;
- Renminbi / CNY Deposits;
- All other foreign exchanges, trade or non-trade related, and over-the-counter (OTC) whether against USD or PHP; and,
- Euro Deposit (currently on the final stage of completing the product guidelines).

Trust and Investment Center

Trust and Investment Center (TIC) carries out the trust and other fiduciary business of PBB and serves as an additional revenue center for the Bank. It introduces new products beyond traditional bank services by promoting the concept of trust with the idea of professional trust and investment management as the key for personal, financial and social advancement of its clients.

It offers a wide variety of products and services, such as Escrow, Insurance Trust, Pre-need, Unit Investment Trust Fund, etc. TIC likewise endeavors to help its clients recognize the absolute value of its Employee Benefit Trust (retirement fund) product which is beneficial to both employers and employees.

TIC works to increase deposit base and liquidity position that will enhance the Bank's image in building confidence and respect while addressing the need for wider investment opportunities and satisfy the growing need of Bank clients for more trust products and complete personalized banking services.

PRODUCTS AND SERVICES OFFERED

PBB is a thrift bank that offers a range of commercial and consumer or retail banking products, trust services, and other related financial services such as mail and telegraphic transfers, safety deposit facilities, payment services, among others.

Commercial banking services include term loans, working capital credit lines, bills purchase and discounting lines. PBB is the first thrift bank to be allowed by the BSP to issue foreign currency denominated letters of credit. The Bank also offers specialized loans for agriculture and special programs of the Development Bank of the Philippines, the Social Security System, and other agencies.

Consumer banking loans include auto financing, home financing, and salary or personal loans.

As part of its commercial and consumer banking activities, PBB offers various deposit products to both its commercial and individual clients. These products include Peso denominated current and savings accounts, foreign currency denominated savings accounts and both Peso and foreign currency time deposits.

The Bank's treasury manages the liquidity of PBB and is a key component in revenue and income generation through its investment and trading activities.

Products and services offered by PBB's trust operations include PBB's "Diamond Fund", a unit investment trust fund, investment management arrangements for both individual and commercial clients, escrow agency, security, safekeeping and depository arrangements, a funds management of employee benefit and pre-need plans, among other typical trust products and services.

OPERATIONAL HIGHLIGHTS

INTERNAL SEMINARS CONDUCTED IN 2018

CTR	TITLE OF SEMINAR	No. of Runs	Description	Target Participants
1	AMLA Refresher via E-Learning System	1	Provides participants with a review and updates on current Anti-Money Laundering policies and regulations through the Bank's E-Learning System	All incumbent employees scheduled for AMLA refresher
2	AMLA for Board of Directors and Senior Officers	1	Provides participants with a review and updates on current Anti-Money Laundering policies and regulations	Members of the Board of Directors and senior officers
3	AMLA Orientation	11	Orients participants on the pertinent policies and regulations pertaining to Anti-Money Laundering	All newly hired employees
4	AMLA Refresher Seminar	5	Provides participants with a review and updates on current Anti-Money Laundering policies and regulations	All incumbent employees scheduled for AMLA refresher
5	AMLA Refresher Seminar for Senior Officers	1	Provides participants with a review and updates on current Anti-Money Laundering policies and regulations	Senior officers
6	Account Officers' Training Program (AOTP) / Relationship Managers' Development Program (RMDP)	2	A developmental program consisting of several relevant modules conducted to train and prepare Marketing Assistants to assume the position of Relationship Manager	Lending unit staff who are identified for promotion to lending officer level.
7	Basic Chinese Language Acculturation Course	1	Provides participants with the basics of the chinese fukien dialect to be able to converse with the emerging Chinese market.	Business Managers, Sales/Marketing Officers and Relationship Managers
8	Basic Occupational Safety and Health (BOSH) Training	1	Discusses key OSH (occupational, safety, and health) concepts, principles, and practices that are foundational knowledge requirements applicable in almost all industries and provides technical knowledge in recognizing workplace hazards and effectively carry out the conditions as required by DOLE.	Regional Service Heads (identified as Safety Officers)
9	Basic Supervisory Program	1	Provides participants with the basic principles and skills needed in supervision	Identified rank-and-file employees who are being prepared for promotion to first-level officer positions

CTR	TITLE OF SEMINAR	No. of Runs	Description	Target Participants
10	Branch Officers' Training Program (BOTP)	1	A developmental program consisting of several relevant modules conducted to train and prepare branch rank-and-file employees to assume the position of Branch Service Head	Identified BOTP Trainees
11	Branch Based Marketing Program	1	Discusses techniques that will help participants plan and implement targeted marketing programs that will attract new customers and expand and deepen relationships with existing customers	Branch Managers, SODP Trainees
12	Corporate Governance Seminar	1	Provides participants with updates on policies and trends with regard to effective corporate governance	Members of the Board of Directors and senior officers
13	Counterfeit Detection Seminar	7	Provides participants with the necessary knowledge and skills in identifying counterfeit bills and coins	Branch rank-and-file employees
14	Effective Business Writing Workshop	8	Upgrades employee's personal and professional skills in business writing	Officers and staff whose work responsibilities include report writing and preparation
15	Effective Presentation Skills	3	Provides participants with principles and guidelines on making effective oral presentations	Business Managers, Sales/Marketing Officers and Relationship Managers
16	First Aid & Basic Life Support Training	3	Provides participants with basic first aid knowledge and skills that they can use when responding to emergency situations	Identified first-aiders of Head Office units and branches
17	Fraud Detection and Prevention Seminar	10	Provides participants with the necessary knowledge and skills in detecting fraudulent documents	Branch rank-and-file employees
18	Orientation On Fire Safety And Evacuation	1	Orients participants on basic skills and procedures pertaining to fire safety and evacuation	Identified Fire Marshals
19	Orientation on the New Credit Facility Module of Megaloans	1	Orients participants on the new features of the Megaloans system	Relationship Managers

OPERATIONAL HIGHLIGHTS

INTERNAL SEMINARS CONDUCTED IN 2018

CTR	TITLE OF SEMINAR	No. of Runs	Description	Target Participants
20	Product Awareness and Competency Training (PROACT)	6	Discusses FAB (Features-Advantage-Benefits) Analysis of the Bank's various products and services.	Business Managers, Sales/Marketing Officers and Relationship Managers
21	Professional Image Enhancement Workshop	11	Orients participants on proper grooming, decorum, and proper office attire/uniform	All branch and Head Office employees
22	Sales Fundamentals Training	4	Discusses key learning areas of selling - Knowledge, Skills and Attitude (KSA) of bank staff front-liners and those with interface with clients.	Branch Rank-and-file personnel
23	Signature Verification & Forgery Detection Seminar	8	Provides participants with the necessary knowledge and skills in detecting fraudulent signatures	Branch rank-and-file employees
24	Sales Officers' Development Program (SODP)	1	A developmental program consisting of several relevant modules conducted to train and prepare identified rank-and-file employees to assume the position of Sales Officer	Identified rank-and-file employees who are being prepared for promotion to first-level officer positions
25	Strategic Selling Seminar	3	Provides participants with the necessary skills and tools to convert prospects to actual clients of the bank and discusses the different stages of negotiation	Business Managers, Sales/Marketing Officers and Relationship Managers
26	Training on Credit Course for Relationship Managers	1	Provides participants with exposure to various credit cases, discusses critical factors involved in credit decisions, uses financial analysis and transactions structuring, strategy evaluation, and other tools in reaching a conclusion/recommendation	Senior lending officers
27	Work Attitudes & Values Enhancement Workshop	10	Discusses the importance of values and adopting the proper attitude in the performance of one's job	All rank-and-file employees

EXTERNAL SEMINARS CONDUCTED IN 2018

CTR	TITLE OF SEMINAR	DATE OF SEMINAR	NO. OF PAX	PROVIDER
1	12th Philippine HR Congress	August 29-30, 2018	3	Ariva Events Management Inc.
2	84th BAP Treasury Certification	November 5-21, 2018	1	Ateneo - BAP Institute of Banking
3	A Refresher on Philippine Standard Auditing	July 7, 2018	6	PICPA
4	ABCOMP-AMLO 3rd Biennial AML Workshop	August 2-3, 2018	1	ABCOMP
5	AMLA Operational Risk Mgmt., Liquidity Risk Mgmt., LCR Framework, Min. Prudential Liquidity	September 11-12, 2018	2	Chamber of Thrift Banks
6	Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) Caravan	May 17, 2018	5	Anti-Money Laundering Council
7	Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) Training Workshop	April 19, 2018	1	Anti-Money Laundering Council
8	Auditing Network Infrastructure and Devices	April 6-7, 2018	1	ISACA
9	Bond Duration & Other Fixed Income	September 29, 2018	4	BAIPHIL
10	Bridging The Gap between PFRS and Tax Accounting as amended by the TRAIN Law	June 26, 2018	1	PICPA
11	Business Analysis Fundamentals	July 9-10, 2018	2	Phoenix One Knowledge Solutions, Inc.
12	Certification Seminar for Phase 1 of the SEC Certification Examination	October 25-26, 2018	1	Securities and Exchange Commission
13	Certified Security Management Specialist	January 23-26, 2018	1	PADPAO
14	CISCO Security and Collaboration	September 7, 2018	1	Micro Image
15	Compliance with Operational Risk Management Guidelines	August 31, 2018	1	BAIPHIL
16	Comprehensive Corporate and VAT Taxation	June 29, 2018	1	PICPA
17	Comptia Cloud Essentials	October 1-2, 2018	1	APEX Global
18	Converge Interchange	August 16, 2018	1	Converge ICT Solutions Inc.
19	Corporate Governance and Risk Management	August 2-3, 2018	2	Ateneo De Manila University
20	CPD Seminar for Appraisers	April 21-22, 28-29, May 5, 2018	1	IPREA
21	Credit Investigation Techniques: Your Tactical Tool to Credit Risk Mgmt. & Better Accounts Receivables Mgmt.	October 18, 2018	3	Credit Management Association of the Phils.
22	D.O. 183-17 & Admin Order 164-17 Orientation	April 20, 2018	1	DOLE
23	Developmental Course on Treasury Products	September15-November 10, 2018	1	BAIPHIL
24	Effective Administration of Salary & Payroll Law	December 6, 2018	1	Ariva Events Management Inc.

OPERATIONAL HIGHLIGHTS

EXTERNAL SEMINARS CONDUCTED IN 2018

CTR	TITLE OF SEMINAR	DATE OF SEMINAR	NO. OF PAX	PROVIDER
25	Effective Software Delivery and Continous Improvement Using Agile Project Management	May 4, 2018	2	Phoenix One Knowledge Solutions, Inc.
26	Employment Termination with Diplomacy & Understanding the Modes of Grievance Settlement	December 5, 2018	1	Ariva Events Management Inc.
27	Enhanced Corporate Governance Guidelines	March 16, 2018	2	BAIPHIL
28	Financial Options	February 24, 2018	1	BAIPHIL
29	Financial Statements Preparation and Technical Updates	September 24 & 27, 2018	2	Punongbayan & Araullo
30	Fraud Risk Management	February 24, 2018	1	BAIPHIL
31	Globe SD-WAN Commercial Launch	February 13, 2018	1	Globe Business
32	Governance Risk Management & Internal Controls	November 8, 2018	2	PICPA NMMC
33	How to Reduce Tax Legally and Ethically: Tax Updates and Recent Tax Issuances	June 27, 2018	1	PICPA
34	Inaugural ACAMS Manila: Enhanced AML & Financial Crime Tools & Techniques Symposium	June 18, 2018	3	ACAMS PH Chapter
35	Information Security on Banking Operations	September 4-5, 2018	1	BAIPHIL
36	Interconnecting CISCO Networking Devices Part 2 (ICND 2)	November 10-December 29, 2018	2	Mapua University
37	Introduction to IBM Power Systems	January 8, 2018	7	Strategic Synergy, Inc.
38	Introduction to Thales 9000	January 29, 2018	2	Channel Solutions, Inc.
39	Managing Technology and Cyber Security Risk	June 8, 2018	1	BAIPHIL
40	Mandatory Continuing Legal Education	September 21-22 & 28-29, 2018	1	IBP Davao Del Norte
41	Occupational First Aid & BLS CPR with AED Training	April 26-27, 2018	1	Philippine Red Cross-Zamboanga Del Norte Chapter
42	Occupational First Aid & BLS CPR with AED Training	September 24-25, 2018	1	Philippine Red Cross-Boracay Malay Chapter
43	Occupational First Aid & BLS CPR with AED Training	September 27-28, 2018	1	Philippine Red Cross-Bacolod Chapter
44	Occupational First Aid & BLS CPR with AED Training	September 29-30, 2018	1	Philippine Red Cross-Mindoro Oriental Chapter
45	Occupational First Aid & BLS CPR with AED Training	October 8-12, 2018	1	Philippine Red Cross-Iligan City Chapter
46	Occupational First Aid & BLS CPR with AED Training	October 9-10, 2018	1	Philippine Red Cross-Negros Oriental Chapter
47	Occupational First Aid & BLS CPR with AED Training	October 12-13, 2018	2	First Isabela Cooperative Bank Inc. (FICO)
48	Occupational First Aid & BLS CPR with AED Training	October 16-17, 2018	4	Philippine Red Cross-Cebu Chapter
49	Occupational First Aid & BLS CPR with AED Training	October 16-19, 2018	1	Philippine Red Cross-Tagbilaran Chapter
50	Occupational First Aid & BLS CPR with AED Training	October 20-21, 2018	4	Philippine Red Cross-Aklan Chapter
51	Occupational First Aid & BLS CPR with AED Training	October 22-23 & 25-26, 2018	2	Philippine Red Cross-Agusan Del Norte Chapter
52	Occupational First Aid & BLS CPR with AED Training	October 23-24, 2018	1	Philippine Red Cross-Ilocos Norte Chapter

CTR	TITLE OF SEMINAR	DATE OF SEMINAR	NO. OF PAX	PROVIDER
53	Occupational First Aid & BLS CPR with AED Training	October 23-24, 2018	1	Philippine Red Cross-Ozamis Chapter
54	Occupational First Aid & BLS CPR with AED Training	October 29-30, 2018	1	Philippine Red Cross-Zamboanga Chapter
55	Occupational First Aid & BLS CPR with AED Training	November 21-22, 2018	4	Philippine Red Cross-Olongapo Chapter
56	Occupational First Aid & BLS CPR with AED Training	November 27-28, 2018	7	Philippine Red Cross-Davao Chapter
57	PFRS 9 & 15 Training for Banks and Other Financial Institutions	October 9, 2018	4	Punongbayan & Araullo
58	PHIC Accredited Collecting Agents Forum	May 29, 2018	1	Phil. Health Insurance Commission
59	Philippine Digital Convention 2018	June 21-22, 2018	3	PLDT
60	Preventing & Detecting Fraud	November 9, 2018	2	PICPA NMMC
61	Project Management Fundamentals	March 19-20, 2018	1	Phoenix One Knowledge Solutions, Inc.
62	Project Management with SDLC	March 12-16, 2018	1	Phoenix One Knowledge Solutions, Inc.
63	Related Party Transactions	April 20, 2018	2	BAIPHIL
64	Requirements Analysis & Documentation Structured Approach	December 10-11, 2018	1	Phoenix One Knowledge Solutions, Inc.
65	Review of Information Technology	October 13, 2018	2	ISACA
66	Risk Based Audit Process	November 10, 2018	2	PICPA
67	Samsung Flip Event	June 8, 2018	2	Zenshin
68	Seminar on R.A. 10963- TRAIN Act & E.O. 51 S. 2018	May 30, 2018	2	DOLE
69	The End of Endo Revisited: Updates on Contractualization and New Rules on Security of Tenure	August 3, 2018	3	Ariva Events Management Inc.
70	The Essentials of HR and Labor Law / Company Policy: Elements of Administrative Investigation and Progressive Discipline	April 19, 2018	2	Punongbayan & Araullo
71	The Fourth Industrial Revolution: Challenges, Opportunities and Impact in the Accountancy Profession	June 30, 2018	1	PICPA
72	The Hacker's Code	April 11, 2018	1	PLDT
73	The New Tax Reform for Acceleration and Inclusion (TRAIN Law)	July 6, 2018	2	PICPA
74	The Wow Experience Workshop: High Impact Customer Service Workshop	April 12, 2018	2	Ariva Events Management Inc.
75	TRAIN: Tax Reform for Acceleration and Inclusion	January 23, 2018	5	Punongbayan & Araullo
76	TRAIN: Tax Reform for Acceleration and Inclusion	February 23, 2018	2	Punongbayan & Araullo
77	Updated Guidelines on Sound Credit Risk Management	July 6-7, 2018	1	BAIPHIL
78	Updates on Accounting & Auditing Standards	November 22, 2018	2	PICPA NMMC
79	Vmware Training with Examination	June 5-7, 2018	1	Rivan School of Technology

EVENT HIGHLIGHTS

PHILIPPINE BUSINESS BANK CREATING BUSINESS VALUE FOR 21 YEARS

Philippine Business Bank is celebrating more than two decades of operating and providing financial services all over the country. Relating this number to the stages of the human life cycle, PBB is now an adult - 21, which marks the beginning of the next phase of the Bank.

From last year's figures, PBB's loan portfolio expanded over 37.08%, while the Bank's deposits are up almost 24.65%. As a result, all of PBB's core brick-and-mortar income sources such as net interest income, service fees, and miscellaneous income expanded versus the same period last year, where their core income grew over 44%.

As PBB turns 21, the Bank plans to grow their client base by exploring new business sectors in the Corporate Banking business and continue to build on their strengths in the SME Banking business, notably via lending.

The rise of the young entrepreneurs and growing affluence in this part of the world, coupled with an increasing customer need for regional connectivity, present huge opportunities for a bank like PBB.

To position the Bank to lead in the SME space, PBB strengthened the regional management teams for this segment. The development of strategic blueprints for the SME businesses is also well underway.

"We will also continue to enhance our technology infrastructure across the bank, including our online banking through the cash management capabilities to ensure the quality of our clients' experience is consistent across all channels and to meet the evolving demands of our customers' businesses. Strengthening our risk management and compliance practices will continue to be a priority as we strive to maintain our strong asset quality, particularly in this uncertain environment. Our performance is guided by our time-tested principles of prudence and enterprise, and we continue to focus on the core fundamentals of banking – ensuring balance sheet strength and building capabilities for the future," according to Rolando R. Avante, President and CEO of PBB.

"We are delighted with the growth in our business over the past 21 years and look forward to helping more local businesses succeed in the future." Mr. Avante added.

EVENT HIGHLIGHTS

PBB SUPPORTS "BE THE BOSS" AT THE FRANCHISE ASIA PHILIPPINES 2018

Philippine Business Bank strengthens its thrust in supporting the small and medium enterprises by [again] partnering with the Philippine Franchise Association on its recently concluded the Franchise Asia Philippines 2018 held at the SMX Convention Center.

The biggest franchise show's theme – "Be the Boss" – reflects the contribution of the annual four-in-one franchise event to the efforts of the government and the private sector to generate more jobs and speed up inclusive economic growth through entrepreneurship.

PBB provides support to SMEs, particularly the franchisees seeking to boost their businesses. As PFA promotes and sustains the growth of franchising as a tool for national development, PBB on the other hand, helps small companies make the most out of business opportunities as a one-stop-shop for all their financial needs.

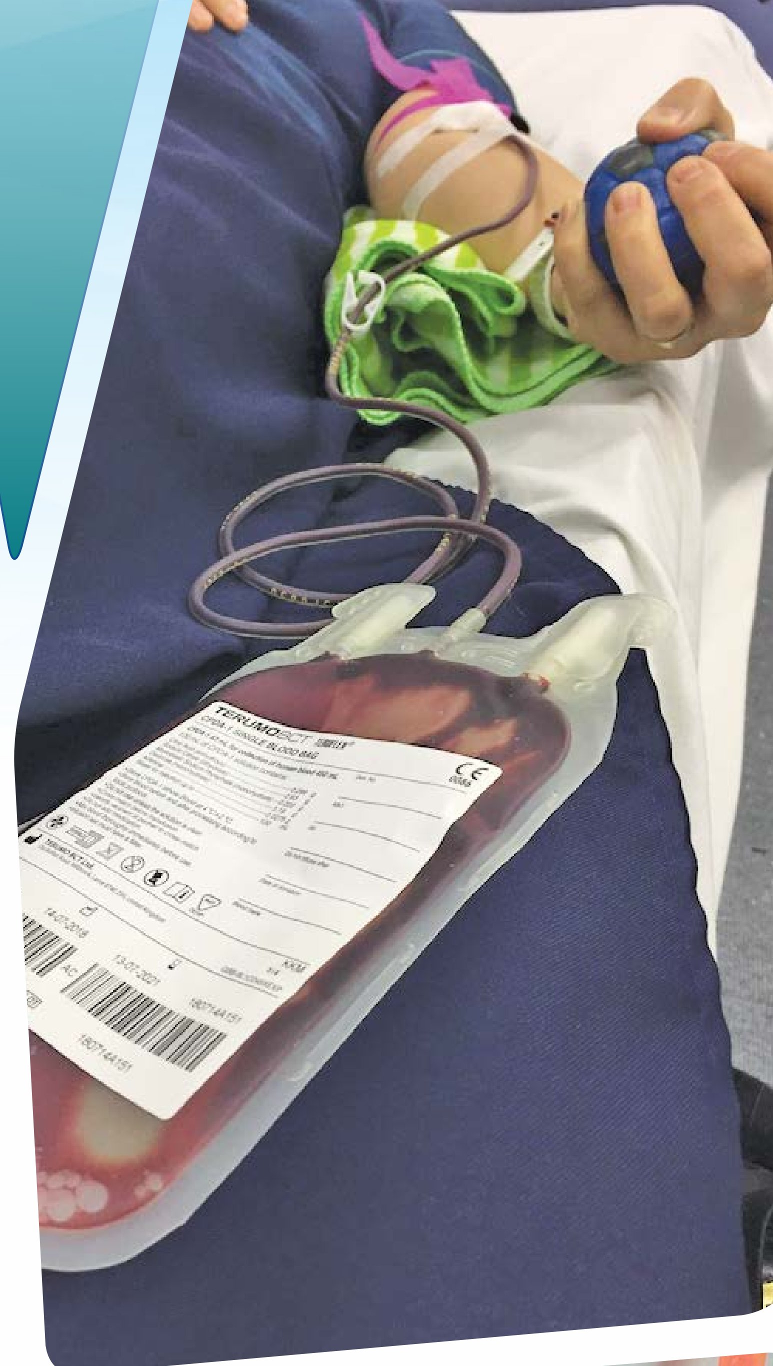
(The event is joined by PBB's Mindanao Region Head, Chief Marketing Officer and Business Managers.)

BLOOD DONATION

On 14th February every year, the Human Resources Group of PBB and PBBankers observe Blood Letting Day to raise awareness about the safety of blood and blood products. It aims to express gratitude to blood donors who play an important role in saving millions of lives and fosters a culture of community-driven initiatives highlighting the benefits of carrying out voluntary and unpaid blood donation campaigns throughout the year.

This year's slogan: "You don't have to be a doctor to save lives. All you need is the power of Compassion, Charity and Love." Give often aligns well with the campaign that focuses on supply and availability of blood in times of contingencies. The slogan is basically divided into two parts. The first references a common question that individuals usually pose when asked to respond to emergencies. The second addresses that question and also serves as a clarion call to every healthy adult to donate blood on a regular basis.

At PBB, actions speak louder than words. Since the past four years, we have been organizing blood donation camps on our foundation day. In 2014, the company tied up with the Philippine Red Cross to organize a blood donation camp where our employees collectively donated more than 38 bags of blood on the first day of the campaign.



EVENT HIGHLIGHTS

PBB – THE ONLY SAVINGS BANK INCLUDED IN THE PHILIPPINE-RMB COMMUNITY

The stage was set as the signing of the memorandum of understanding held at the Makati Shangrila on October 30, 2018 between Bank of China (Manila Branch and a total of 13 Manila banks, including Philippine Business Bank – as the only Savings Bank among the roster to set up a Peso-Renminbi spot market called the Philippine-RMB Community.

The establishment of the Philippine Renminbi Trading Community (PRTC) and the Peso-Renminbi

(RMB) spot market will aid the transacting and exchanging of Chinese currency to and from the Philippine Peso be cheaper, faster and easier. This will facilitate the direct foreign exchange trading of the two currencies, instead of converting them to US dollars first.

Finance Secretary Carlos Dominguez III expects the facility would improve the Philippines' access to China's bond market. He said the creation of the currency trading platform will reduce the costs of doing business for Chinese and Filipino businessmen. Businessmen can save as much as 3% of transaction value once the direct currency trading platform is up and running. He also said that the facility would help save Chinese investors up to Php 750 million in costs, making the Philippines an attractive destination for Chinese investments.

Chinese overseas investments in 2017 amounted to $120 billion covering 174 countries, cornering just a little over 1% of this amount with the establishment of the currency trading platform would translate into $1.5 billion-worth of [Foreign Direct Investments] from China alone.

EVENT HIGHLIGHTS

PBB PARTICIPATES IN THE 44TH PHILIPPINE BUSINESS CONFERENCE AND EXPO

Philippine Business Bank (PBB) – the financial arm of the Yao Group of Companies, together with Zest-O, Movenpick Resort & Spa Boracay and Asiawide Refreshments Corp. (RC Cola) participated in the recently concluded 44th Philippine Business Conference and Expo of the Philippine Chamber of Commerce and Industry held at the Manila Hotel.

The Philippine Chamber of Commerce and Industry (PCCI), the country's largest business organization on October 18 issued a resolution to the government recommending solutions to pressing concerns such as rice supply, traffic congestion, and flooding.

Its 44th Philippine Business Conference and Expo, focused on how the government and the private sector will sustain investments in infrastructure and leverage on the digital economy. With the boom in infrastructure projects and the digital economy continuing to revolutionize business operations, the 44th PBC has navigated the opportunities, potentials and challenges in these two game-changing trends as they build firm foundations for sustainable economic growth.

PBB is making a difference by widening its presence across the country. Operating 155 branches will help the Bank reach more people and more business partners, as PBB continues to go where the small and medium enterprises thrive.

(Delegates from ARC, Movenpick Resort & Spa Boracay and Philippine Business Bank)

PBB MANCOM
GROUP SHOT

RISK MANAGEMENT

Overview

PBB, as a financial institution, is in the business of risk taking. Its activities expose the Bank to various risks. The ability to manage risks effectively is vital for the Bank to sustain its growth and continue to create value for its shareholders. The Bank continually advances on its risk management techniques and integrate this into the overall strategic business objectives to support the growth objectives of the Bank.

PBB Risk Management Objective and Fundamentals

- Bank Wide Objective: To achieve a corporate risk culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects to the bank's business as well as optimization of capital in terms of risk taking activities.

- Risk Management Fundamentals:
  1. Portfolio management by designated & accountable risk personnel,
  2. Allocation of capital based on associated risks for each business unit,
  3. Denotation of processes and output into quantifiable measurements,
  4. Transparency and meritocracy

ENTERPRISE RISK MANAGEMENT FRAMEWORK

This is an integrated approach to the identification, measurement, control, and disclosure of risks. Capital allocation and preservation through prudent limits and stringent controls which are integral part of the governance structure. The Bank's Board of Directors formulates the corporate risk policy, sets risk tolerances and appetite and provide risk oversight function through the Risk Oversight Committee, which in turn supervises the Chief Risk Officer and Head of the Enterprise Risk Management Group in the development and implementation of risk policies, processes and guidelines. The framework encompasses corporate governance and covers the risk spectrum of strategic, compliance, reputational, operational, market, liquidity, and credit. The ERM process flow is integrated in all stakeholders of the organization and deploying three (3) stages of defense to ensure that the risk management objectives are achieved.

RISK MANAGEMENT PROCESS

The Bank envisions to achieve risk and return consciousness among employees, anchored on streamline processes, reliable Management Information System, conversant, competent and accountable risk takers/constituents and good internal control, monitoring and escalation system as well as reward system to meritocracy. Enterprise Risk Management Group ("ERMG") is tasked to institutionalize an effective risk management framework that will encompass the foregoing risk management process.

The ROC, supported by Enterprise Risk Management Group (ERMG) and in constant coordination with executive and other board-level committees, oversees the risk profile and risk management framework/processes of PBB. This ensures that risks arising from the Bank's business activities are properly managed and integrated into/used as basis for overall governance, strategy and planning, decision making and accountability purposes at all relevant levels of the organization.

IDENTIFY	ASSESS	CONTROL	MONITOR & REPORT
• Identify key risk exposures	• Measure extent of exposure and impact to earnings, capital, liquidity • Prioritize risk exposures	• Implement the risk appetite of the Board through risk policies	• Monitor effectiveness of controls

The Enterprise Risk Management Group (ERMG), headed by the Chief Risk Officer, develops and reviews Risk Policies, and raises to management the various aspects of risk facing PBB. In addition, it also performs an oversight and monitors the performance of the different Business Units.

The Bank's philosophy is that responsibility for risk management resides at all levels in the organization. The Bank's corporate governance aimed to achieve corporate culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects. ERMG shall continue to improve the framework in support of the Bank's strategic plans in order to achieve its mission, vision and objectives.

Every organization's optimal efficiency depends heavily on the effectiveness of its risk management processes thus, PBB's day-to-day activities are undertaken under the integrated risk management approach.

Further, the Bank incorporates the essential components of Model Risk Management framework as an integral process in risk management.

1st Line of Defense - Model Ownership (Modeler/User)

The role lies with the end-user which is primarily responsible for ensuring that the model is properly used as well as for reporting any errors and inconsistencies. Role specifically includes:

- More rigorous model testing during implementation phase.
- Ongoing monitoring of model performance
- Post implementation and testing.
- Introducing an IT infrastructure allowing for model user feedback.

2nd Line of Defense - Model Control (Model Reviewer/Checker)

Conducts thorough inspection of model's quality by capturing potential operational errors and lapses. Adverse results should be coordinated with the modeler for correction and improvement or to the model validator for a more extensive review.

3rd Line of Defense - Model Validation (Model Validator)

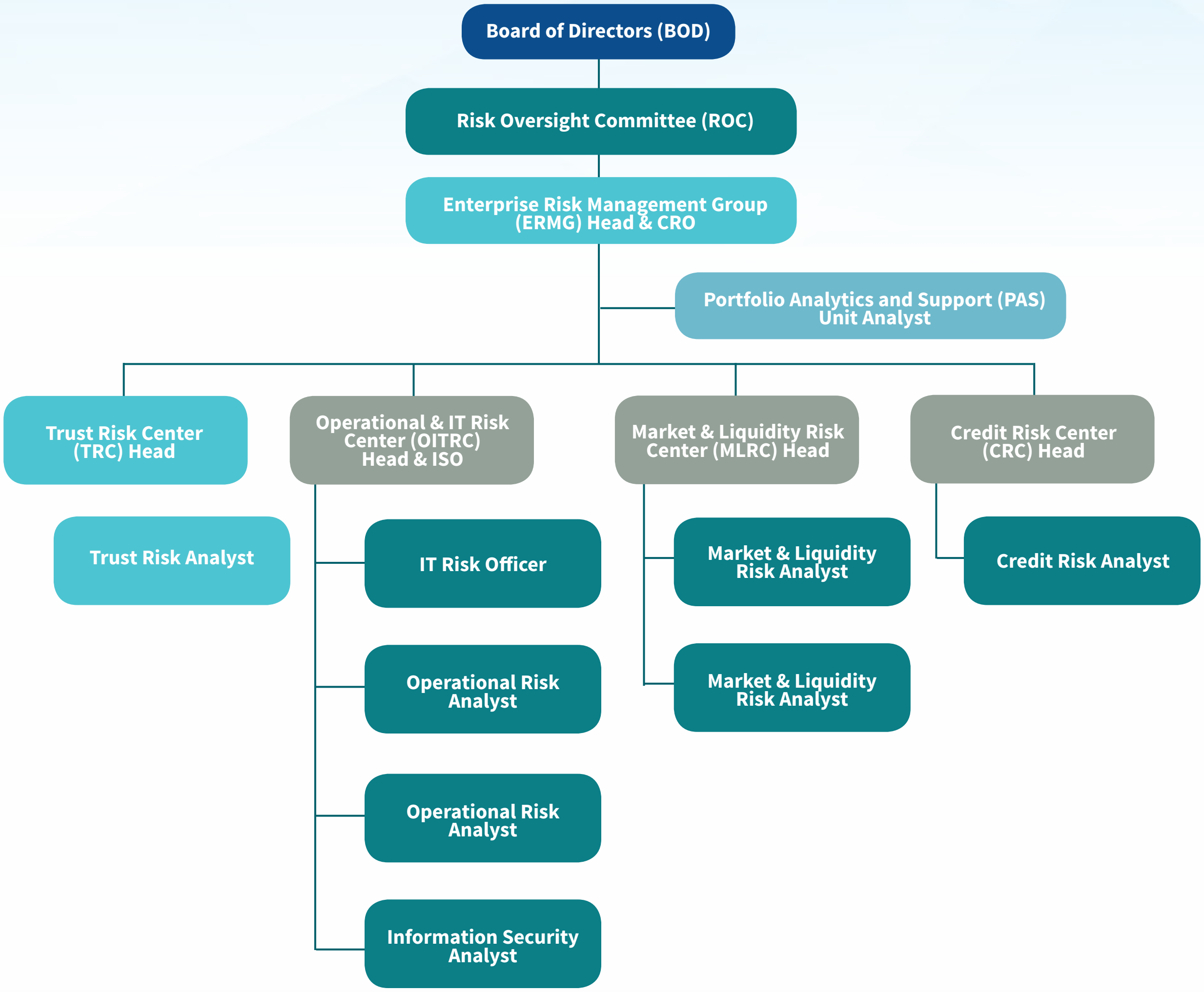
Function that oversees compliance with policies by the other two roles. The role is usually conducted by Compliance or Internal Audit Center. Role is:

- More focused on process and controls rather than model-level content.
- Focused on assessment of the process for establishing and monitoring limits on model use.
- Should conduct clear documentation of findings noted and reported to senior management and Board.

RISK MANAGEMENT

OVERVIEW: ERMG ORGANIZATIONAL STRUCTURE

- Develop and manage the enterprise risk management thrust of the Bank by aligning the bank strategies to its risk management objectives.
- Promotes a corporate risk culture and implements relevant risk management framework to omptimize capital and institute best practices.



RISK MANAGEMENT POLICIES AND OBJECTIVES

Credit Risk Management

Credit risk emanates from exposures to borrowing customers, counterparty risk in trading activities, and contingent credit risks arising from trade finance exposures.

The Bank's Credit Risk Management Framework seek to fundamentally strengthen credit risk management practices and provide minimum set of operating standards that are consistent with BSP regulations and the Basel standards. PBB is committed to adopt sound policies and practices and institutionalize these within the organization:

- Establish an appropriate credit risk environment
- Operate under a sound credit granting process
- Maintain an appropriate credit administration, measurement and monitoring process
- Maintain an appropriate control process

The Bank has instituted improvements on its credit policies, which includes large exposure and credit concentration. Credit process streamlining has also been initiated to ensure that commensurate controls are in place while the Bank continues to device ways to improve on its credit process.

The initial recognition of credit risk by individual or group of related counterparties is done via the its internal credit risk rating system (ICRRS). The ICRRS is tailored to consider various categories of counterparty. The rating system is further supplemented with external data such as credit rating agencies' scoring information on individual borrowers.

The ICRRS is established by the Bank in congruence with and with reference to the credit risk rating methodology used by an established rating agency in measuring the creditworthiness of an individual borrower, whether the related borrowing is still performing or current in status. The risk ratings determined by the Bank for its portfolio of loans and receivables at a given review date is updated to consider the possible shift in the economy or business environment or circumstances affecting the industry and the entity or borrower, in particular. Accordingly, a periodic assessment of credit quality may improve the borrower's rating or it could lead to one or more rating downgrades over time. The credit risk ratings in ICRRS are calibrated such that the risk of default increases exponentially at each higher risk rating (e.g., a difference in the PD between risk ratings). Past due accounts, accounts identified for phase-out and those that exhibit the characteristics of classified loans and the loan loss provision of which are based on the loss given default.

Management considers additional information for each type of loan portfolio held by the Bank:

i Retail or Consumer Loans

Subsequent to initial recognition, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioral score. At the initial adoption of PFRS 9, due to insufficiency of historical data for group of accounts under a rating grade for consumer loans, the ECL parameters were carried on collective basis on shared credit risk characteristics of the borrowers and the repayment scheme of the products.

ii Corporate and Commercial Loans

For corporate and commercial loans, the rating is determined at the borrower level. A relationship manager will incorporate any updated or new information or credit assessments into the credit review system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as publicly available financial statements. This will determine the internal credit rating and the PD.

iii Debt Securities at Amortized Cost and at FVOCI

For the Bank's debt securities, credit ratings published by reputable external rating agency (such as S&P) are used. These ratings are continuously monitored and updated. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency.

In the process of applying the Bank's ICRRS in determining indications of impairment on individually significant items of financial assets at amortized cost and debt securities at FVOCI, the Bank analyzes the credit quality of the borrowers and counterparties through a set of criteria and rating scale classified into the following:

Risk Rating	Rating Description/Criteria
Excellent	Borrowers have very strong debt service capacity and have conservative balance sheet leverage.
Strong	Borrower normally has a comfortable degree of stability, substance and diversity.
Good	Borrowers have low probability of going into default and bear characteristics of some degree of stability and substance though susceptible to cyclical changes and higher degree of concentration of business risk either by product or by market.
Satisfactory	Borrowers where clear risk elements exist and the probability of default is somewhat greater.
Acceptable	Borrower where the nature of the exposure represents a higher risk because of extraordinary developments but for which a decreasing risk within acceptable period can be expected.
Watch list	Borrowers for which unfavorable industry or company-specific risk factors represent a concern.

RISK MANAGEMENT

Classified accounts or accounts already in default as defined are further mapped into BSP classification of non-performing accounts as follows:

Especially Mentioned	Has potential weaknesses that deserve management's close attention and if left uncorrected, these weaknesses may affect the repayment of the loan.
Substandard	Have well-defined weakness/(es), that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.
Doubtful	Loans and credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable.
Loss	Loans considered absolutely uncollectible or worthless

Credit exposures shall be regularly assessed and loan loss provision be recognized in a timely manner to ensure that capital is adequate to support such risk exposure. To ensure that this is rationally implemented, the Bank developed and adopted an internal loan loss methodology described herein.

Loan Loss Methodology (LLM)

This is a methodology for calculating expected credit loss of each exposure. The internal LLM consists broadly of three (3) major components of which one emanates from the ICCRS and the other is based on historical recovery rate on credit facilities while the last is the credit exposure at any given time. The probability of default (PD) depends on the risk rating of the borrower while the other components are the loss given default on facilities and the exposure at default. There are three stages of impairment recognition pursuant to IFRS 9/PFRS 9 as follows:

Stage 1- at the origination stage
Stage 2 - performing but there is occurrence of loss event
Stage 3 - financial assets considered credit impaired.

Under Stage 2, the lifetime probability of default is used instead of the regular PD.

For Stage 3, accounts the Bank has a supplementary policy for Remedial and Timeline Recovery Program. Accounts beyond recovery period will merit 100% loan loss provisioning.

For purposes of Expected Credit Loss (ECL), forward-looking information mainly economic indicators such as unemployment rate, inflation, interest rate, GDP and other statistical indicators from BSP are incorporated into both assessments of whether the credit risk of loan exposure has increased significantly since its initial recognition and its measurement. Due to the limitation in which the models may not be able to capture relevant information, an overlay in the form of weights assigned to worst, likely and best are used in the final NPL ratio.

Market and Liquidity Risk Management

Market risks are risk to earnings and capital arising from market-making, dealing, and position taking in interest rate and foreign exchange markets (both for on and off-balance sheet). Liquidity risk on the other hand, is the inability of the Bank to fund increases in assets, or liquidate assets and meet obligations as they fall due (funding liquidity risk and market liquidity risk).

To measure market and liquidity risk exposure, the PBB utilizes the following metrics:

Metrics	Risk Area	Description
VaR	Market risk	Expected loss on a position from an adverse movement in identified market risk parameter(s) with a specified probability over a nominated period of time.
Earnings-at-Risk	IRBB	Measures the amount of potential loss to net interest income as a result of projected change in interest rates over the next 12 months. This involves balance sheet items that are classified according to their repricing characteristic/behavior as bucketed in the Interest Rate Gap report
Economic Value of Equity (EVE)	IRBB	The EVE measure gauges the potential impact of change in interest rate on the Fair value of the Bank's asset and liabilities.
Maximum Cumulative Outflow	Liquidity risk	The Maximum Cumulative Outflow (MCO) measures the amount of prospective funding that the Bank would require at assumed future movements of on and off-balance sheet assets and liabilities taking into consideration the behavior of accounts as to roll-over, pre-termination, as well as the core deposits. This shall be prepared separately for the Peso, Dollar, and Consolidated Books.
Stress testing	All risk areas	To measure the impact of abnormal and extreme events on the Bank's market risk exposures. Also includes statutory requirements for Universal Banks in terms of liquidity (i.e. LCR, NSFR).

Starting January 1, 2018, PBB will adapt PFRS 9 (2014), *Financial Instruments* which will replace PAS 39, *Financial Instruments: Recognition and Measurement*, and the old versions of PFRS 9. Pursuant to PFRS 9 in managing financial assets, the Bank adopts the following business model:

1. Of the total funds allotted to Treasury, the following would be the distribution:

   a. Resources for its trading activities will be allocated and classified as Financial Assets measured at Fair Value through Profit and Loss (FVPL).
   b. Resources for interest income generating activity that will include interbank call loans and reserve eligible financial instruments will be allocated and classified as Financial Assets measured at Amortized Cost (HTC).
   c. While the primary purpose of FVOCI securities is for interest accrual, securities under this category will also be used in case of liquidity needs.

Business Mode l	Key Features	Measurement Category
Hold to Collect (HTC)	The objective of the business model is to hold the assets to collect contractual cash flows.	Amortized Cost
Fair Value Through Other Comprehensive Income (FVOCI)	The objective of the business model is achieved both by collecting contractual cash flows and selling financial assets; and The asset's contractual cash flows represent Strictly Payment of Principal plus interest (SPPI).	Fair Value with Unrealized Gain/Loss as Other Comprehensive Income (Capital Account)
Fair Value through Profit and Loss (FVPL)	This is the residual category. Financial assets should be classified as FVPL if they do not meet the criteria of FVOCI or amortized cost (HTC).	Fair Value

Operational Risk Management

Operational risk covers potential losses other than market and credit risk arising from failures of people, process, systems and information technology and external events.

The Bank has partially automated the front-office, back office, and middle office operations as part streamlining operations procedures to mitigate operational risks. For treasury operations, this includes the integration of pre-deal limit checking, on-demand position monitoring, automated limit reporting and breach approval, and automated value-at-risk (VaR) calculations. In addition to the automation, the Bank continues to review its limits system to ensure that it only enters into transactions allowed under its existing policies and that adequate capital is available to cover risk exposures.

The term **Operational Risk Management (ORM)** is defined as a continual cyclical process which includes risk assessment, risk decision making, and implementation of risk controls, which results in acceptance, mitigation, or avoidance of risk. (*Wikipedia)

In strengthening the risk assessment and implementation of controls in the operations of Philippine Business Bank, the following were implemented:

ENHANCED IT AND OPERATIONAL RISK MANAGEMENT FRAMEWORK

Policies, Procedures & Limits

Active Board & Senior Management Oversight

Risk Identification	• Gap Analysis (New Projects) • BSP ROE, Internal Audit Results
Risk Assessment	• BIA (Critical Processes), ITARA (Hardware & Software Assets) • Forward Looking Self Assessment Tool (ORCSA)
Risk Monitoring & Reporting	• Loss Event Reports, Validation of ORCSA and ITARA Results Versus LOE Reports & Audit Findings • Business Continuity Plan (BCP) Testing & Education Forums • Security Operations Center (SOC)
Risk Control & Mitigation	• Internal Control Policies, Processes, Procedures & Systems • Application Of Mitigants For Identified Residual Risk

Internal Controls and Audit

Risk Limits

RISK MANAGEMENT

In terms of IT Enabled solutions, an enterprise-wide **Operations Gap Analysis** was conducted to identify the solutions that can narrow the gaps that expose the bank operations to risks. The end result is a Risk-Based Roadmap that enables a strategic and deliberate development and implementation of automated solutions for the operating units of the bank.

The institutionalized **Operational Risk and Control Self-Assessment (ORCSA)** was enhanced in alignment with the objectives of achieving a more reliable and representative assessment results.

To appropriately support the **Business Continuity Plan (BCP)** of the bank, a **Business Impact Analysis (BIA)** methodology was developed and implemented to accurately identify critical processes and logistical requirements to manage business disruptions. More importantly, the BIA exercise aims to revisit the critical activities' **Recovery Point Objective (RPO)** that will dictate the data recovery strategy of the bank.

Finally, the **Loss Event Reporting** was expanded to cover other critical groups with a visionary project to automate the reporting process in the succeeding year to enable the dedication of more time for analysis and resolution follow up.

For **Information Security Risk Management**, baseline information security policies were developed and implemented in the areas of User Access Management and monitoring.

As support to understanding deeper the necessity of Information Security Risk Management, the bank joined a collaborative project with five (5) other Financial Institutions to explore the setting up of **Shared Security Operations Center (SOC)** with the goal of establishing a much sought-after cyber security management system not to mention compliance to regulatory requirements.

A working IT Steering Committee is dedicated to oversee the automation program of the Bank to ensure that operating environment becomes competitive, advanced and up to the global standards and ready to digital communication challenges.

ANTI-MONEY LAUNDERING AND COMBATING TERRORISTS FINANCING (AML/CTF) RISK MANAGEMENT

PBB ensures that risks associated with money laundering and terrorists financing such as reputational, operational and compliance risks are identified, assessed, monitored, mitigated and controlled, to the end that the Bank shall not be used as a vehicle to legitimize proceeds of unlawful activity or to facilitate or finance terrorism.

In accordance with R.A. 9160, as amended, the AMLC Revised Implementing Rules and Regulations, and BSP Circular 706, as amended by R. A. Nos. 9194, 10167 and 10365, and by BSP Circular 950, PBB ensures that the four (4) areas of sound risk management practices are in place as follows:

1. Board and senior management oversight

   The Board of Directors (BOD) is ultimately responsible in ensuring that the Bank fully complies with the provisions of the BSP-issued AML/CFT rules and regulations, the AMLA, as amended, and its RIRR. For this reason, the BOD oversees the Bank's AML/CFT compliance management. It is responsible in formulating and adopting a money laundering and terrorist financing prevention program that identifies, assesses, monitor and control money laundering and terrorist financing-related risks.

   Senior management oversee the day-to-day management of the Bank, ensure effective implementation of its AML/CFT policies as embodied in the Board-approved MLPP and alignment of activities with the strategic objectives, risk profile and corporate values set by the board. Senior management is responsible in establishingthe management structure that promotes accountability and transparency and upholds checks and balances.

2. Money Laundering and terrorist financing Prevention Program (MLPP)

   The Bank adopts a comprehensive and risk-based MLPP geared toward the promotion of high ethical and professional standards and the prevention of the Bank being used, intentionally or unintentionally, for money laundering and terrorism financing. The MLPP which is consistent with the AMLA, as amended and its RIRR and the provisions set out in BSP-issued AML Rules and Regulations and designed according to the Bank's corporate structure and risk profile is approved by the Board of Directors and well disseminated to all officers and staff who, under the law and the Bank's compliance program, are obligated to implement the same. PBB uses a single ML/TF risk management system for all its branches wherever they may be located to ensure the coordination and implementation of policies and procedures on a group-wide basis.

3. Monitoring and reporting tools

   PBB adopts an AML/CFT monitoring system appropriate for its risk-profile and business complexity and in accordance with BSP Circular 706 as amended by BSP Circular 950. The system is capable of generating timely, accurate and complete reports to lessen the likelihood of any reputational and compliance risks, and to regularly apprise the BOD and senior management on AML/CFT compliance.

4. Internal Audit

The internal audit function associated with money laundering and terrorist financing is conducted by qualified personnel who are independent of the office being audited. It is supported by the Board of Directors and Senior Management, which has a direct reporting line to the Audit Committee.

Capital Adequacy Management

The Bank's ability to sustain operations and engage in various risk taking activities within the capital adequacy framework is the foremost risk management objective. PBB aims to sustain capital adequacy beyond what's prescribed by the BSP and the Basel standards. Towards this goal, capital charge allocation is part of the risk and reward metrics. The risk weighted assets must be supported by ample risk capital at all times.

RISK-BASED CAPITAL ADEQUACY RATIO

		2018	2017	2016
Capital Stock		7,057	7,057	5,985
Additional Paid-in Capital		1,998	1,998	1,998
Surplus		2,479	1,249	1,682
Total Tier 1 Capital		11,534	10,304	9,665
Less:	Deferred tax assets net of deferred tax liability	287	495	414
	Total outstanding credit accomodation both direct and indirect, to DOSRI net of allowance for credit losses	-		10
	Goodwill	123		
		410	495	424
Net Tier 1 Capital		11,124	9,809	9,241
Tier 2 Capital		779	678	470
Total Qualifying Capital		11,903	10,487	9,711
Risk Weighted Assets				
	Credit Risk Weighted Assets	74,044	68,887	48,738
	Operational Risk Wighted Assets	4,118	3,941	3,930
	Market Risk Wighted Assets	1,254	2,092	4,477
Total risk-Weighted Assets		79,416	74,920	57,145
Capital ratios:				
	Total qualifying capital expressed as percentage of total risk-weighted assets	15.0	14.0	17.0
	Net Tier 1 capital expressed as percentage of total risk-weighted assets	14.0	13.1	16.2

BOARD OF DIRECTORS

PATERNO H. DIZON
Independent Director

ALFREDO M. YAO
Chairman Emeritus

HONORIO O. REYES-LAO
Director

ATTY. ROBERTO C. UYQUIENGCO
Independent Director

FRANCIS T. LEE
Chairman

NARCISO DL. ERAÑA
Independent Director


DANILO A. ALCOSEBA
Director
JEFFREY S. YAO
Vice Chairman
ROBERTO A. ATENDIDO
Director
ROLANDO R. AVANTE
President & CEO
DRA. LETICIA M. YAO
Director
BENJAMIN R. STA. CATALINA, JR.
Independent Director

BOARD OF DIRECTORS PROFILE

Chairman Francis T. Lee, 70, was appointed Chairman of the Board on July 26, 2010 and was last re-elected as Director on May 25, 2018. Before holding the Chairmanship position, Mr. Lee was first appointed as Chief Operating Officer (COO) last September 1, 2011. He was also President of the AMY Foundation - the social responsibility arm of the Yao Group of Companies, from December 8, 2003 up to December 8, 2013.

An experienced banker for more than 30 years. Mr. Lee started his banking career with Pacific Bank. He has held a number of executive positions from Senior Manager to Senior Vice President at the Metrobank Group from 1988 to 2000 before joining PBB.

Mr. Lee has participated in the following seminars: Philippine Institute of Banking in 1969; Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002; Team Building Workshop in 2004 at PBB; Risk Awareness Seminar in 2009 at the Pacific Management Forum; Anti Money Laundering Act Seminar at the Bangko Sentral ng Pilipinas in 2012 and in 2014; and Corporate Governance Seminar for Board of Directors on December 10, 2015.

Mr. Lee studied Bachelor of Arts in Business Administration at Manuel L. Quezon University.

Committee(s): Executive

Mr. Jeffrey S. Yao, 51, was appointed to the Board in 1999. On April 01, 2016, he assumed the position of Vice Chairman.

He is a Director at Asiawide Refreshments Corporation and has been the Chief Operating Officer (COO) of the Zest-O Corporation since 2005. Mr. Yao started his career in the food and beverage industry when he was appointed as Plant Manager at Harman Food Philippines from 1990 to 1995. He has attended the following training programs: Basics of Trust at the Trust Institute of the Philippines in 2002; Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002; Anti Money Laundering Act Seminar at the Bangko Sentral ng Pilipinas in 2014; and Distinguished Corporate Governance Speaker Series on August 24, 2015.

Mr. Yao graduated from the Ateneo De Manila University with Bachelor of Science in Management Engineering degree.

Committee(s): Audit, Executive, IT Steering, Risk Oversight, and Trust

President & CEO Rolando R. Avante, 60, was appointed President and Chief Executive Officer since November 2, 2011.

Because of his strong background in treasury management, PBB has become one of the largest, fastest-growing and most respected savings banks. PBB was listed at The Philippine Stocks Exchange last February of 2013.

His banking career includes stints as Vice President for Local Currency Desk at City Trust Banking Corp. from 1988 to 1994; Senior Vice President & Treasurer at Urban Bank from 1994 to 1995; First Vice President for Domestic Funds Management at Philippine Commercial International Bank from 1995 to 1999; Executive Vice President & Treasurer at China Trust (PHILS.) Commercial Bank Corp. from 1999 to 2009; Executive Vice President & Treasurer at Sterling Bank of Asia from 2009 to 2011. He was elected President and Director at the Money Market Association of the Phil. (MART) in 1999. He was elected the same position at ACI Philippines in 2011.

His training includes Money Market at the Inter Forex Corp. in 1983; Treasury Management in Times of Crisis in 1984, Bourse Game in 1987 both conducted by FINEX; Rate Risk Game in 1989, Investment Banking Fundamental in 1990, Managing People in 1991 at the Citibank APBI; Capital Market Instruments in Asia in 1992, Asset & Liability Management in 1995 both conducted by Euro money; Asian Bond Fund II Workshop in 2004 at the Asian Bank; Securitization Law in 2006 at FINEX & SEC; ACI World Congress in 2011 at ACI Phil.; Economic Outlook 2012 in 2012 at the ANZ Private Bank Exclusive; Annual Global Markets Outlook in 2012 at Deutsche Bank; Entrepreneurs Forum in 2012 conducted by Business World; AMLA Seminar in 2012 at the Bangko Sentral ng Pilipinas; CEO Business Forum in 2012 at Punongbayan & Araullo; Cross-Border RMB Business in 2012 at Bank of China; Eco Forum in 2012 at Security Bank; Phil. Business Conference in 2012 at the Philippine Chamber of Commerce & Industry; Annual Investment Outlook 2013 in 2013 at ANZ Private Bank; Philippine Investment Summit 2013 in 2013 at the Investment Banking Group; IPO Annual Asia Pacific in 2013 at CIMB; Corporate Governance Seminar for Board of Directors on December 10, 2015.

Mr. Avante graduated from the De La Salle University with the degree of Bachelor of Science in Commerce major in Marketing Management and has taken MBA units from DLSU.

Committee(s): Anti-Money Laundering & FATCA, Asset & Liability, Bid, Credit, Executive, Management, IT Steering, Remedial & Special Assets Management, and Trust

BOARD OF DIRECTORS PROFILE

Mr. Honorio O. Reyes-Lao, 75, was appointed to the Board on April 29, 2011 and last re-elected as Director on May 25, 2018.

A seasoned banker, he has more than 40 years of experience in corporate and investment banking, branch banking, and credit management. Mr. Reyes-Lao started his banking career at China Banking Corporation in 1973 to 2004. He served as Senior Management Consultant from 2005 to 2006 at East West Banking Corporation. He was a consultant at Antel Group of Companies from 2007 to 2009 and was appointed President at Gold Venture Lease and Management Services, Inc. from 2008 to 2009. Currently, he is an independent director at the DMCI Holding Corporation and a Member of the Society of Institute of Corporate Directors (ICD) Fellows since 2004.

His background and trainings include Overall Banking Operations at the Philippine Institute of Banking in 1971 to 1972; Director Certification Program at the Institute of Corporate Directors (ICD) in 2004; and the AMLA Seminar at the Bangko Sentral ng Pilipinas in 2014; ASEAN Corporate Governance Conferences and Awards 2016 on November 14, 2015; Distinguished Corporate Governance Speaker Series on August 24, 2015.

Mr. Lao holds a post-graduate degree, Masters in Business Management, from the Asian Institute of Management and he graduated with a double degree in Bachelor of Science in Business Administration major in Economics and Bachelor of Science in Commerce major in Accountancy from the De La Salle University.

Committee(s): Risk Oversight, and Trust

Dra. Leticia M. Yao, 66, was appointed to the Board on April 29, 2011 and last re-elected as Director on May 25, 2018.

A well-respected figure in the healthcare industry, Yao was appointed at the United Doctors Medical Center (UDMC) as a Consultant at the Department of Medicine from 1991 to 2012.

She participated in training sessions for Corporate Governance & Risk Management for Banks' Board of Directors at the Development Finance Institute in 2002 and further taken the Risk Awareness Seminar at the Pacific Management Forum in 2009. Earlier this year, she attended the AMLA Seminar at the Bangko Sentral ng Pilipinas, Distinguished Corporate Governance Speaker Series on August 24, 2015 and Corporate Governance Seminar for Board of Directors on December 10, 2015 to hone her skills as Director of PBB.

Drs. Yao graduated from the University of Sto. Tomas with a Bachelor of Science degree in Medical Technology then pursued her post graduate degree in Medicine also from the University of Sto. Tomas.

Committee(s): Trust

Mr. Roberto A. Atendido, 72, was appointed to the Board on May 26, 2006 and last re-elected as Director on May 25, 2018.

He is a seasoned investment banker and a recognized expert in the field with over 30 years of investment banking and consulting experience in the Philippines and in the ASEAN region. Mr. Atendido started his career in consulting with the management services group of Sycip, Gorres & Velayo, the largest accounting and consulting group in the Philippines. He began his investment banking career in Bancom Development Corporation, the leading investment house in the Philippines during the late 60's and 70's. He was later posted as Vice President of Bancom International Ltd in HK from 1980-1982. He then moved to PCI Capital Asia, Ltd. (HK) as Vice President from 1982-1983. The PCI Group posted him in Indonesia as Managing Director of PT Duta Perkasa Chandra Inti Leasing, a joint venture between the PCI Group of the Philippines and Bank Duta and Gunung Agung Group of Indonesia, from 1983-1988. Mr. Atendido moved back to the Philippines in 1988 as President of Asian Oceanic Investment House, Inc., a fully owned subsidiary of the Asian Oceanic Group of HK. The company was later bought by the Insular Life Group and renamed Insular Investment & Trust Corporation. In 1996, Mr. Atendido together with several investors organized Asian Alliance Holdings & Development Corporation (AAHDC) and later established Asian Alliance Investment Corp. (AAIC) as a wholly owned investment banking subsidiary. He is currently President of AAHDC and Executive Vice Chairman of AAIC.

Currently, Mr. Atendido is a member of the Board of Directors of Paxys Inc., Philippine Business Bank, PICOP Resources, Inc., Pharmarex, Inc. Ardent Property Development Corp., First Ardent Property Corp., and GEM Communications & Holding Corp. He is also Vice Chairman and Director of Sinag Energy Philippines, Inc., (since 2008), Chairman and President of Myka Advisory and Consulting Services, Inc. (since 2010). He has also held directorships in the past in the Philippine Stock Exchange (2005-2009), Securities Clearing Corporation (2006-2010), Export & Import Bank as an Independent Director (2006-2012), Marcventures Holdings, Inc. (2010-2013), Carac-An Development Corp. as Chairman from 2010-2013, and Beneficial Life Insurance Corp. from 2008-2014. Apart from his business activities, Mr. Atendido is also active in the Brotherhood of Christian Businessmen and Professionals, a nationwide Christian community where he served as Chairman from 2009-2011.

He has attended trainings in Corporate Governance & Risk Management for the Bank's Board of Directors | at the Development Finance Institute in 2003; Risk Management and Basel 2 Seminar at the Export & Industry Bank in 2007. In 2014, he attended the Anti-Money Laundering Act Seminar at the Bangko Sentral ng Pilipinas, Distinguished Corporate Governance Speaker Series on August 24, 2015, 2015 Distinguished Corporate Governance Speaker Series 2 on September 15, 2015 and 2015 Distinguished Corporate Governance Speaker Series 3 on November 06, 2015.

Mr. Atendido is a graduate of the Asian Institute of Management with a Master's Degree in Business Management in 1973. He completed his Bachelor of Science in Management Engineering from the Ateneo de Manila University.

Committee(s): Audit, Corporate Governance, Related Party Transaction, and Risk Oversight

BOARD OF DIRECTORS PROFILE

Mr. Paterno H. Dizon, 81, was appointed Independent Director to the Board on April 27, 2012 and last re-elected as Independent Director on May 25, 2018.

He had previously served as President to the following institutions: Science Park of the Phil. Inc., Cebu Light Industrial Park, Inc., and RFM Science Park of the Philippines from 1997 to 2003. Mr. Dizon held directorships at Hermosa Ecozone Development Corp. from 1997 to 2003; Export & Industry Bank from 1994 to 2006; and EIB Securities from 2004 to 2006. He served on the board of Phil. Export-Import Credit Agency from 2010 to 2012. He was elected as Chairman of the Phil. Exporters' Confederation Inc. since 1990 up to the present. He has been the President and CEO of Holy Cross College of Pampanga since 2012.

He has attended training sessions in Financial Management at SGV in 1974, Money and Banking from the Ateneo De Manila University in 1959, Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002, Risk Awareness Seminar at the Pacific Management Forum in 2009, and the Anti Money Laundering Act Seminar at the Bangko Sentral ng Pilipinas in 2014; ASEAN Corporate Governance Conferences and Awards 2016 on November 14, 2015; Distinguished Corporate Governance Speaker Series on August 24, 2015.

Mr. Dizon holds a Bachelor of Science in Economics from the Ateneo De Manila University and a Master in Business Administration from the University of the Philippines.

Committee(s): Audit, Corporate Governance, Related Party Transaction, and Risk Oversight

Mr. Benjamin R. Sta. Catalina, Jr., 71, was appointed Independent Director to the Board on July 2012 and last re-elected as Independent Director on May 25, 2018. He first assumed his independent directorship at PBB in 2003 to 2005.

During his early professional years, Mr. Sta. Catalina was the Senior Vice President of the Asset Based Finance Group of FNCB Finance Co. from 1980 to 1981. He later joined Citibank N.A. from 1981 to 1995 where he has served as Asst. Vice President & Division Head for the Public Sector Division, then became the Vice President and Asst. Director of the Asia Pacific Training Center. He later handled the Middle East Africa Division Training Center as Vice President and Associate Director, and then handled the World Corporation Group for Middle East Africa, Division Training Center as Regional Administrator. He was appointed to General Manager and handled the Center for International Banking Studies. In 1993 to 1994, Mr. Sta. Catalina was appointed Vice President and Chief of Staff of the Global Finance Marketing, then rose to Group Head where he handled the Pan Asian Corporate Team in 1994 to 1995.

In the academic sphere, he was the Executive Director of the Center for Banking and Financial Management of the Asian Institute of Management in 1996.

In addition to holding a number of executive positions, he attended training seminars such as the Makati CAD in 1974, Philippine Core Credit in 1976, Intermediate Credit Seminar in 1977, Exceptional Sales

Performance in 1978, Bourse Game in 1979, Asset Based Finance Seminar in 1980, Electronic Banking Seminar in 1981, Selling Skills Train the Trainer Program in 1982, Advanced Lending Strategy in 1982, Technology for Senior Management in 1983 from the Asia Pacific Training Center. He attended Multinational Business Course in 1980 at Citibank New York, Face to Face Selling Skills in 1986 at the Boston Consulting Group. In 1987 he has attended the MAC Approach Course and Alcar Valuation Seminar at MEAD Training Center in Greece. He attended the Corporate Finance II in 1988 at the Asia Pacific Banking Institute. At MEAD Training Center in London, he attended the Risk Management Seminar and the Risk Management III – Corporate Finance in 1991. From 1993 to 1995, Mr. Sta. Catalina attended the Strengthening Organizational Capabilities, Service Quality Management, Technology Solutions for the Business, Marketing Derivatives Ideas, Standards Workshop, Marketing Financing Ideas to Issuers at Citibank Training Center.

Most recently, he attended the Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2003, and the Anti Money Laundering Act Seminar in 2014, Distinguished Corporate Governance Speaker Series on August 24, 2015 and 2015 Distinguished Corporate Governance Speaker Series 2 on September 15, 2015.

Mr. Sta. Catalina is a graduate of the Asian Institute of Management with a post graduate degree of Masters in Business Management. He finished his Bachelor of Science in Management Engineering from the Ateneo De Manila University.

Committee(s): Audit, Corporate Governance, Related Party Transaction, and Risk Oversight

Mr. Danilo A. Alcoseba, 67, was the former President & CEO of PBB and was appointed to the Board on May 25, 2018. His work experience include: Branch Head at Bancom Development Bank, Cebu Branch from 1977-1979, Assistant Vice-President of Traders Royal Bank from 1979-1983, First Vice-President/ Treasury Division of Boston Bank of the Philippines from 1983-1998 and Consultant at SM Investments Corporation from 2005-2007.

He also had various trainings and seminars in banking related fields such as financial derivatives, fixed income trading, foreign exchange, investment banking, corporate governance, risk management and international trade.

Mr. Alcoseba obtained his college degree, Bachelor of Science in Commerce, Major in Accounting, at the University of San Carlos. He also has a post-graduate in Industrial Economics at the University of the Philippines in 1976.

Committee(s): Audit, Corporate Governance, Related Party Transaction, and Risk Oversight

BOARD OF DIRECTORS PROFILE

Philippine Business Bank announces the appointment of two new members of its Board of Directors for 2018.

Joining the Board of Directors are Mr. Narciso DL Eraña and Atty. Roberto C. Uyquiengco. Both are independent directors of PBB who embody the spirit of community and bring talent, expertise and energy to the table. PBB is very fortunate to have them by its side as the Bank continues to strengthen its position in the financial sector.

Atty. Roberto C. Uyquiengco, 71, was elected as a member of the board on 25 May 2018.

He is a seasoned banker for 30 years, a certified public accountant and a lawyer, who is also an advocate for education being a part-time faculty of the College of Business and Accountancy of National University since 2012 and as a part-time training consultant of the China Bank Academy since 2013.

Atty. Uyquiengco held directorships at the Emmanuel Multi-purpose Cooperative, Inc., Cuenca, Batangas, since 2011; Green Leaf Foreign Exchange Corporation, Chairman and CEO, since incorporation in 2012.

He started his career in auditing with the management services group of Sycip, Gorres & Velayo, the largest accounting and consulting group in the Philippines from 1970 to 1974. He later joined North Negros Loggers Corp. from 1974 to 1976. Then his banking career started when he joined Allied Banking Corporation from 1977 to 1980.

He later joined the State Investment House in Bacolod in 1980. Atty. Uyquiengco joined China Bank from 1984 to 2011 where he held the position of First Vice President and Region Head of the North Luzon Branches.

He equipped himself with training in banking at The Bankers' of America Institute Conference in Las Vegas, Nevada, USA, in November 2007 and The Asian Bankers Conference in Singapore in 1996.

Atty. Uyquiengco completed the Advanced Bank Management Program from the Asian Institute of Management in 1993 where he was awarded with the Highest Honor for Superior Performance among forty participants from various international banks. He completed four Levels of Mandatory Continuing Legal Education for Lawyers in 2016 and completed the Officers' Training Program by the Philippine Trust Institute in 1991.

He is a graduate of La Salle College, Bacolod City in 1970 with a degree in BS in Commerce, major in Accounting where he finished Cum Laude and passed the CPA board in the same year. In 1975, he took up his Bachelor of Laws degree from the University of Negros Occidental-Recoletos, Bacolod City and graduated in 1980, where he passed the bar examinations also in the same year.

Committee(s): Audit, Corporate Governance, Related Party Transaction, and Risk Oversight

Mr. Narciso DL. Eraña, 67 , was elected as a member of the board on 25 May 2018.

A skilled professional with extensive knowledge in treasury management, trading, operations and strategic planning; has over 33 years of experience mostly in and the Philippine financial industry, but also in Real Estate.

Mr. Eraña is not only an expert in pricing and analyzing complex deals, performing risk mitigation, handling returns and portfolio optimization analysis as well as quantifying asset and liability management framework but also an expert in Taekwondo, being a member of the first few Philippine teams for two years.

Mr. Eraña is also an accredited Mediator at the National Center For Mediation since 2014; an Accredited Executive Coach at the International Coach Federation (ICF) and Director of the Community Relations Committee - Philippine Chapter since 2016; Director and Treasurer at the Manila Polo Club from 2012 to 2013; Director and Chairman at the Manila Polo Club of Sports Athletics from 2012 to 2014. He was a member of the Financial Executive Institute of the Philippines from 2000 - 2015, and a Director of the Money Market Association of the Philippines from 2002 to 2004 and ACI Philippines (Foreign Exchange Association) from 2006 to 2009.

He also holds directorships at the Berana, Inc. since 1988; and is past President and current Director and Treasurer of Francis Court Townhouses, Inc. He is a Fellow at the Institute of Corporate Directors.

Mr. Eraña started his banking career in 1981 as a Management Trainee at the Bank of America N.T. & S.A. He became an International Loan Officer in 1983 at the same bank. In 1984, he moved to the bank's Treasury as Assistant Manager and Head of Money Markets and after two years Mr. Eraña was promoted to Asst. Vice President and Head of Foreign Exchange. Then in 1988, he was promoted to Country Treasurer. Thereafter he had a 7-year stint with the family Real Estate Business. In 1995 Mr. Eraña returned to banking when he joined BA Savings Bank as Vice President and Head of Liquidity and Treasury Sales in 1995 to 1998, where he was a consistent recipient of annual awards under the Exemplary Performance Award Program. In 1998, he joined RCBC Savings as First Vice President and Treasurer until year 2000 where he was transferred to RCBC (Unibank) as First Vice President and Head of Funds & Liquidity Management Division, he stayed until 2004.

His last position was President of ICAP Philippines, Inc. from 2004 to 2012, a subsidiary of ICAP Plc., a London based FTSE company and the world's largest Interdealer broker, with average volumes in excess of USD 1 trillion daily. In 2012 to 2013, he rendered his expertise at ICAP Phil. Inc. as Consultant. In addition, he is a Consultant to Management Strategies, Inc. since 1992.

Mr. Eraña equipped himself with training in Treasury Certification Seminar at the Bank of America in Singapore in 1984; Treasury Professional Certification at the Ateneo – Banker's Association of the Phil. In 2002; seminars and workshops on Credit Derivatives and Options and Structured Products at the Goldman Sachs, Deutsche Bank, Merrill Lynch, and Credit Suisse First Boston from 2002 to 2004; SEC Certified Fixed Income Salesman in 2008; Professional Director's Program conducted by the Institute of Corporate Directors in 2015.

Mr. Eraña is a graduate of the Thunderbird Global School of Management, Glendale, Arizona with a Masters degree in Business Administration. He completed his Bachelor of Business Management from the Schiller College, Heidelberg, Germany in 1979.

Committee(s): Audit, Corporate Governance, Related Party Transaction, and Risk Oversight

MANAGEMENT COMMITTEE

PETER N. YAP
SEVP
Chief Marketing Officer &
Head - Retail Banking Group

ARLON B. REYES
EVP
Head – Commercial Banking Group

REYNALDO T. BORINGOT
SVP
Head – Business Development Group (Luzon)

FELIPE V. FRIGINAL
FVP
Head – Branch Operations & Control Group

EDUARDO R. QUE
FVP
Head – Corporate Banking Group

BELINDA C. RODRIGUEZ
FVP
Chief Risk Officer &
Head – Enterprise Risk Management Group

LIZA JANE T. YAO
FVP
Head – General Services, Security and Administrative Center

JOSEPH EDWIN S. CABALDE
SVP
Head – Treasury Services Group

CONSUELO V. DANTES
SVP
Head – Human Resources Group

ROSENDO G. SIA
SVP
Head – Business Development Group (VisMin)

ROSELLE M. BALTAZAR
FVP
Assistant Controller &
Head – Central Operations Group

JOSE MARIA P. VALDES
FVP
Head – Information Technology Group

RODEL P. GENEBLAZO
FVP
Head – Consumer Banking Group

MIAMI V. TORRES
FVP
Head – Credit Management Group

ROLANDO G. ALVENDIA
VP
Head – General Accounting Center

MANAGEMENT COMMITTEE

EFREN P. MERCADO
VP
Head – Commercial Banking Group (Center 3 & 4)

CLARISSA S. RIVERA
VP
Head – Fleet Financing Center

ATTY. ROBERTO S. SANTOS
VP
Corporate Secretary &
Head – Legal Services Group

MA. DORIS C. DE CHAVEZ
AVP
Head – Portfolio Management Division

REYNALDO C. EBANEN
AVP
Acting Chief Compliance Officer – Compliance Office

IRIS P. ALMERINO
AVP
Head – Commercial Banking Group (Center 2)

LAURENCE R. RAPANUT
AVP
Chief Audit Officer &
Head – Internal Audit Center

JOHN DAVID D. SISON
VP
Investor Relations Officer &
Head – Corporate Planning Group

ENRICO T. TEODORO
VP
OIC – Project Management Office

MA. JOYCE G. ZARATE
VP
Head – Product Development &
Management Group

JACQUELINE A. KORIONOFF
SAVP
Head – Commercial Banking
Group (Center 1)

TERESITA S. SION
AVP
Trust Officer &
Head – Trust & Investment Center

JUDITH C. SONGLINGCO
AVP
Head – Corporate Affairs Unit

SERGIO C. BASCO
AVP
Chief-of-Staff to the CMO &
Head – Branch Banking Group

EMMA K. LEE
AVP
Head – Systems & Methods Center

BRANCH OF THE YEAR

Four branches from 145 PBB branches have been unveiled as the Branch of the Year according to their branch class. The awarding ceremony was held at the Luxent Hotel on July 21, 2018.

Now in its 20th year, the annual awards ceremony recognizes the Branch and Business Managers who showed exemplary performance for their 2nd semester targets for 2017.

For Class A Branch, Quintin Paredes Branch headed by Debbie T. Tan took home the award. For Classes B, C and D, the branches from Mindanao dominated the top branches, namely: Davao – Sales Branch headed by Jaime M. Tiu II, Cagayan De Oro – Lapasan Branch headed by Dominador P. Sanchez, Jr., General Santos – Santiago Branch headed by Peter T. Salvador, respectively.

What is clear from this year's awardees is the extent to which branches are determined to get things right the first time, embed a customer service ethos at every level, and fuse the functional and emotional impact of experiences - which is not easy in such a competitive environment.

From an interview with Ms. Debbie T. Tan, quality customer service means being sincere in extending help to the clients. It is not just giving them what they need but presenting the best options as a solution to their needs. "My phone line is always open 24/7 for them. I also visit them during weekends. Good customer service means helping customers efficiently, in a friendly manner. It's essential to be able to handle issues for customers and to do your best to ensure they are satisfied. Providing good service is one of the most important things that can differentiate your service from its competitors" said Ms. Tan.

While there is no room for complacency, we are moving towards a future where great customer service becomes the differentiator that truly makes a difference, and that is something really worth celebrating.

Congratulations to all the awardees – and all those who were shortlisted – PBB commends your unwavering focus on driving customer satisfaction.

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1. Branch of the Year – Category A 1st Place: Quintin Paredes – Debbie T. Tan, Branch Head
   (L-R) SEVP Peter N. Yap, Amb. Alfredo M. Yao, AVP Debbie T. Tan, Pres. & CEO Rolando R. Avante, Region Head SAVP Stephen Y. Co
2. Branch of the Year – Category B 1st Place: Davao-Sales – Jaime M. Tiu II, Branch Head
   Branch of the Year – Category D 1st Place: General Santos-Santiago – Peter T. Salvador, Branch Head
   (L-R) SEVP Peter N. Yap, Amb. Alfredo M. Yao, Manager Jaime M. Tiu II, Pres. & CEO Rolando R. Avante, SM Peter T. Salvador, Region Head VP Nerysha M. Lo
3. Branch of the Year – Category C 1st Place: Cagayan De Oro-Lapasan – Dominador P. Sanchez, Jr., Branch Head (Mr. Romel S. Rodriguez accepted the award on behalf of the late Dominador P. Sanchez, Jr.)
   (L-R) SEVP Peter N. Yap, Amb. Alfredo M. Yao, SM Romel S. Rodriguez, Pres. & CEO Rolando R. Avante, Region Head VP Nerysha M. Lo
4. The awardees of the Branch Banking Group

PRODUCTS AND SERVICES

COMMERCIAL, INDUSTRIAL AND DEVELOPMENTAL LOANS

- Agri-Agra Loans
- Bill Purchase
- Bus and Taxi Loan
- Contract to Sell (CTS) Financing
- Discounting Line
- Fleet Financing
- Loan Line
- Omnibus Line
- Specialized Lending Facilities for SMEs
  - DBP IGLF and ISSEP
  - SSS Developmental Loans
- Term Loan
- Trade Finance
  - Documentary Collections under DP/DA/OA
  - Export LC Advising/Negotiation
  - Floorstock/Inventory Financing
  - Issuance of Bank Guarantee/Standby LC
  - Issuance of Credit Line Certification
  - Issuance of Import/Domestic LC
  - Issuance of Shipside Bond
  - Trust Receipt Financing

DEPOSIT AND INVESTMENT SERVICES

- Savings Account
- Checking Account
- ATM Account
- CA/SA (Auto-Transfer)
- Campus Savers
- Peso Time Deposit
- Hi-5 TD
- FCDU Savings
- FCDU Time Deposit
- Hi-Green Funds

OTHER SERVICES

- Advisory Services, SSS/PHILHEALTH Payments
- Bills Payment/Collection Services
- Group Payroll Services
- Local Payment Orders (Manager's Check and Gift Check)
- Mail & Telegraphic Transfers (Domestic and International)
- Night Depository Box (Selected Branches)
- PBB Gold Sale (open to jewelry manufacturers and industrial users)
- Safety Deposit Box Facilities

CONSUMER LOANS

- Auto Loan
- Housing Loan
- Salary Loan

TRUST PRODUCTS AND SERVICES

- Employee Benefit Plans Under Trust
- Escrow Agency
- Individual FCDU Trust
- Insurance Trust
- Investment Management Account – Personal or Corporate
- Mortgage Trust Indenture
- PBB Diamond Fund – a UITF
- Personal Management Trust
- Safekeeping
- Trustee of Pre-Need Plans

CORPORATE SOCIAL RESPONSIBILITY

AMY FOUNDATION CELEBRATING 15 YEARS

Fifteen years ago, Ambassador Alfredo M. Yao had a vision.

He took the responsibility of helping the financially challenged students particularly at the Northern Rizal Yorklin School - where Amb. Yao finished his secondary education. The philanthropist in him eventually extended to those who personally approached him for financial assistance in pursuit of acquiring a college degree.

Seeing that higher education as a catalyst, an agent of change for individuals, families, communities, and nations, the birth of the AMY (an acronym which stands for "Alfredo Macam Yao") Foundation came about.

Its main objective was geared towards the upliftment, development and advancement of street children, leading to the granting of academic scholarships to deserving and underprivileged children of the Philippine society. Likewise, it aims to provide financial, technical and manpower expertise towards the various projects lined up by the Foundation in the future.

This year's theme – "Celebrating 15 Years: EMPOWER. EDUCATE. ELEVATE."- could not be more appropriate, as some of the youngsters who were aided by the programs now are giving back themselves.

AMY FOUNDATION, INC.

15TH ANNIVERSARY

Empower. Educate. Elevate.

CAMILO D. LACANLALE, Teacher @ the Holy Cross College
AMY Scholar SY 2012 – 2016

My dream was made possible because of Alfredo M. Yao (AMY) Foundation partnered with my determination and hard work. The foundation is not just a simple program that helps those students who are willing to study but a sunlight that beams to those flowers (students) who are about to wither (lose hope).

Big thanks to Mr. Alfredo M. Yao, the founder of AMY foundation. Sir, you were my aegis as I traversed the rough roads of my academic pursuit. The foundation was there when I was working in building my career.

Today, I have nothing but a grateful heart to this foundation.

JOYCE ANN B. DE JESUS, CPA
Cum Laude, Cavite State University
AMY Scholar SY 2013 – 2017

He makes all things beautiful, in His time.

My scholarship came as God's perfect timing. It was my first year in college when my father passed away leaving behind my mother and my three siblings. We were all studying and my mother worked hard as a factory worker just to make ends meet.

For nine semesters, AMY Foundation paid for my tuition fee and covered some of the expenses for my books. Accountancy is a difficult course, but where to find money for my tuition fee is more difficult. I concentrated on pursuing my dream not just to help my family but also to show my gratitude for this foundation in a way that I can. My hard work paid off, I graduated Cum Laude and recently took an oath as a Certified Public Accountant. All of this was made possible by this Foundation. Words are never enough to show how thankful I am, I, in return, promise to pay the blessings I received forward, to help another youth who is a victim of unpleasant circumstances to achieve his dreams through studying.

ARRIANE GRACE SL. URBINA, CIE
Polytechnic University of the Philippines
AMY Scholar SY 2013 – 2018

Poverty is not an excuse for not reaching your goals, for not sending yourself to school, for not being educated. Because there are people and organizations like AMY Foundation who are willing to help the underprivileged youth achieve their dreams.

Eight years ago, an unfortunate event of losing our padre de pamilya and our bread winner dreaded our lives. Being the second of five children, reaching my dreams of finishing with a degree started to come as a blur.

Fortunately, ARC Corp., the company where my late father rendered his work, offered us a scholarship from the AMY Foundation. When I heard of the news, I felt so relieved and thankful that we would be receiving an aid from the organization.

To my AMY Foundation family, I am beyond grateful for the assistance I have received from you since junior high school until my fifth year in college. And to Mr. Alfredo M. Yao, thank you for building AMY Foundation. Words can't express how grateful I am for all the help you have given me for the past 7 years. Without you, without the foundation, I wouldn't be who I am today. Now, I am a Certified Industrial Engineer, a proud PUPian and a proud Alfredo M. Yao scholar.

CORPORATE SOCIAL RESPONSIBILITY

CHRISTMAS WITH DUMAGATS

On December 9, 2018, AMY Foundation partnered with Philippine Business Bank in a gift giving activity held at the Nuestra Señora de Lourdes Parish Church in Doña Remedios Trinidad, Bulacan. The dumagat kids walked for about 6-7 hours all the way from their home in the mountains to receive our humble gift of happiness. Over 150 prepared sets of Christmas bags containing toys, hygiene kits, coloring books, colors, candies and biscuits, were given away to the delight of these kids. They were also given a packed rice meal and a Zest-O juice drink for their lunch.

Meanwhile, more than 200 dumagat families who likewise walked a hundred miles, were very happy to receive their respective pails containing noche buena goodies that would surely brighten up their tables for the upcoming Christmas Eve. Majority of the recipients said: *“Sulit ang pagbaba namin mula sa bundok. Ang dami!”* (pertaining to the bountiful of goods that they have received).

ORIENTATION FOR NEW AMY SCHOLARS 2018

The AMY Foundation held an orientation for the new AMY scholars at the Northern Rizal Yorklin School in Caloocan on November 16, 2018. The foundation's Vision, Mission and Goals were explained further to the newly accepted scholars from the partner and non-partner schools.

The first meet and greet provides the perfect opportunity for the new scholars to know their fellow scholars as one family. A total of forty six scholars attended the orientation.

The orientation highlighted the AMY Foundation Scholarship Program Policy and the numerous activities of the Foundation the scholars may be interested to participate in.

BALIK ESKUWELA 2018

The Balik Eskuwela Project is an annual mission of the AMY Foundation in partnership with the LGUs and NGOs. It is one of the Foundation's programs that directly deliver school supplies to students in need before classes start.

This year the project was held on May 31, 2018 at the covered court of Barangay Sta. Lucia District 5, Novaliches, Quezon City. The Kindergarten, Grades One and Two students received school bags containing notebooks, pad papers, pencils, crayons, and other school supplies. Hygiene kits containing towel, alcohol, powder, soap, toothpaste, and toothbrush were also distributed.

Volunteers from the AMY Foundation scholars studying at PUP and PLM, and former scholars who graduated from UCC extended their helping hands to make this activity a success.

CORPORATE SOCIAL RESPONSIBILITY

AMY FOUNDATION VISITS POLYTECHNIC UNIVERSITY OF THE PHILIPPINES

AMY Foundation team conducted a school visitation at Polytechnic University of the Philippines (PUP) on March 5, 2018. During the visit, a meeting with Engineer Ana Publico, Chief of Scholarship and Financial Assistance Services (SFAS) and Ms. Marissa Mayrena, Benefactor Coordinator of SFAS regarding the academic status of presently enrolled AMY scholars was discussed.

Ana Publico (3rd from left), Chief of Scholarship and Financial Assistance Services (SFAS) and Ms. Marissa Mayrena, Benefactor Coordinator of SFAS

SCHOOL VISIT AT HOLY CROSS COLLEGE

On February 2, 2018, AMY Foundation Executive Director Ms. Lyn Gabrido and Program Manager Ms. Ruth Tamayo conducted a school visitation in one of its partner schools, the Holy Cross College in Sta. Ana, Pampanga. They were warmly welcomed by VPAA Mr. Glenn B. Franco, SHS Principal Mr. Benjie B. Nolasco, and Associate Guidance Counselor Ms. Marissa S. Basilio. Eleven aspiring scholars were formally introduced during the school visit.

AMY Foundation has been in partnership with the Holy Cross College since 2011. These two institutions are working hand in hand to provide free education to the financially challenged but academically gifted students residing in Pampanga.

ROUND TABLE DISCUSSION AT PHILIPPINE NORMAL UNIVERSITY

A Round Table Discussion (RTD) about the changes in the management of scholarship programs in connection to RA 10931 or the “Universal Access to Quality Tertiary Education Act” was held on March 21, 2018 at Public Relations Alumni Hall, Philippine Normal University (PNU). Attending on behalf of AMY Foundation were Executive Director Ms. Linalyn D. Gabrido, Finance Manager Ms. Jenny V. Magbuhos, and Program Manager Ms. Ruth A. Tamayo.

AMY Foundation has been in partnership with PNU since 2007.

AMY FOUNDATION INKS PARTNERSHIP WITH ST. MARY’S COLLEGE

Committed to widen its scope of coverage in terms of scholarship, AMY Foundation inked partnership with St. Mary’s College (SMC) of Quezon City on November 9, 2018. Our 1st batch of AMY scholars in the said school are all enrolled as 1st year BS Social Work students.

These students are very much in need of educational assistance as their families are also beneficiaries of Pantawid Pamilyang Pilipino Program (4Ps). As we all know, 4Ps is a human development measure by the national government that provides conditional cash grants to the poorest of the poor, to improve the health, nutrition, and the education of children aged 0-18. *source: www.officialgazette.gov.ph*

CORPORATE GOVERNANCE

A. CORPORATE GOVERNANCE

Corporate Governance, as an indispensable component of a sound strategic business management and as foundation of stakeholder, depositor and public trust, the Board of Directors and Management and Staff of Philippine Business Bank, Inc. (PBB) commits to the principles and best practices contained in the Board Approved Corporate Governance Manual that guide PBB in the attainment of goals.

PBB believes that corporate governance is a system of rules, practices and process by which the Bank is directed and controlled. The Board of Directors sets the tone at the top through directives and policies that is being communication to its employees.

The Bank as a publicly listed institution is being regulated and supervised by the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC). The Bank's activities are subject to the provisions of the General Banking Law of 2000 (Republic Act No. 8791), Corporation Code of the Philippines, and other laws such as the Anti-Money Laundering Act of 2001 (Republic Act No. 9160), as amended.

B. SELECTION PROCESS FOR THE BOARD AND SENIOR MANAGEMENT

Philippine Business Bank believes in selecting the right candidates based on two (2) criteria: (1) the qualifications of the candidates, and (2) the hiring standards of the Bank. There shall be no discrimination as to sex, religion, creed, race, or natural origin. It shall be the policy of the Bank to offer employment strictly on the basis of the results of the Bank's qualification standards, personal interviews, and other standard requirements of the position being applied for. The Bank does not hire personnel simply on the basis of referral by an employee, any influential party, or valued client.

The candidate shall be hired with the end view of a fruitful and mutually beneficial working relationship with Philippine Business Bank and subject to performance and operational requirements.

The Human Resources Group (HRG) shall be responsible for the efficient implementation of this function. All Group/Branch Heads shall coordinate and course their staffing requirements with HRG.

The recruitment process generally begins when HRG receives the duly approved Personnel Requisition Form (PRF). The following lead times shall be given to HRG to be able to source applicants:

a. For rank-and-file positions – 10 to 15 banking days
b. For Junior Officer positions – 30 to 45 banking days
c. For Senior Officer positions – 45 to 90 banking days

The above lead times would include testing, interviewing with concerned officers, and endorsement of the approval for hiring sheet up to the highest approving officer.

For positions that are classified as difficult to fill below senior officer levels, the lead time for HRG to fill in the vacancy is between 45 to 60 banking days. However, the indicated HR response time is also dependent on the response of the recipient Centers/Units in assessing and deciding on the hiring of the candidate that has been endorse by HRG.

Candidates are obtained from two (2) sources, namely:

1. Promotion of a qualified identified successor through the bank's Succession Planning
2. Internal Recruitment – where sourcing is done using job postings in the company bulletin board and via intranet e-mail announcements released by HRG. Candidates may come from:

    a. Within the Group/Region/Branch;
    b. Another Group/Region/Branch; or
    c. Contractual/project staff.

3. External Recruitment – where candidates are sourced from the outside through the use of various channels such as the Bank's website, ad placements in newspapers, walk-ins, campus recruitment, referrals from internal/external parties or placement agencies. This is resorted to when internal sourcing has been exhausted.

HRG shall endeavor to fill up vacancies as they occur, giving priority to qualified internal candidates (employees). External hiring shall be considered when none of the present employees are qualified or have applied for the vacancy.

The applicant's file shall be forwarded to the requisitioning unit prior to the interview schedule. The file should contain the following documents:

a. Duly accomplished Application Form
b. Applicant's resume
c. Interview Evaluation Sheet containing the evaluation and recommendation made by the interviewers. Applicants for senior officer positions (AVP and up) should be interviewed by the following:
    - Human Resources Group Head;
    - The concerned Group Head as applicable;
    - President & CEO for his direct reports;
    - Vice-Chairman; and
    - Chairman of the Board.

    Note: The Vice Chairman may or may not interview candidates for selection. In cases where the Vice Chairman does not interview, the interview results of the President and CEO or Group Head (as applicable) and the Chairman will suffice.

The Corporate Governance/Nomination Committee shall review and evaluate the qualifications of all officers hired as or promoted to the rank of Assistant Vice President and up. After the vetting of the Corporate Governance/ Nomination Committee, the same candidates are endorsed to the Board of Directors for approval. The same committee will also review and evaluate candidates nominated to the Board of Directors as well as those nominated to other positions requiring appointments by the Board of Directors. For sourcing of candidates for the Board, the Bank may request for referrals from its existing network, or consider recommendations from professional firms such as the Institute of Corporate Directors.

C. BOARD'S OVERALL RESPONSIBILITY

The Board of Directors is primarily responsible for defining the bank's vision and mission. The Board of Directors has the fiduciary responsibility to the Bank and all its shareholders including minority shareholders. It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation of the risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework.

D. MAJOR ROLE AND CONTRIBUTION OF THE CHAIRMAN OF THE BOARD

The Chairman of the board of directors shall provide leadership in the board of directors. He shall ensure effective functioning of the board of directors, including maintaining a relationship of trust with members of the board of directors. He shall:

1. Ensures that the meeting agenda focuses on strategic matters, including discussion on risk appetites and key governance concerns;
2. Ensures a sound decision making process;
3. Encourages and promote critical discussion;
4. Ensures that views can be expressed and discussed within the decision-making process;
5. Ensures that members of the board of directors receives accurate, timely, and relevant information;
6. Ensures the conduct of proper orientation for first time directors and provide training opportunities for all directors; and
7. Ensures conduct of performance evaluation of the board of directors at least once a year.

Role and Contribution of Executive, Non-executive and Independent Directors

PBB's Executive Director has the responsibility of day-to-day operations of the Bank while Non-executive Directors are PBB's Director who is not part of the day to day management operations and includes the independent directors. PBB's board composed of eleven (11) members, majority of whom are Non-Executive Directors (NED). Bank's NED promotes independent oversight function over management through committees such as Audit, Risk Oversight, Corporate Governance and Related Party Transactions.

CORPORATE GOVERNANCE

E. BOARD COMPOSITION

PBB has been approved by the SEC in January 11, 2019, to have eleven (11) elected directors, four (4) of which are Independent Directors, per its Amended Articles of Incorporation dated May 25, 2018.

Name of Director	Type of Directorship	If nominee, Identify the Principal	Number of years served as director	Number of direct/indirect shares held	Percentage of Shares to Total Outstanding Shares
Francis T. Lee	Non-Executive	Principal	18	26,505,000	4.12
Jeffrey S. Yao	Non-Executive	Principal	19	1,620,535	0.25
Rolando R. Avante	Executive	Principal	7	857,922	0.1
Honorio O. Reyes-Lao	Non-Executive	Principal	8	254,998	0.04
Dra. Leticia M. Yao	Non-Executive	Principal	9	1,680,535	0.26
Roberto A. Atendido	Non-Executive	Principal	12	108,750	0.02
Danilo A. Alcoseba	Non-Executive	Principal	2	120	0
Paterno H. Dizon	Independent	Principal	12	132,558	0.02
Benjamin R. Sta. Catalina, Jr.	Independent	Principal	6	56,358	0.01
Narciso DL Eraña	Independent	Principal	0	100	0
Roberto C. Uyquiengco [1]	Independent	Principal	0	1,000	0

[1]Elected on May 25, 2018, but assumed the position only on January 11, 2019 or upon approval of PBB's Amended Articles of Incorporation and By-Laws by the SEC.

F. BOARD QUALIFICATION

Name, Nationality and Age of Director	Qualifications and Experience
Francis T. Lee (Filipino, 70 years old)	Mr. Francis T. Lee was appointed Chairman of the Board on 26 July 2010 and last re-elected as Director on 25 May 2018. He was appointed Chief Operating Officer (COO) on 01 September 2011 before he held the Chairmanship position. Active in the community, he served as President of the AMY Foundation – the CSR of the Yao Group of Companies, from 08 December 2003 up to 08 December 2013. A career banker for more than 30 years, Mr. Lee started his banking career with Pacific Bank where he gained much experience and knowledge. His career progressed as he held a number of executive positions from Senior Manager rising to Senior Vice President at the Metrobank Group from 1988 to 2000 before he joined PBB. His expertise and trainings include Philippine Institute of Banking in 1969; Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002; Team Building Workshop in 2004 at PBB; Risk Awareness Seminar in 2009 at the Pacific Management Forum; and the Anti-Money Laundering Act Seminar conducted by the Bangko Sentral ng Pilipinas in 2012; Corporate Governance Seminar For Board of Directors and Senior Officers conducted by the Risk Opportunities and Assessment Management, Inc. (ROAM) in 2015, Corporate Governance Seminar in November 2014, December 2016 and November 2018; AMLA for Board of Directors and Senior Officers in 2016; Seminar on Data Privacy Act in 2017 and Seminar on Best Practice Guide to Compliance with Anti-Money Laundering Law and its IRR in September 2018 by Center for Global Best Practices. Mr. Lee studied Bachelor of Arts in Business Administration in Manuel L. Quezon University.

Name, Nationality and Age of Director	Qualifications and Experience
Jeffrey S. Yao (Filipino, 50 years old)	Mr. Jeffrey S. Yao was appointed to the Board in 1999 and last re-elected as Director in 25 May 2018. On 01 April 2016, he assumed the position of Vice-Chairman. He is currently a member of the Board of Directors of Zemar Development Inc., Mazy's Capital, Inc., ARC Refreshments Corp., AMY Holdings, Inc., Semexco Marketing Corp., Asiawide Refreshments Corp., and ARC Holdings, Inc. He also holds executive positions for Zest-O Corporation as Chief Executive Officer, President of Bev-Pack, Inc., Vice President of Macay Holdings, Inc., Onnea Holdings, Inc. and Downtown Realty Dev't Corp; and Corporate Secretary of Mega Asia Bottling Corporation. Mr. Yao started his career in the food and beverage industry when he was appointed as Plant Manager at Harman Food Philippines from 1990 to 1995. He completed trainings in Basic of Trust at the Trust Institute of the Philippines in 2002, Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002, and the Anti-Money Laundering Act Seminar conducted by the Bangko Sentral ng Pilipinas in 2014 and 2016; Corporate Governance Seminar in November 2014, December 2016 and November 2018; conducted by Institute of Corporate Directors - 2015 Distinguished Corporate Governance Speaker Series 1 on 24 August 2015; AMLA for Board of Directors and Senior Officers in 2016; Seminar on International Financial Reporting Standards 9 (IFRS 9); Seminar on Data Privacy Act in 2017 and Seminar on Best Practice Guide to Compliance with Anti-Money Laundering Law and its IRR in September 2018 by Center for Global Best Practices. Mr. Yao graduated from Ateneo De Manila University with a degree in Bachelor of Science in Management Engineering.
Rolando R. Avante (Filipino, 59 years old)	Mr. Rolando R. Avante was appointed as member of the Board of Directors and as President and Chief Executive Officer (CEO) on 02 November 2011 and last re-elected on 25 May 2018. Because of his strong background in treasury management, PBB has become one of the largest, fastest-growing and most respected savings banks. PBB was listed at The Philippine Stocks Exchange last February of 2013. Mr. Avante, a banking industry veteran with more than three decades of experience, is guiding Philippine Business Bank through brand resurgence. He Started his career as Senior Specialist under the Treasury Department of Multinational Investment and Bancorporation from 1979 to 1983; rose to Senior Manager under the Treasury Department at Philippine Commercial Capital, Inc. from 1983 to 1988. His banking career includes Vice President for Local Currency Desk at City Trust Banking Corp. from 1988 to 1994; Senior Vice President & Treasurer at Urban Bank from 1994 to 1995; First Vice President for Domestic Funds Management at Philippine Commercial International Bank from 1995 to 1999; Executive Vice President & Treasurer at China Trust (PHILS.) Commercial Bank Corp. from 1999 to 2009; Executive Vice President & Treasurer at Sterling Bank of Asia from 2009 to 2011. He was elected President and Director at the Money Market Association of the Phil. (MART) in 1999 and elected the same position at ACI Philippines in 2011. He was also elected Vice-Chairman at Insular Savers Bank in 2015.

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Name, Nationality and Age of Director	Qualifications and Experience
	His training includes Money Market at the Inter Forex Corp. in 1983; Treasury Management in Times of Crisis in 1984, Bourse Game in 1987 both conducted by FINEX; Rate Risk Game in 1989, Investment Banking Fundamental in 1990, Managing People in 1991 all at the Citibank APBI; Capital Market Instruments in Asia in 1992, Asset & Liability Management in 1995 both conducted by Euromoney; Asian Bond Fund II Workshop in 2004 at the Asian Bank; Securitization Law in 2006 at FINEX & SEC; ACI World Congress in 2011 at ACI Phil.; Economic Outlook in 2012 at the ANZ Private Bank Exclusive; Annual Global Markets Outlook in 2012 at Deutsche Bank; Entrepreneurs Forum in 2012 conducted by Business World; AMLA Seminar conducted by the Bangko Sentral ng Pilipinas in 2012, 2014 and 2016; CEO Business Forum in 2012 at Punong Bayan & Araullo; Cross-Border RMB Business in 2012 at Bank of China; Eco Forum in 2012 at Security Bank; Phil. Business Conference in 2012 at the Philippine Chamber of Commerce & Industry; Annual Investment Outlook in 2013 at ANZ Private Bank; Philippine Investment Summit in 2013 at the Investment Banking Group; IPO Annual Asia Pacific in 2013 at CIMB; Eco Briefing in 2015 conducted by First Metro; Strategic Leadership, Negotiating Skills both in 2015, Corporate Governance Seminar in 2014 by Ateneo De Manila University; 2015 Distinguished Corporate Governance Speaker Series Part 1 in 2015; Asean Corporate Governance Conference and Awards in 2015 by Institute of Corporate Directors; Corporate Governance Seminar for Board of Directors and Senior Officers in 2015 by ROAM; 3rd Annual SEC-PSE Corporate Governance Forum on 22 November 2016; Seminar on Corporate Governance in November 2018 by ROAM and Seminar on Best Practice Guide to Compliance with Anti-Money Laundering Law and its IRR in September 2018 by Center for Global Best Practices. Mr. Avante graduated from De La Salle University (DLSU) with a degree of Bachelor of Science in Commerce major in Marketing Management and has taken MBA units, also from DLSU.
Danilo A. Alcoseba (Filipino, 67 years old)	Mr. Danilo A. Alcoseba served as President and CEO of PBB from February 2008 to August 2011 and last re-elected on 25 May 2018. His banking career includes Assistant Corplan Head at Consolidated Bank & Trust Corporation from (August 1974 to July 1975); Branch Head at Bancom Development Bank (December 1977 to February 1979) Assistant Vice President at Traders Royal Bank (July 1979 to January 1983); First Vice President/Treasury Division at Boston Bank of the Philippines (January 1983 to December 1988); Senior Vice President/Treasury Head at China Banking Corporation (January 1989 to August 2004); Consultant at SM Investment Corporation (May 2005 to June 2007); Senior Vice President and Treasurer at SM Prime Holdings (July 2007 to October 2007); and as Adviser to the Board at China Banking Corporation (May 2005 to October 2007). He was appointed as Independent Director at Robinsons Bank from 2013 to 2014. His expertise and trainings include Investment Banking in 1975; Foreign Exchange in 1978; General Management in 1980; International Trade in 1985; Fixed Income Trading in 1995; Risk Management in 2002; Corporate Governance in 2002, 2016 and November 2018; Financial Derivatives also in 2002 and 2004; Risk Awareness in 2009 and Anti-Money Laundering Act Seminar conducted by the Bangko Sentral ng Pilipinas on 11 November 2016; Seminar on Data Privacy Act in 2017 and Seminar on Best Practice Guide to Compliance with Anti-Money Laundering Law and its IRR in September 2018 by Center for Global Best Practices. Mr. Alcoseba holds a Masters in Business Administration degree from the University of the Philippines (1976) and also took up Industrial Economics at Center for Research and Communication (1971-1973). He graduated from University of San Carlos with a degree in Bachelor of Science in Commerce Major in Accounting in 1971.

Name, Nationality and Age of Director	Qualifications and Experience
Roberto A. Atendido (Filipino, 71 years old)	Mr. Roberto A. Atendido was appointed to the Board on 26 May 2006 and last re-elected as Director on 25 May 2018. He is a seasoned investment banker and a recognized expert in the field with over 30 years of investment banking and consulting experience in the Philippines and in the ASEAN region. Mr. Atendido started his career in consulting with the management services group of Sycip, Gorres & Velayo, the largest accounting and consulting group in the Philippines from 1973 to 1974. He began his investment banking career in Bancom Development Corporation, the leading investment house in the Philippines during the late 60's and 70's. He was later posted as Vice President of Bancom International Ltd in HK from 1980-1982. He then moved to PCI Capital Asia, Ltd. (HK) as Vice President from 1982-1983. The PCI Group posted him in Indonesia as Managing Director of PT Duta Perkasa Chandra Inti Leasing, a joint venture between the PCI Group of the Philippines and Bank Duta and Gunung Agung Group of Indonesia, from 1983-1988. Mr. Atendido moved back to the Philippines in 1988 as President of Asian Oceanic Investment House, Inc., a fully owned subsidiary of the Asian Oceanic Group of HK. The company was later bought by the Insular Life Group and renamed Insular Investment & Trust Corporation. In 1996, Mr. Atendido together with several investors organized Asian Alliance Holdings & Development Corporation (AAHDC) and later established Asian Alliance Investment Corp. (AAIC) as a wholly owned investment banking subsidiary. He is currently President of AAHDC and Vice Chairman of AAIC. Currently, Mr. Atendido is also a member of the Board of Directors of Paxys Inc., Paper Industries Corp. of the Phils., Gyant Food Corporation, Macay Holdings, Inc., Gyant Food Corp. and Pharmarex, Inc. He is also Vice Chairman and Director of Sinag Energy Philippines, Inc., (since 2008), and Asian Alliance Investment Corp.; Chairman of Myka Advisory & Consulting Services, Inc. (since 2010). He also held directorships at the Philippine Stock Exchange (2005-2009), Securities Clearing Corporation (2006-2010), Export & Import Bank as an Independent Director (2006-2012), Marventures Holdings, Inc. (2010-2013), Carac-An Development Corp. as Chairman from 2010-2013, Beneficial Life Insurance Corp. from 2008-2014. He had equipped himself with trainings in Corporate Governance & Risk Management for the Bank's Board of Directors at the Development Finance Institute in 2013; Risk Management and Basel 2 Seminar at the Export & Industry Bank in 2007. He attended the Anti-Money Laundering Act Seminar conducted by the Bangko Sentral ng Pilipinas in 2014; 2015 Distinguished Corporate Governance Speaker Series on 24 August, 15 September and 6 November 2015; Corporate Governance Seminar in 2014 and 2017 by ROAM; 3rd Annual SEC-PSE Annual Corporate Governance Forum on 22 November 2016; Seminar on International Financial Reporting Standards 9 (IFRS 9) in 2017 and Seminar on Best Practice Guide to Compliance with Anti-Money Laundering Law and its IRR in September 2018 by Center for Global Best Practices. Mr. Atendido is a graduate of the Asian Institute of Management with a Master in Business Management Degree in 1973. He completed his Bachelor of Science in Management Engineering from Ateneo de Manila University. Apart from his business activities, Mr. Atendido is also active in the Brotherhood of Christian Businessmen and Professionals, a nationwide Christian community where he served as Chairman from 2009-2011.

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Name, Nationality and Age of Director	Qualifications and Experience
Paterno H. Dizon (Filipino, 80 years old)	Mr. Paterno H. Dizon was appointed an Independent Director to the Board on April 2006 and last re-elected as an Independent Director on 25 May 2018. He had previously served as President to the following institutions: Science Park of the Phil. Inc., Cebu Light Industrial Park, Inc., and RFM Science Park of the Philippines from 1997 to 2003. He has also been the President and CEO of the Holy Cross College of Pampanga since 2012. Mr. Dizon held directorships at the Holy Cross College of Pampanga as the Executive Director from 1975 to 2011; Hermosa Ecozone Development Corp. from 1997 to 2003; Export & Industry Bank from 1994 to 2006; and EIB Securities from 2004 to 2006. He served on the board of Phil. Export-Import Credit Agency from 2010 to 2012. He was elected as Chairman of the Phil. Exporters' Confederation Inc. since 1990 up to the present. His expertise includes trainings in Money and Banking from Ateneo De Manila University in 1959, Financial Management at SGV in 1974, Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002, Risk Awareness Seminar at the Pacific Management Forum in 2009, and the Anti-Money Laundering Act Seminar conducted by the Bangko Sentral ng Pilipinas in 2014 and 2016; Corporate Governance in November 2014 by Ateneo de Manila University; ASEAN Corporate Governance Conferences and Awards in November 2015; 2015 Distinguished Corporate Governance Speaker Series in August 2015; 3rd Annual SEC-PSE Corporate Governance Forum in November 2016; Seminar on International Financial Reporting Standards 9 (IFRS 9); Seminar on Data Privacy Act in 2017; Seminar on Corporate Governance in November 2018 by ROAM and Seminar on Best Practice Guide to Compliance with Anti-Money Laundering Law and its IRR in September 2018 by Center for Global Best Practices. Mr. Dizon holds a Bachelor of Science in Economics from Ateneo De Manila University and a Masters in Business Administration degree from the University of the Philippines.
Honorio O. Reyes- Lao (Filipino, 74 years old)	Mr. Honorio O. Reyes-Lao was appointed to the Board on 30 April 2010 and last re-elected as Director on 25 May 2018. A seasoned banker and business manager of more than 47 years, MR. Reyes-Lao has experience in corporate and investment banking, branch banking and credit management, and general business consultancy. He started his banking career at China Banking Corporation in 1970 to and retired in 2004. He was appointed as Senior Management Consultant in 2005 to 2006 at East West Banking Corporation. His expertise was sought by Antel Group of Companies, as Consultant, in 2007 to 2009 and was appointed President at Gold Venture Lease and Management Services, Inc. from 2008 to 2009. Currently, he is an independent director at the DMCI Holding Corporation, DMCI Project Development, Inc. and Semirara Mining and Power Corporation. He is also the Chairman of Space 2 Place, Inc. and a Member of the Society of Institute of Corporate Directors (ICD) Fellows since 2004. His background and trainings include Overall Banking Operations at the Philippine Institute of Banking in 1971 to 1972; Director Certification Program at the Institute of Corporate Directors (ICD) in 2004; AMLA Seminar conducted by the Bangko Sentral ng Pilipinas in 2014 and 2016; ASEAN Corporate Governance Conference and Awards in November 2015; 2015 Distinguished Corporate Governance Speaker Series in August, September, November 2015 and SEC Corporate Governance Forum in August 2016; Seminar on International Financial Reporting Standards 9 (IFRS 9), Seminar on Data Privacy Act in 2017; Seminar on Corporate Governance in November 2018 by ROAM and Seminar on Best Practice Guide to Compliance with Anti-Money Laundering Law and its IRR in September 2018 by Center for Global Best Practices. Mr. Lao holds a post-graduate degree, Masters in Business Management, from Asian Institute of Management and he graduated with a double degree in Bachelor of Science in Business Administration major in Economics and Bachelor of Science in Commerce major in Accountancy from De La Salle University.

Name, Nationality and Age of Director	Qualifications and Experience
Benjamin R. Sta. Catalina, Jr. (Filipino, 70 years old)	Mr. Benjamin R. Sta. Catalina, Jr. was appointed Independent Director to the Board on July 2012 and last re-elected as Independent Director on 25 May 2018. He first assumed his independent directorship at PBB in 2003 to 2005. During his early professional years, Mr. Sta. Catalina, Jr. started as Technical Assistant at SGV and Co., in 1970, to 1971, he joined Citibank N.A. in 1973 to 1974 as an Executive Trainee. From 1974 to 1977 he joined CityTrust Banking Corp. as Assistant Vice-President and Division Head II. Mr. Sta. Catalina transferred to World Corporation Group Citibank N.A. where he was Assistant Vice-President and Account Manager from 1977 to 1980. Mr. Sta. Catalina become the Senior Vice President of the Asset Based Finance Group of FNCB Finance Co. from 1980 to 1981. He again joined Citibank N.A. from 1981 to 1995 where he has served as Asst. Vice President & Division Head for the Public Sector Division, then became the Vice President and Assistant Director of the Asia Pacific Training Center. He later handled the Middle East Africa Division Training Center as Vice President and Associate Director, and then handled the World Corporation Group for Middle East Africa, Division Training Center as Regional Administrator. He was appointed to General Manager and handled the Center for International Banking Studies. In 1993 to 1994, Mr. Sta. Catalina. Jr. was appointed Vice President and Chief of Staff of the Global Finance Marketing, and then rose to Group Head where he handled the Pan Asian Corporate Team in 1994 to 1995. In the academic sphere, he was the Executive Director of the Center for Banking and Financial Management of the Asian Institute of Management in 1996. In addition to holding a number of executive positions, he underwent trainings including Makati CAD in 1974, Philippine Core Credit in 1976, Intermediate Credit Seminar in 1977, Exceptional Sales Performance in 1978, Bourse Game in 1979, Asset Based Finance Seminar in 1980, Electronic Banking Seminar in 1981, Selling Skills Train the Trainer Program in 1982, Advanced Lending Strategy in 1982, Technology for Senior Management in 1983 from the Asia Pacific Training Center. He attended Multinational Business Course in 1980 at Citibank New York, Face to Face Selling Skills in 1986 at the Boston Consulting Group. In 1987 he has attended the MAC Approach Course and Alcar Valuation Seminar at MEAD Training Center in Greece. He attended the Corporate Finance II in 1988 at the Asia Pacific Banking Institute. At MEAD Training Center in London, he attended the Risk Management Seminar and the Risk Management III – Corporate Finance in 1991. From 1993 to 1995, Mr. Sta. Catalina, Jr. attended the Strengthening Organizational Capabilities, Service Quality Management, Technology Solutions for the Business, Marketing Derivatives Ideas, Standards Workshop, Marketing Financing Ideas to Issuers at Citibank Training Center. Most recent, he attended the Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2003, and the Anti-Money Laundering Act Seminar in 2014, Corporate Governance Seminar in November 2014 by Ateneo de Manila University; 2015 Distinguished Corporate Governance Speaker Series 1 & 2 in 2015 conducted by the ICD; Corporate Governance Forum in 2016 conducted at the Center for the Training and Development, Inc.; Seminar on International Financial Reporting Standards 9 (IFRS 9) in 2017 and Seminar on Data Privacy Act in 2017. Mr. Sta. Catalina, Jr. is a graduate of the Asian Institute of Management with a post graduate degree of Masters in Business Management. He finished his Bachelor of Science in Management Engineering from Ateneo De Manila University.

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Name, Nationality and Age of Director	Qualifications and Experience
Dra. Leticia M. Yao (Filipino, 65 years old)	Dra. Leticia M. Yao was appointed to the Board in 2009 and last re-elected as Director on 25 May 2018. A well-respected figure in the healthcare industry, Dra. Yao was appointed at the United Doctors Medical Center (UDMC) as consultant at the Department of Medicine from 1991 to 2012. She was also a consultant at the Providence Hospital, Inc. in 2014. She is also a director at Mega Asia Bottling Corporation, Zest-O Corporation, Uni-Ipel Industries, Inc., Harman Foods Phils., Inc. and Solmac Marketing, Inc. She preceded along trainings for Corporate Governance & Risk Management for Bank's Board of Directors at the Development Finance Institute in 2002 and further taken the Risk Awareness Seminar at the Pacific Management Forum in 2009. She attended the AMLA Seminar conducted by the BSP in 2014 and 2016, 2015 Distinguished Corporate Governance Speaker Series 1 in August 2015; Corporate Governance Seminar for Board of Directors in December 2015; Seminar on Corporate Governance: Fraud Awareness in 2016 by Center for Training and Development, Inc.; Seminar on International Financial Reporting Standards 9 (IFRS 9) in 2017; Seminar on AMLA for Board of Directors and Senior Officers in 2016; Seminar on Data Privacy Act in 2017; Seminar on Corporate Governance in November 2018 by ROAM and Seminar on Best Practice Guide to Compliance with Anti-Money Laundering Law and its IRR in September 2018 by Center for Global Best Practices to hone her skills as Director of PBB. Dra. Yao graduated from the University of Sto. Tomas with a Bachelor of Science degree in Medical Technology then pursued her post graduate degree in Medicine also from the University of Sto. Tomas.
Narciso DL. Eraña (Filipino, 65 years old)	Mr. Narciso DL. Eraña was appointed to the Board on 25 May 2018. Mr. Eraña started his career as Management Trainee in 1981 in Bank of America N.T. & S.A. and left the Bank in 1988 as Country Treasurer. He then became VP and Head of Treasury Sales Group of BA Savings Bank from 1995 to 1998; He was hired as FVP & Treasurer at RCBC Savings Bank from 1998 to 2000; Appointed as FVP and Head of Funds and Liquidity Management Division of RCBC Unibank from 2000 to 2004. Mr. Eraña was hired at ICAP Philippines, Inc. as President from 2005 to 2012 and Consultant from 20012 to 2013. He was a Director and Treasurer from 2012 to 2013 and Director and Chairman of Sports Athletics from 2012 to 2014 at Manila Polo Club. Currently, Mr. Eraña is a Director at Francis Court Townhouses, Inc., and Director and Treasurer at Berana, Inc. Works at National Center for Mediation as accredited Mediator and Executive Coach at MGT Strat Inc. International Coach Federation – Philippine Chapter, both as part time. Other previous activities/membership by Mr. Eraña's was a Director and Vice-President, Money Market Association Chairman – Operations Committee in charge of Policy and Research, Settlements, Bonds/FCDU, Professional Markets (GSEDS), and interest Rate Derivatives Sub Committees from 2002 – 2004; Director ACI Financial Markets Association of the Philippines from 2006-2009 and Chairman and Founder, ACI Financial Markets Association and MART Subcommittee on Brokers from 2008-2009. His training includes Management training by Bank of America, Manila from 1981 to 1983, Treasury Certification Seminar by Bank of America, Singapore in 1984, Treasury Professional Certification by Ateneo – Banker's Association of the Philippines in 2002; Various Seminars and Workshops on Credit Derivatives and Options and Structured Products by Goldman Sachs, Deutsche Bank, Merrill Lynch, Credit Suisse First Boston from 2002 to 2004; SEC Certified Fixed Income Salesman by SEC in 2008, Professional Director's Program by Institute of Corporate Directors in 2015. Also Mr. Eraña attended Seminar on Risk Management (for Banks and Quasi-Banks) by Ateneo – BAP Institute of Banking; Seminar on Corporate Governance in November 2018 by ROAM and Seminar on Best Practice Guide to Compliance with Anti-Money Laundering Law and its IRR in September 2018 by Center for Global Best Practices Mr. Eraña finished his Master in Business Administration at Thunder Global School for Management in Glendale Arizona and Bachelor in Business Management at Schiller College, Heidelberg, Germany.

Name, Nationality and Age of Director	Qualifications and Experience
Roberto C. Uyquiengco (Filipino, 70 years old)	Roberto C. Uyquiengco was appointed as the eleventh (11th) Director in the Regular Annual Stockholder's Meeting held on 25 May 2018, but assumed position only in January 11, 2019 or upon approval of PBB's Amended Articles of Incorporation and By-Laws by the SEC. Mr. Uyquiengco started his career in 1970 as Staff Auditor II at Sycip Gorres and Velayo and Co. He then transferred to North Negros Loggers Corporation as Assist. Resident Manager from 1974-1977. He became a Branch Manager at Allied Banking Corporation from 1977-1980. He was the Branch Officer in Charge at State Investment House from 1980 – 1984 and became the FVP and Region Head of China Banking Corporation from 1984-2011. Currently, Mr. Uyquienco is also a Chairman and CEO of Green Leaf Foreign Exchange Corporation (since 2012); Director of Emmanuel Multi-purpose Cooperative, Cuneca, Batangas (since 2012); Training Consultant at China Banking Corporation (since 2013); Financial Adviser of Manulife (since 2017) and Faculty of Business and Accounting of National University (since 2012-presently on leave). His training includes Agribusiness Lending by Center for Research and Communication in 1985 by Center for Research and Communication – University of Asia and the Pacific; Executive trainings from banks executives in 1987 by Asia Business Consultants Inc.; Trust Officers' Training Program in 1991 by Philippine Trust Institute; The Asian Bankers Conference in 1996 by The Asian Bankers; Corporate Governance in 2002 by Institute of Corporate Directors; Anti-Money Laundering Law in 2004 by BSP; His recent training/seminars includes The Bankers' of America Institute Conference in 2018 by Ateneo – BAP Institute; Best Practice Guide to Compliance with Anti-Money Laundering Law and its IRR in September 2018 by Center for Global Best Practices and Corporate Governance in November 2018 by ROAM. Mr. Uyquienco finished his Bachelor of Science Commerce Major in Accounting at La Salle College, Bacolod City in 1970; Earned his Bachelors of Laws at University of Negros Occidental – Recoletos, Bacolod City in 1980 and Advance Bank Management Program by Asian Institute of Management, Makati City in 1993. He also complied in October 2016 his Mandatory Continuing Legal Education (MCLE).

G. BOARD-LEVEL COMMITTEES

To aid the Bank in complying with the principles of good governance, the Board constitutes the following Committees:

1. Audit Committee

The Audit Committee provide oversight of the Bank's internal and external auditor. It is responsible for the setting-up of the internal audit department and the appointment of the internal auditor. It shall monitor and evaluate the adequacy and effectiveness of the internal control system of the bank. The Audit Committee assist the Board in fulfilling its statutory and fiduciary responsibilities with respect to internal controls, accounting policies, and audit and financial reporting practices. The Audit Committee have explicit authority to investigate any matters within its terms of reference, full access to and cooperation by Management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.

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The committee is composed of two (2) qualified non-executive directors and three (3) independent directors including the Chairman. The Chairman of the audit committee is not the Chairman of the Board of Directors or any of the other board-level committees.

2. Corporate Governance / Nomination Committee

The Corporate Governance Committee is tasked to assist the Board in the performance of its corporate governance responsibilities by reviewing and evaluating the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring appointment by the Board of Directors. It also ensures compliance with and proper observance of corporate governance principles and practices as required by the regulatory bodies.

It also enhances the corporate governance standards of the Bank by identifying, addressing and working towards its ASEAN Corporate Governance scorecard (ACGS).

The committee is composed of five (5) members of the Board of Directors who shall all be non-executive directors, majority of whom are independent directors, including the chairman.

3. Executive Committee

This Committee has been delegated by the Board of Directors with some of its powers and responsibilities as provided for in the by-laws, including but not limited to the supervision of other board committees and subject to the limitations and restrictions as may be imposed by the Board of Directors.

The Executive Committee is composed of three (3) members from the Board of Directors.

4. Related Party Transaction Committee

The Related Party Transaction (RPT) Committee evaluates on an on-going basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified. It is composed of five (5) members of the Board of Directors, three (3) of whom are independent directors including the chairman.

In case a member has conflict of interest in a particular RPT, he should refrain from evaluating that particular transaction.

5. Risk Oversight Committee

The Risk Oversight Committee (ROC) is responsible for the development and oversight of the risk management framework for the bank and its trust unit. The committee is composed of at least five (5) members of the Board of Directors of which the majority shall be independent directors. The chairperson is non-executive director and not the chairman of the board of directors, or any other board level-committee. The members of the ROC possess range of expertise as well as adequate knowledge of the Bank's risk exposures to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur. It oversees the system of limits to discretionary authority that the board delegates to management, ensure that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached.

6. Trust Committee

The Trust Committee is a special committee which reports directly to the Board of Directors and is primarily responsible for overseeing the fiduciary activities of the Bank.

The Trust Committee is composed of five (5) members including the president or any senior officer of Bank and the trust officer.

Committee Members

Executive Committee	
Francis T. Lee	Chairman
Jeffrey S. Yao	Member
Rolando R. Avante	Member

Corporate Governance/Nomination Committee	
Paterno H. Dizon	Chairman
Benjamin R. Sta. Catalina, Jr.	Member
Narciso DL. Eraña	Member
Jeffrey S. Yao	Member
Roberto A. Atendido	Member

Audit Committee	
Benjamin R. Sta. Catalina, Jr.	Chairman
Paterno H. Dizon	Member
Narciso DL. Eraña	Member
Roberto A. Atendido	Member
Danilo A. Alcoseba	Member

Related Party Transaction Committee	
Paterno H. Dizon	Chairman
Benjamin R. Sta. Catalina, Jr.	Member
Narciso DL. Eraña	Member
Roberto A. Atendido	Member
Danilo A. Alcoseba	Member

Risk Oversight Committee	
Narciso DL. Eraña	Chairman
Paterno H. Dizon	Member
Benjamin R. Sta. Catalina Jr.	Member
Roberto A. Atendido	Member
Honorio O. Reyes-Lao	Member

Trust Committee	
Honorio O. Reyes-Lao	Chairman
Rolando R. Avante	Member
Jeffrey S. Yao	Member
Dra. Leticia M. Yao	Member

H. DIRECTORS' ATTENDANCE

Name of Directors	Board		Executive		Audit		Corporate Governance	
	Attendance	%	Attendance	%	Attendance	%	Attendance	%
Francis T. Lee	11	91.67%	39	100%				
Jeffrey S. Yao	11	91.67%	39	100%	4*	100%	2*	50%
Rolando R. Avante	12	100%	39	100%				
Danilo A. Alcoseba	12	100%			11	100%	3*	100%
Roberto A. Atendido	10	83.33%			8	72.73%	4	57.14%
Paterno H. Dizon	11	91.67%			11	100%	7	100%
Honorio O. Reyes-Lao	11	91.67%						
Benjamin R. Sta. Catalina, Jr.	11	91.67%			10	90.91%	6	85.71%
Dra. Leticia M. Yao	12	100%						
Narciso DL. Eraña**	7*	100%			6*	100%	4*	100%
Amador T. Vallejos Jr.***	0	0			0	0	0	0
Total Number of Meetings held during the year 2018	12		39		11		7	

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Name of Directors	Related Party Transactions		Risk Oversight		Trust	
	Attendance	%	Attendance	%	Attendance	%
Francis T. Lee					3*	100%
Jeffrey S. Yao			4*	80%	1*	50%
Rolando R. Avante					5	100%
Danilo A. Alcoseba	11	100%	5*	100%		
Roberto A. Atendido	9	81.82%	8	66.67%		
Paterno H. Dizon	10	90.91%	11	91.67%		
Honorio O. Reyes-Lao	5*	100%	10	83.33%	5	100%
Benjamin R. Sta. Catalina, Jr.	9	81.82%	10	83.33%		
Dra. Leticia M. Yao					5	100%
Narciso DL. Eraña**	6*	100%	7*	100%		
Amador T. Vallejos Jr.***	0	0	0	0		
Total Number of Meetings held during the year 2018	11		12		5	

** Based on the revised composition of the board-level and management level committees (LSG2018-004)*
***Appointed as member of the Board on May 25, 2018.*
**** Absence due to sickness*

I. CHANGES IN THE BOARD OF DIRECTORS

During the Annual Stockholders meeting on May 25, 2018, Mr. Narciso DL. Eraña was elected as an Independent Director as replacement for Director Amador T. Vallejos, Jr. who is on sick leave. In addition, in compliance with the requirement of BSP Circular 969, Atty. Roberto C. Uyquiengco was elected as Independent Director and assumed the position in January 11, 2019 or upon approval of PBB's Amended Articles of Incorporation and By-Laws by the SEC.

J. EXECUTIVE OFFICERS/SENIOR MANAGEMENT

Name of Officer	Position	Relevant Qualifications / Experience	Age	Nationality
Rolando R. Avante	President & CEO	Mr. Avante graduated from De La Salle University with a degree in BS Commerce Major in Marketing Management. He has taken MBA units also in DLSU. He has more than 30 years of banking experience. Also, he attended the following seminars/trainings: Seminar on Data Privacy Act; International Financing Reporting Standards 9 (IFRS 9); SEC-PSE Corporate Governance Forum 2016; AMLA for Board of Directors and Senior Officers; 2015 Distinguished Corporate Governance Speaker Series; 2012 ACI Phils. Annual Convention in Boracay.	59	Filipino
Peter N. Yap	Chief Marketing Officer / Retail Banking Head	Mr. Yap is a graduate of BS Chemical Engineering at the University of San Carlos. Mr. Yap is a seasoned banker with more than 40 years of banking experience. He underwent Seminar on Data Privacy Act and International Financing Reporting Standards 9 (IFRS 9).	71	Filipino
Arlon B. Reyes	Head, Commercial Banking Group	Mr. Reyes has a Bachelor's degree in Economics from the University of the Philippines, Diliman where he was a Dean's Medal awardee. He also has a Master's degree in Business Administration, also from the same university. He has 24 years of extensive banking experience in lending to SMEs and large corporations, loan syndication, capital financing, trade finance, mergers and acquisitions and other traditional commercial banking products.	44	Filipino
Reynaldo T. Boringot	Head, Business Development Group-Luzon	Mr. Boringot graduated from the University of the East with a degree in Bachelor of Science in Commerce major in Management. He took his MBA units from the Philippine School of Business Administration. His trainings include Corporate Governance Seminar, Seminar on Data Privacy Act, and AMLA for Board of Directors & Senior Officers.	60	Filipino

Name of Officer	Position	Relevant Qualifications / Experience	Age	Nationality
Joseph Edwin S. Cabalde	Treasurer	Mr. Cabalde is a graduate of BSC Accounting from the University of Santo Tomas. He has 18 years of banking experience. He attended Seminar on Data Privacy Act, International Financing Reporting Standards 9 (IFRS 9), Corporate Governance Seminar, AMLA Seminar for Board of Directors and Senior Officers, 2012 ACI Phils. Annual Convention in Boracay and Risk Awareness Seminar.	49	Filipino
Consuelo V. Dantes	Head, Human Resources Group	Ms. Dantes has finished her BA Economics from the University of the Philippines Diliman with honors, and had MBA units at the De La Salle University. Her trainings include Seminar on Data Privacy Act, Corporate Governance, AMLA for Board of Directors and Senior Officers, Compliance with Financial Consumer Protection, Labor Laws. She is an Executive Coach trained in the International Coach Federation (ICF) way.	56	Filipino
Rosendo G. Sia	Head, Business Development Group- Visayas and Mindanao	Mr. Sia finished his BSBA Accounting degree at the University of the East and took up MBA in De La Salle University. A seasoned banker with 39 years of experience, he had attended trainings on Seminar on Data Privacy Act, Corporate Governance Seminar, ERMG Framework Implementation and AMLA for Board of Directors and Senior Officer.	62	Filipino
Roselle M. Baltazar	Head, Operations and Control Group	Ms. Baltazar graduated with a degree in BS Accountancy at Divine World College. She had 24 years of banking experience. She also attended the following seminars/ trainings: TRAIN – Tax Reform for Acceleration and Inclusion, Seminar on Data Privacy Act, Understanding Financial Statement Seminar, International Financing Reporting Standards 9 (IFRS 9), Macros Training for Bankers, Corporate Governance Seminar, Year-end Tax Planning Strategies, AMLA for Board of Directors and Senior Officers, Effective Conversation Fluency, Accounting Profession – Case & Analysis, Local Employee Taxation 101, Ethics and Governance, Detecting Misrepresentations in Financial Reporting, Corporate Governance Seminar for Directors & Senior Officers.	45	Filipino

Name of Officer	Position	Relevant Qualifications / Experience	Age	Nationality
Felipe V. Friginal	Head, Branch Operations & Control Group	Mr. Friginal is a graduate of Pamantasan ng Lungsod ng Maynila with a degree in BSBA Marketing. He also took MBA units at De La Salle University. With 41 years of banking experience, he had attended various trainings/seminars which include: Seminar on Data Privacy Act, International Financing Reporting Standards 9 (IFRS 9), Corporate Governance Seminar, AMLA for Board of Directors and Senior Officers, Corporate Governance Seminar for Directors & Senior Officers, Risk Awareness Seminar and Internal Credit Risk Rating System Workshop.	63	Filipino
Rodel P. Geneblazo	Head, Consumer Banking Group	Mr. Geneblazao graduated from Polytechnic University of the Philippines with a degree in BS Mechanical Engineering and took up MBA at the University of the Philippines. He has 22 years banking experience. He also attended training/seminar on International Financing Reporting Standards 9 (IFRS 9), AMLA Seminar for Board of Directors and Senior Officers and Corporate Governance Seminar for Directors and Senior Officers.	47	Filipino
Eduardo R. Que	Head, Corporate Banking Group	Mr. Que has a degree in BSC Management of Financial Institutions from De La Salle University and had MBA at Ateneo de Manila University. He has 37 years of banking experience. His trainings/seminars include: Training on Credit Course for Relationship Managers, Seminar on Data Privacy Act, International Financing Reporting Standards 9 (IFRS 9), AMLA Refresher Seminar, AMLA for Board of Directors and Senior Officers, Hedging Treasury Risk with Forward Foreign Exchange Contracts, Updated Guidelines on Sound Credit Risk Management, Corporate Governance Seminar for Directors and Senior Officers, Measuring Indices on Streamlined Credit Process and Workshop on Streamlining the Credit Process.	57	Filipino

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Name of Officer	Position	Relevant Qualifications / Experience	Age	Nationality
Belinda C. Rodriguez	Head, Enterprise Risk Management Group / Data Protection Officer	Ms. Rodriguez is a graduate of Polytechnic University of the Philippines with a degree in BSC Accounting. She also finished her MBA at the Ateneo Graduate School of Business. She has 35 years of banking experience. She attended seminars/trainings on the following: A Regulatory Perspective on Trust Activities, IBM SPSS Training for Researches, Seminar on Data Privacy Act, International Financing Reporting Standards 9 (IFRS 9), BSP Circulars 941 and 855; Corporate Governance Seminar, AMLA for Board of Directors and Senior Officers.	57	Filipino
Miami V. Torres	Head, Credit Management Group	Ms. Torres is a graduate of BSC Accounting from the University of Santo Tomas. She has 34 years of banking experience. Her trainings/seminars include the following: International Financing Reporting Standards 9 (IFRS 9), BSP Circular Nos. 941 and 855, AMLA for Board of Directors and Senior Officers, Conflict Resolution on Credit Issues Between Branches & Lending Units, Customized Seminar on Conflict Management and Resolution of Credit Issues Branches, Lending Units, and Legal Units, Corporate Governance Seminar for Directors & Senior Officers, 19th ASEAN Federation of Accountants (AFA) Conference, Updated Guidelines on Sound Credit Risk Management, Measuring Indices on Streamlined Credit Process, Workshop on Streamlining the Credit Process, Managing Customer Service Seminar, Risk Awareness Seminar and Credit Risk Management Seminar.	56	Filipino
Jose Maria P. Valdes	Head, Information Technology Group	Mr. Valdes is a graduate of Bachelor of Science in Commerce major in Management of Financial Institutions at De La Salle University and attended a special course of Management Development Program in Asian Institute of Management. He has 37 years of experience in the IT industry. He underwent Seminar on Data Privacy Act and AMLA Orientation.	62	Filipino

Name of Officer	Position	Relevant Qualifications / Experience	Age	Nationality
Liza Jane T. Yao	Head, Assets & Liabilities – Treasury Services Group / Head, General Services Center	Ms. Yao finished her BS Accountancy degree at De La Salle University. She has 16 years of banking experience. She had attended various trainings/seminars which include: Seminar on Data Privacy Act, International Financing Reporting Standards 9 (IFRS 9), Corporate Governance Seminar, AMLA Seminar for Board of Directors and Senior Officers, Corporate Governance Seminar for Directors & Senior Officers, Credit Analysis and Writing Seminar, Thinking Strategically in Business Game Theory for Managers, AMLA Seminar, Market Reading Seminar, Risk Awareness Seminar, Basic Financial Math Seminar, Loans Packaging & Processing Seminar, Diploma Program in Banking.	48	Filipino
Roberto S. Santos	Legal Counsel	Atty. Santos graduated from University of the East with a degree in Bachelor of Arts and took up Bachelor of Laws in the same university. A seasoned banker with 43 years of experience, he had attended various trainings which include the following: Best Practices in Corporate Housekeeping, Revised ISBP on LC Transactions, A Guide to Mergers and Acquisitions for Banks, Seminar on Data Privacy Act, Corporate Governance Seminar, AMLA for Board of Directors and Senior Officers, Do's & Don'ts in Hiring and Firing Endo Workers, 88th Mandatory Continuing Legal Education (MCLE), Updated Guidelines on Sound Credit Risk Management, Risk Awareness Seminar and Mandatory Continuing Legal Education (MCLE).	69	Filipino
John David D. Sison	Head, Corporate Planning and Investor Relations Group	Mr. Sison is a graduate of BS Management Engineering from Ateneo de Manila University. He has 4 years of banking experience. He underwent trainings/seminars on Value Investing Program, Seminar on Data Privacy Act, AMLA Seminar for Board of Directors and Senior Officers.	33	Filipino

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Name of Officer	Position	Relevant Qualifications / Experience	Age	Nationality
Enrico T. Teodoro	Officer-In-Charge, Project Management Office	Mr. Teodoro is a graduate of Baguio Colleges Foundation with a Bachelor of Science in Information and Computer Course degree. His trainings include Corporate Governance Seminar, AMLA for Board of Directors & Senior Officers, Leadership In The New Millenium, Employee Engagement Towards Higher Productivity and Excellence, and Seminar on Data Privacy Act.	45	Filipino
Ma. Joyce G. Zarate	Head, Product Development and Management Group	Ms. Zarate is a graduate of Bachelor of Arts in Economics, minor in Mathematics, from the University of the Philippines – Diliman. She completed her masteral units in Economics at Ateneo de Manila University. She also took a non-degree course at De La Salle College of Saint Benilde's School of Professional & Continuing Education for Product Development and Management. Her trainings include AMLA Seminar and Corporate Governance Seminar for Board of Directors & Senior Officers.	55	Filipino
Reynaldo E. Ebanen	Acting Chief Compliance Officer	Mr. Ebanen has a Bachelor's degree in Accountancy from the University of the East and attended the Trust Operations and Investment Management Program at the Asian Institute of Management (AIM). He has around 27 years of banking experience with at least 18 years as an AML Officer. His trainings include, among others, Corporate Governance Seminar, Seminar on IFRS9, Data Privacy Seminar, and Seminar on the Anti-Money Laundering Act.	50	Filipino

Name of Officer	Position	Relevant Qualifications / Experience	Age	Nationality
Laurence R. Rapanut	Head, Internal Audit Center	Ms. Rapanut finished her BSBA Accounting degree at the University of the East. With 35 years of banking experience, she had also attended seminars/trainings on the following: Seminar on Data Privacy Act, International Financing Reporting Standards 9 (IFRS 9) Corporate Governance Seminar, A Regulatory Prospective on Trust Activities & Administration, Change Advocate Committee Session, AMLA Seminar for Board of Directors and Senior Officers, Related Party Transactions, Hedging Treasury Risk with Forward Foreign Exchange Contracts, Updated Guidelines on Sound Credit Risk Management, Update on BSP Trust Audit Seminar, Best Process in Credit Risk Ratings for Banks, Orientation on the Security Features of Renminbi Currency, Briefing on the New Performance Management System, Risk Awareness Seminar, Value at Risk Market Risk Management, Certified Forensic Accounting Program, Triple Treat Seminar, Customer Risk Profiling Seminar, Recent Updates in the Anti-Money Laundering Law, Risk Management and Audit Seminar, The Trust Business, Establishing Your Quality Assessment and Improvement Program, Financial Statement Reporting, Financial Instruments Module 7, Spot Forward and FX Swaps, Interest Rate Swaps, Accounting for Bonds and Treasury Bills, Basics of Fixed Income Securities, Financial Math on Money Market and Bonds, Risk-Based Audi Methodology, Tools & Techniques for the Internal Audit Staff, Information Security Beyond the Basics, Credit Risk Management Seminar, Basic Credit Analysis Seminar, 4th Special Real Estate Symposium, Taxation in Banking, Treasury Operations Seminar and Fraud Prevention Detection & Control.	56	Filipino

CORPORATE GOVERNANCE

Name of Officer	Position	Relevant Qualifications / Experience	Age	Nationality
Teresita S. Sion	Head, Trust & Investment Center	Ms. Sion is a graduate of Philippine School of Business Administration with a degree in BS Business Administration and took up units in MBA at De La Salle University. Ms. Sion has 28 years of banking experience. She had attended the following seminars/ trainings: Seminar on Data Privacy Act, International Financing Reporting Standards 9 (IFRS 9), Corporate Governance Seminar, AMLA for Board of Directors and Senior Officers, TOAP Summit 2016, Forum on BSP Interest Rate Corridor System, Corporate Governance Seminar for Directors & Senior Officers, The Next Engines of Growth, BSP Compliance, Trust and Governance Rating Systems, Managing Customer Service Seminar, Beyond SDA: The Search for the Next Trust Engine of Growth, Strengthening Corporate Governance and Risk Management Practices on TOFA & IMA, and Risk Awareness Seminar.	66	Filipino
Judith C. Songlingco	Head, Corporate Affairs Unit	Ms. Songlingco obtained her Bachelor of Science in Commerce major in Marketing Management degree from St. Scholastica's College and holds a post-graduate degree (Dean's List inclusion), Masters of Business Administration from the De La Salle University. She has 25 years of banking experience. Her trainings/seminars include: Seminar on Data Privacy Act, Corporate Governance Seminar, AMLA Seminar for Board of Directors & Senior Officers, Situational Leadership, Operational Risk Awareness Seminar, Beyond SDA: The Search for the Next Trust Engine Growth and Risk Awareness Seminar.	46	Filipino

K. PERFORMANCE ASSESSMENT PROGRAM

To ensure that there is consistent application of the principles of good corporate governance as detailed in the Manual of Corporate Governance approved by the Board of Directors, PBB adopted a self-evaluation methodology to evaluate and measure the performance of its Board of Directors as a body, its board committees, the individual directors and senior management. The self-evaluation is conducted every year, the result of which is submitted to the Compliance Office for consolidation and reporting to the Corporate Governance Committee, at least thirty (30) days prior to the yearly Stockholders' Meeting.

The Bank's Performance Management System (PMS) includes a yearly performance appraisal based on the Balanced Scorecard principles to evaluate the performance of all employees; a Performance Improvement Program (PIP) to improve the performance of below average raters; and a performance-based compensation and rewards system.

L. ORIENTATION AND EDUCATION PROGRAM

As part of their continuing education, members of the Board of Directors and seniors officers attended the following internal training activities:

Title of Seminar	Date Conducted	Facilitator	Participants
AMLA Seminar for Board of Directors and Senior Officers	September 26, 2018	Center for Global Best Practices	Members of the Board of Directors and Senior Management
Corporate Governance Updates and Economic Briefing	November 27, 2018	Risk Opportunities Assessment Management, Inc. (ROAM, Inc.)	Members of the Board of Directors and Senior Management

M. RETIREMENT AND SUCCESSION POLICY

1. Retirement of Senior Officers of the Bank are covered by the following Retirement Plan:

Retirement Age	Entitlement
Normal Retirement	
60 years of age	100% of final monthly salary x no. of years of service
Early Retirement	
Retirement prior to age 60 but after attainment of at least 10 years of service	The officer/employee shall be entitled to and shall be paid an amount computed in accordance with the Normal Retirement Benefit formula
Late Retirement	
Retirement beyond age of 60 but in no case beyond age 65. Officer/employee availment of Late Retirement is on a case-to-case basis subject to Management approval.	The officer/employee shall be entitled to and shall be paid an amount computed in accordance with the Normal Retirement Benefit formula.
Permanent Total Disability Benefit	100% of accrued retirement benefit as of date of disability
Death Benefit	100% of accrued retirement benefit
Separation Benefit	
Tenure	**% of Accrued Retirement Benefit Payable**
Below 10 years	0%
10 to less than 12 years	50%
12 to less than 14 years	60%
14 to less than 16 years	70%
16 to less than 18 years	80%
18 to less than 20 years	90%
20 years and above	100%

CORPORATE GOVERNANCE

The Board of Directors of PBB adopted a retirement policy pursuant to the Securities and Exchange Commission's (SEC's) Code of Corporate Governance Guidelines for Publicly-listed Companies and the Bangko Sentral ng Piipinas (BSP) Circular 969 wherein the Bank set the age of seventy (70) years old as the retirement age for Directors, subject to extension to be determined by the Board. The determination of the Board comprises of the fit and proper principle as enshrined in the aforesaid regulations of the SEC and BSP.

2. Succession Policy
   a. OBJECTIVE:
      The objectives are threefold:
      i. To ensure unhampered operations of the Bank;
      ii. To ensure continuity in management of its corporate affairs/operations; and
      iii. To avoid strategic risk resulting from a sudden vacancy of key and critical positions in the Bank.

   b. SCOPE:
      The plan shall initially cover the President & CEO, the Vice Chairman & Chief Operations Officer, the Heads of each Group, and the Branch Region Heads.
      Eventually, the plan shall cover the lower level officers, managers, and senior managers.

   c. DEFINITION:
      Succession Plan - A process whereby an organization ensures that there are employees on hand ready to fill roles in cases of expansion and loss of key employees. It includes recognizing and identifying potential successors, within the Bank, training them, and preparing them for career advancement.

   d. GUIDELINES:
      The plan shall take the following steps:

      i. Formulation of Qualification Standards and Competence Criteria
      Qualification standards on the critical positions to be considered for the Succession Plan shall have to be established and inputted in the Job Description of the position.

      The indicators are:
      - Education and training;
      - Work experience;
      - Technical competence; and
      - General / Leadership competence.

      Likewise, a review of past performance ratings shall be conducted as one of the readiness indicators and to ensure that the candidates have consistently turned in good performance.

      ii. Identification of Successors
      The senior officers, starting from the President & CEO, the Vice Chairman & COO, together with the Group Heads of each functional group and the Branch Area Heads, shall endeavor to identify the possible successors or nominees to their respective positions. They shall identify potential successors who will be:
      - Ready in one (1) to three (3) years; and
      - Ready in four (4) to six (6) years.

      iii. Establishing Readiness
      Human Resources Group shall conduct sessions and interviews with the concerned senior officers mentioned in Item B to determine the readiness criteria and rating to assume the positions earmarked for succession.
      A working sheet shall be prepared to score and document the readiness of the nominees identified.

      iv. Role of the Personnel Committee
      The nominees submitted by the senior officers shall be presented to the Bank's Personnel Committee for validation and approval, and may warrant a short-listing of nominees if necessary should there be three or four candidates being considered for certain positions for succession.

      v. Determining Competence Gaps
      In the process of evaluating the candidates for succession using the various factors like technical, general, and leadership competencies/skills aside from training and interventions required, competence gaps for each candidate shall be determined so that appropriate developmental programs can be designed for them.

vi. Formulation of Developmental Programs for Nominees

Considering that there will be competence gaps on the part of the candidates for succession, customized developmental programs shall be designed to cover the competence inadequacies of each candidate. The developmental programs shall be in the form of the following: external training, leadership skills training, on-the-job training, cross-posting in other areas, special ‘projects assignments, and other forms of interventions that may be necessary. The conduct of developmental programs may be done individually or on a per-batch/group basis.

vii. Mentoring and Coaching Sessions

Mentors in the Bank shall be identified with the assistance of the Human Resources Group so as to advice and coach the nominees in preparation for them eventually assume higher responsibilities.

N. REMUNERATION POLICY

The Corporate Governance Committee of the Board sets the compensation package of the Directors. The Executive Committee sets the compensation and benefits package of the Bank's officers and staff members. To ensure competitiveness, the compensation and benefits package is benchmarked with competition through formal and informal surveys and participation in syndicated studies on industry Total Compensation and Rewards.

The Executive Board members as well as employees of the Bank receive fixed salaries, benefits and performance-based bonus the amount of which is dependent on the performance of the bank and the concerned employee.

A Non-Executive Director (NED) receives per diem allowance for his attendance to each Board meeting and additional allowance for committee meetings. Furthermore, an NED is also entitled to a monthly gasoline allowance.

O. RELATED PARTY TRANSACTIONS

The Board of Directors have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders. The Board is responsible for approving all material RPTs, those that cross material threshold, and write-off of material exposures to related parties, and submits the same for confirmation by majority vote of the stockholder in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall be approved by the board of directors. The Board of Directors delegated to appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the Board of Directors. This excludes DOSRI transactions, which are required to be approved by the board.

The Board of Directors constituted an RPT Committee who will:

1. Evaluate on an on-going basis existing relationship between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored and subsequent relationships with counterparties are captured;

2. Evaluate all material RPTs to ensure that these are not undertaken on more favourable economic terms to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the bank are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.

3. Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the bank's RPT exposures and policies on conflict of interest or potential conflict of interest

4. Reports to the board of directors on a regular basis the status and aggregate exposure to each related party.

5. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review and

6. Oversee the implementation of the system for identifying, monitoring, measuring and controlling, and reporting the RPTs including the periodic review of RPT policies and procedures.

The senior management shall implement appropriate controls to effectively manage and monitor RPTs.

PBB's RPT shall be allowed provided that these comply with applicable regulatory/internal limits/ requirements and dealings are conducted at arm's length basis. Said transactions shall only be made and entered into substantially on terms and conditions not less favourable than those with other customers of comparable risks.

Off-market rates applies to DOSRI provided these are supported by valid justifications or reasons (such as high volatility in the market, meaning quoted rates might have changed greatly within the day) and senior management is made fully aware of such reasons/ justifications and subject to the off-market rate tolerance level. Off-market rates are foreign currency rates, fixed income yields or prices, and money market rates that are higher than the highest prevailing market rates and lower than the lowest prevailing market rates.

RPTs shall not require the approval of the Board of Directors, except on the following:

1. Transactions with DOSRI which presently require prior approval from the BOD under existing policy of the Bank and in accordance with Sections X148, X334 and X335 of the MORB; and

2. RPTs that exceed the material threshold amounts, as approved by the Board.

Approval of the RPT with non-DOSRI and those that do not exceed the material threshold amounts shall be in accordance with the revised policy on levels of signing authority, as approved by the Board. All RPTs that cross the threshold amounts shall be considered as material RPTs and shall be subject to pre-board approval evaluation by the RPT Committee before the same are endorsed to the Board for approval. All approved RPTs shall be reported by the booking/contracting units to the Central Operations Group (COG) upon approval of the transaction/signing and notarization of the contract for MIS disclosure and regulatory reporting purposes.

If an actual or potential conflict of interest arises on the part of the Director, Officer or Employee, he is mandated to fully and immediately disclose the same and should not participate in the decision-making process related to the transactions. Any member of the Board who has an interest in the transaction under evaluation shall not participate therein and shall abstain from voting on the approval of transaction.

Transactions that were entered into with unrelated party that subsequently becomes a related party may be excluded from the limits and approval process required in the policy. However, any alteration to the terms and conditions, or increase in exposure level, related to these transactions after the non-related party becomes a related party shall subject the RPT to the requirements of the RPT Policy.

To ensure that RPTs are done at arm's length, all transactions with related parties shall undergo the normal/regular transaction processing and approval. Interest on loans and other credit accommodations and deposit/deposit substitute shall be consistent with the price discovery mechanism/standards of the bank as posted in Bank's website. Other economic terms of RPTs shall likewise be based on existing policy of the bank. All RPTs with deviation shall be subject to evaluation and endorsement by the RPT Committee to the Board of Directors for approval, regardless of amount, and shall be supported by written justifications. Price discovery mechanism for ROPA and selection of service providers and supplier are also mentioned in the RPT policy of the Bank.

Materiality thresholds for each type of transactions with each related party or group of related parties are specified in the RPT Policy. Internal limits for individual and aggregate exposures are also defined in the RPT Policy to ensure that RPTs are within prudent levels.

P. SELF-ASSESSMENT FUNCTION

The control environment of the Bank consists of:

a. The Board which ensures that the Bank is properly and effectively managed and supervised;

b. A Management that actively manages and operates the Bank in a sound and prudent manner;

c. The organizational and procedural controls supported by effective management information and risk management reporting system; and
d. An Independent audit mechanism to monitor 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.

Internal Audit Function

The Bank established an internal audit system to provide the Board, Management and stockholders reasonable assurance that the key organizational and operational controls are faithfully complied with. The Board appointed Chief Internal Auditor to perform the audit function, and required her to report to the Audit Committee that allows the internal audit activity to fulfil its mandate.

The Internal Audit Center (IAC) as headed by the Bank's Chief Internal Auditor:

- Develops and implements an annual audit plan approved by the Audit Committee of the Board of Directors.
- Perform an annual overall corporate business risk profile to establish the program of audit coverage
- Create an audit program which will be used as a guide during examination.
- Issue a formal Final Audit Report on the results of the examination within 60 days following the completion of fieldwork for presentation to the Board's Audit Committee in its next meeting. The Final Audit report includes responses by management to the significant issues identified during the audit, audit rating (if applicable), IAC's opinion of the quality of controls designed to mitigate key risks.

IAC is committed to safeguard the sensitive and confidential information related to PBB's business, customer and employees.

To maintain a professional internal audit staff, each auditor are given 2 days or 16 hours training each year.

Compliance System

The Bank develop and implement a compliance system that will provide reasonable assurance that the Bank and its employees comply with relevant banking and corporate laws, regulations, rules and standards in order to promote safe and sound banking operations.

One of the elements of the Compliance System that is distinct and separate from the risk management and Internal Audit Program is a Compliance Manual duly approved by the Board. The Compliance Manual defines duties and responsibilities of the Board of Directors and Senior Management on Compliance; Identifies laws, rules and regulations, standards applicable to the Bank; Defines the responsibility of the Chief Compliance Officer (CCO), Compliance Coordinators and other personnel involved in the compliance function and Provide period compliance testing of applicable regulations.

The designated Compliance Coordinators of each branch or head office unit assist the CCO in effective implementation of the compliance program through dissemination of laws, rules, regulations and standards and other regulatory requirements in their respective unit; perform self-test and submit to CCO findings/ violation of regulations during the self-test made. The Compliance Office, also performs an Independent Compliance Testing (ICT) of units/branches, among the item subject to ICT is the validation of the self-assessment performed by each unit.

The Compliance Function is an independent function that defines, advises on, monitors and reports on the Bank's compliance risk of legal or regulatory sanctions, financial loss or loss to reputation a bank may suffer as a result of its failure to comply with laws, rules and standards.

The compliance function shall be independent from the business activities of the Bank. It shall be provided with sufficient resources to carry out its responsibilities on its own initiative in all units where compliance risks exist. It shall have the right to conduct investigation and be free to report to Senior Management, Audit Committee and/or the Board of Directors material breaches of the Compliance Program and/or laws, rules and standards, without fear of retaliation or disfavor from Management or other affected parties. It shall have access to all operational areas as well as any records or files necessary to enable it to carry out its duties and responsibilities.

To carry out its Compliance responsibilities effectively, the Compliance Office may enter all areas of the Bank and have access to any documents and records considered necessary for the performance of its responsibilities; and shall have the right to require any member of the Management and Staff to promptly supply information and/or explanations as may be needed to carry out its functions.

CORPORATE GOVERNANCE

The Chief Compliance Officer functionally reports to the board of directors thru the Audit Committee and administratively to the President.

The Board of Directors through the Audit Committee's monthly meeting overseas the effective implementation of the control process of the Bank by:

1. Immediately addressing the concerns/issues noted by internal audit during their examination.

2. Resolving expeditiously the violation/findings noted during the self-assessment provided by the Compliance Coordinator and Independent Compliance Testing performed by the Compliance Specialist.

Q. DIVIDEND POLICY

Shareholders shall have the right to receive dividends subject to the discretion of the Board. The Bank shall declare dividends when its retained earnings is in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

The Board of Directors has not approved any dividend, cash or stock, in 2018.

R. CORPORATE SOCIAL RESPONSIBILITY

Initiative	Beneficiary
AMY Foundation Renewal of Scholarship Grants covering SY 2018 – 2019. Releasing of corresponding tuition fees and/or allowance to eligible AMY scholars.	AMY Scholars enrolled in the following: Partner Schools: Philippine Normal University, Polytechnic University of the Philippines, Pamantasan ng Lungsod ng Maynila, ICCT Colleges, Holy Cross College Pampanga, and St. Mary's College Non-partner Schools: University of the East, University of Caloocan City, STI College, Pamantasan ng Lungsod ng Valenzuela, New Era University, Dalubhasaan ng Lungsod ng San Pablo, St. Claire College, Informatics, Divine Mercy College, AMA Computer College, City of Malabon University, National University, Holy Angel University, Our Lady of Lourdes College, Philippine State College of Aeronautics, Quezon City Polytechnic College, Laguna Northwestern College, Bestlink
Orientation and Scholarship Agreement Signing with the New Scholars of AMY Foundation	Newly approved AMY Scholars
Home Visitation and Interview to AMY scholar-applicants	Scholar-applicants
Random School Visits to Partner Schools of the Foundation	Partners schools and AMY Scholars
MOA signing with St. Mary's College as additional partner school of AMY Foundation	Scholars enrolled in St. Mary's College
Balik Eskuwela Project 2018	200 Kinder, Grades 1 and 2 students residing in Barangay Sta. Lucia District 5, Novaliches, Quezon City
Annual Christmas Party for the Kids	Over 150 prepared sets of Christmas bags containing toys, hygiene kits, coloring books, colors, candies and biscuits, were given away to the delight of dumagat kids
PBB's "Pail of Bountiful Blessings" Gift-giving Activity (coinciding with Annual Christmas Party for the Kids)	More than 200 dumagat families received pails containing noche buena goodies
One of AMY Foundation's major accomplishments for the Year 2018 is the successful celebration of its 15th Anniversary and Relaunching which happened on December 18, 2018 at Cities Events Place, Quezon City. The celebration also became an avenue for selected graduates to share their story on how the Foundation was able to help them on their journey to success. Present scholars also showcased their talents by preparing some presentations such as dancing, singing, and spoken word poetry. New and revitalized AMY Foundation Logo and the official Audio Visual Presentation (AVP) were also launched during the celebration.	Present AMY Scholars, some Graduate-Scholars, Partner Schools, and Donors

S. CONSUMER PROTECTION PRACTICES

1. Board and Senior Management Oversight Function
   a. Board of Directors

   The Board shall be primarily responsible for approving and overseeing the implementation of policies governing major areas of the Bank's consumer protection program, including the mechanism to ensure compliance with the set policies.

   The roles of the Board shall include the following:

   i. Approve the Consumer Protection policies;
   ii. Approve Risk Assessment Strategies relating to Effective Recourse by the Consumer;
   iii. Provide adequate resources devoted to Consumer Protection; and
   iv. Review the applicable policies periodically.

   b. Senior Management

   The Senior Management shall be responsible for proper implementation of the Consumer Protection policies and procedures duly approved by the Board. Also, its role shall focus on ensuring effective management of day-to-day consumer protection activities.

2. Consumer Protection Risk Management System (CPRMS)

   The Board shall be responsible in developing and maintaining a sound CPRMS which shall be integrated into the overall framework for the entire product and service life cycle. The Board and Senior Management should periodically review the effectiveness of the CPRMS, including how findings are reported and whether the audit mechanisms in place enable adequate oversight. The Board and Senior Management must also ensure that sufficient resources have been devoted to the program. Likewise, the Board and Senior Management must also make certain that CPRMS weaknesses are addressed and corrective actions are taken in a timely manner.

3. Consumer Assistance Management System

   The Consumer Assistance Management System (CAMS) is a mechanism that records all complaints filed by customers either through the Bangko Sentral ng Pilipinas (BSP) or directly to the concerned branch. The system also monitors the status of the complaints' processing and resolution.

   The general process of handling customer complaints is as follows:

   a. The client may lodge his/her complaint through any of the following means:
      i. By personally visiting the concerned branch/ Head Office unit (where he/she shall be asked to fill out the Customer Complaint Form [CCF]);
      ii. Through telephone via the following contact numbers: or

Telephone Numbers	Available Time	Banking Day	Non-Banking Day
Branch/H.O. unit	8:30 AM – 5:30 PM	Y	N
CPO Hotline 363-8050 loc. 1035 or 1027	8:30 AM – 5:30 PM	Y	N
PBB Helpdesk 363-3000	24 hrs.	Y	Y
Mobile Phone thru TEXT 0922-8715322	24 hrs.	Y	Y
Direct Recorded 363-HELP (4357)	8:30 AM – 5:30 PM	Y	N

      iii. Via e-mail at consumerprotection@pbb.com.ph

b. The concerned branch/Head Office unit personnel shall validate the complaint received from the customer. If the complaint can be resolved immediately/upfront, he/she shall explain to the client the resolution of the complaint. If the complaint cannot be resolved immediately, he/she shall explain to the client the following timeline (which are reckoned from the date of receipt of the complaint):

	If the complaint is classified as "Simple"	If the complaint is classified as "Complex"
Acknowledgment	Within 2 days	Within 2 days
Processing and resolution (assess, investigate, and resolve)	Within 7 days	Within 45 days
Communication of resolution	Within 9 days	Within 47 days

The concerned branch/Head Office unit shall transmit the CCF to the Consumer Protection Unit via e-mail or fax.

c. The complaint shall pass through the Consumer Protection Officer (CPO) or the PBB Helpdesk (if the complaint is lodged via telephone), who shall acknowledge receipt of the same and shall obtain/record the details of the compliant in the CAMS. The CPO (or PBB Helpdesk) shall then assign the complaint to the concerned Support Group.

d. The Support Group retrieves the complaint received through the CAMS or e-mail (whichever is applicable) and performs the necessary corrective actions based on the nature of the complaint. The resolution made on the complaint shall then be recorded accordingly in the CAMS or reply via e-mail (whichever is applicable).

e. Once the complaint has been resolved by the Support Group, the CPO shall tag it as closed in the CAMS. The CPO (or the PBB Helpdesk) shall also be the one to generate and submit the Customer Complaint Summary Report daily to the Consumer Protection Head.

f. The Consumer Protection Head shall perform the following tasks:

   i. Monitor and evaluate customer complaints handling process;

   ii. Analyze the nature of the complaints and recommends solutions to avoid recurrence;

   iii. Extract generated complaints report monthly except when it is urgently needed to be submitted to and reviewed by the HR Head;

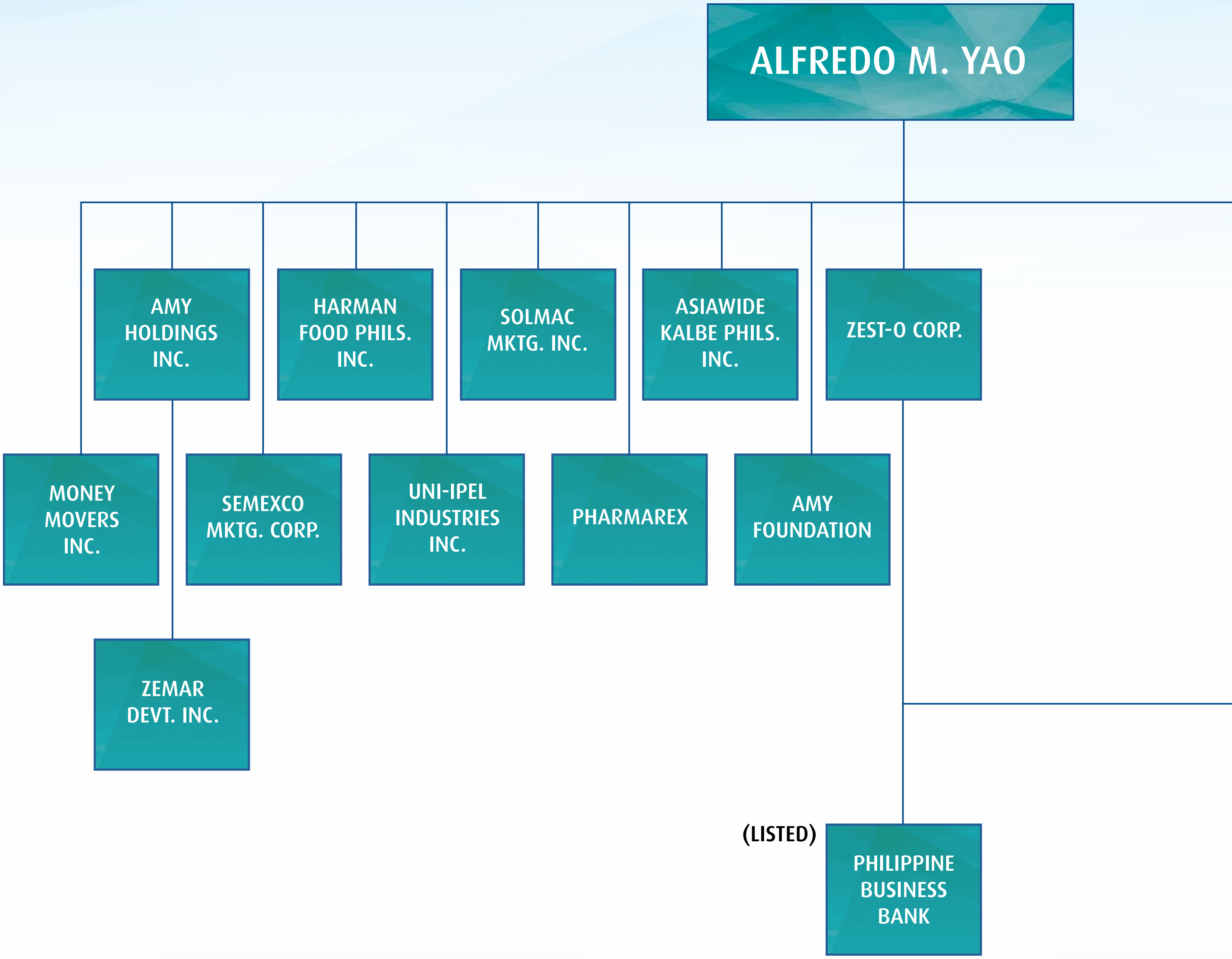
   iv. Recommend the resolution of the case or if needed to be elevated to proper authorities or needed to be taken up in the Committee on Employee Discipline (CED), if applicable;

   v. Report to Senior Management on a quarterly basis the complaints received and the resolutions applied;

   vi. Report periodically to the Board all complaints received within the period as stated; and

   vii. Make recommendation and assessment on the cases filed to avoid recurrence in the future.

CONGLOMERATE STRUCTURE



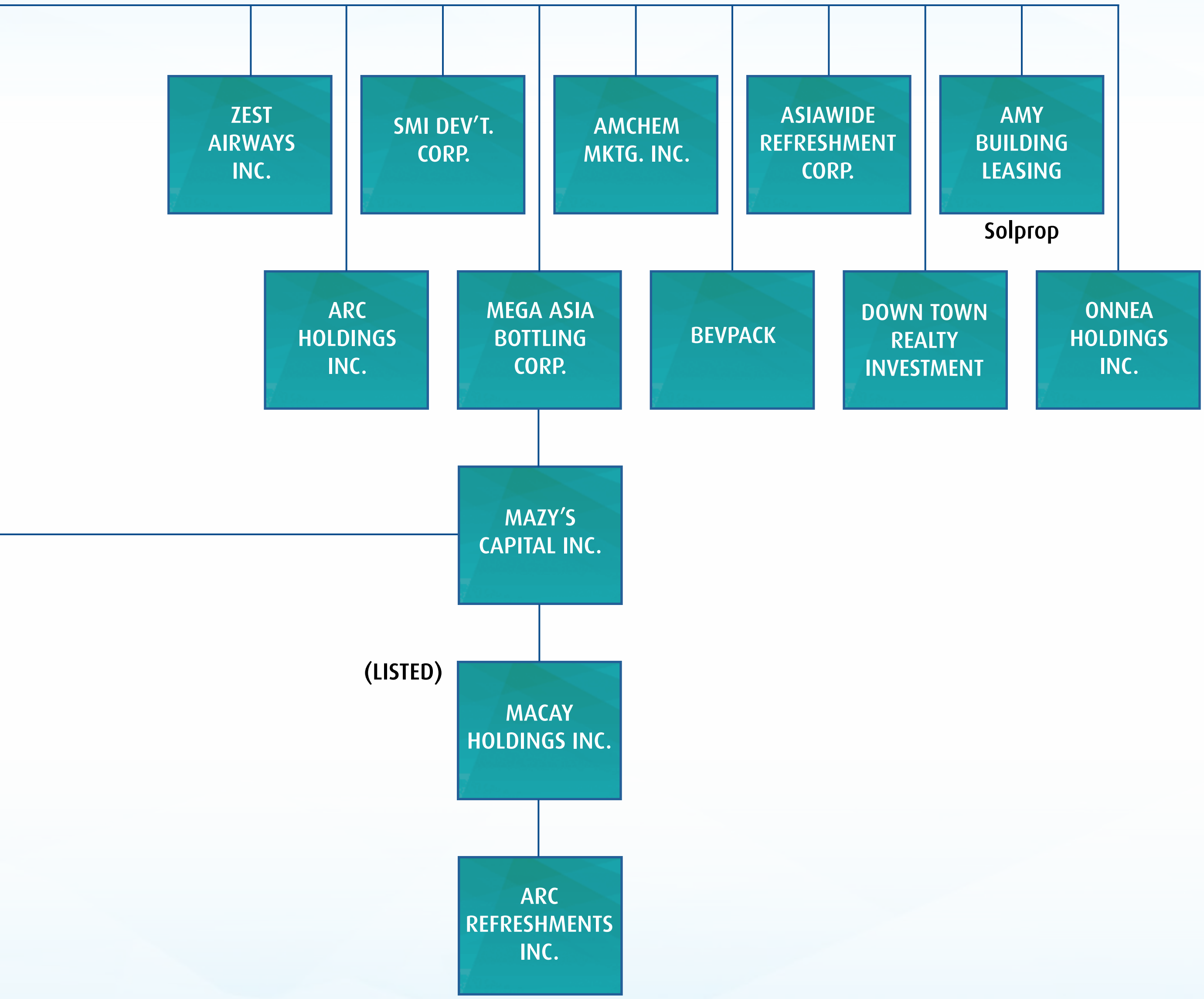

ZEST AIRWAYS INC.
SMI DEV'T. CORP.
AMCHEM MKTG. INC.
ASIAWIDE REFRESHMENT CORP.
AMY BUILDING LEASING
Solprop
ARC HOLDINGS INC.
MEGA ASIA BOTTLING CORP.
BEVPACK
DOWN TOWN REALTY INVESTMENT
ONNEA HOLDINGS INC.
MAZY'S CAPITAL INC.
(LISTED)
MACAY HOLDINGS INC.
ARC REFRESHMENTS INC.

TABLE OF ORGANIZATION

BOARD OF DIRECTORS

Francis T. Lee
CHAIRMAN

Jeffrey S. Yao
VICE CHAIRMAN

Rolando R. Avante
PRESIDENT & CEO

RETAIL BANKING GROUP
SEVP, Peter N. Yap
CMO

- **BRANCH OPERATIONS & CONTROL GROUP** – FVP, Felipe V. Friginal
  - Cash Mgt. Unit
  - Clearing & Verification
- **BRANCH BANKING GROUP** – SEVP, Peter N. Yap
- **BUSINESS DEV'T. GROUP** – SVP, Rudy Sia/ SVP, Rey Boringot

PRODUCT DEV'T. & MANAGEMENT – VP, Ma. Joyce G. Zarate

CORPORATE AFFAIRS – AVP, Judith C. Songlingco

PROJECT MGT. OFFICE – VP, Enrico T. Teodoro, OIC

CORPORATE PLANNING & IRO – VP, John David D. Sison

OPERATIONS & CONTROL GROUP – FVP, Roselle M. Baltazar
- CENTRAL OPERATIONS GROUP
  - Loans & Collateral Administration
  - Treasury Operations
- INTERNATIONAL BANKING
- GENERAL ACCTG. CENTER
- SYSTEMS & METHODS

GSC & ADMIN. GROUP – FVP, Liza Jane T. Yao
- ADMIN & PURCHASING
- SECURITY & TRANSPORT SERVICES
- MAINTENANCE & ENGINEERING

INFORMATION TECHNOLOGY GROUP – FVP, Jose Maria P. Valdes
- IT HELPDESK
- ATM CENTER
- SYSTEM SUPPORT & APP. DEVT. CTR.
- DATA CENTER
- NETWORK & COMMUNICATION CENTER
- ITSU

HUMAN RESOURCES GROUP – SVP, Consuelo V. Dantes
- TALENT ACQUISITION
- EMPLOYEE SERVICES
- ORGANIZATIONAL DEV'T.
- TRAINING & DEV'T. SERVICE QUALITY CENTER

CORPORATE BANKING GROUP – FVP, Eduardo R. Que

COMMERCIAL BANKING GROUP – EVP, Arlon B. Reyes
- Center 1
- Center 2
- Center 3
- Center 4
- Center 5
- Center 6
- Center 7
- Center 8
- BUS LOAN/FLEET

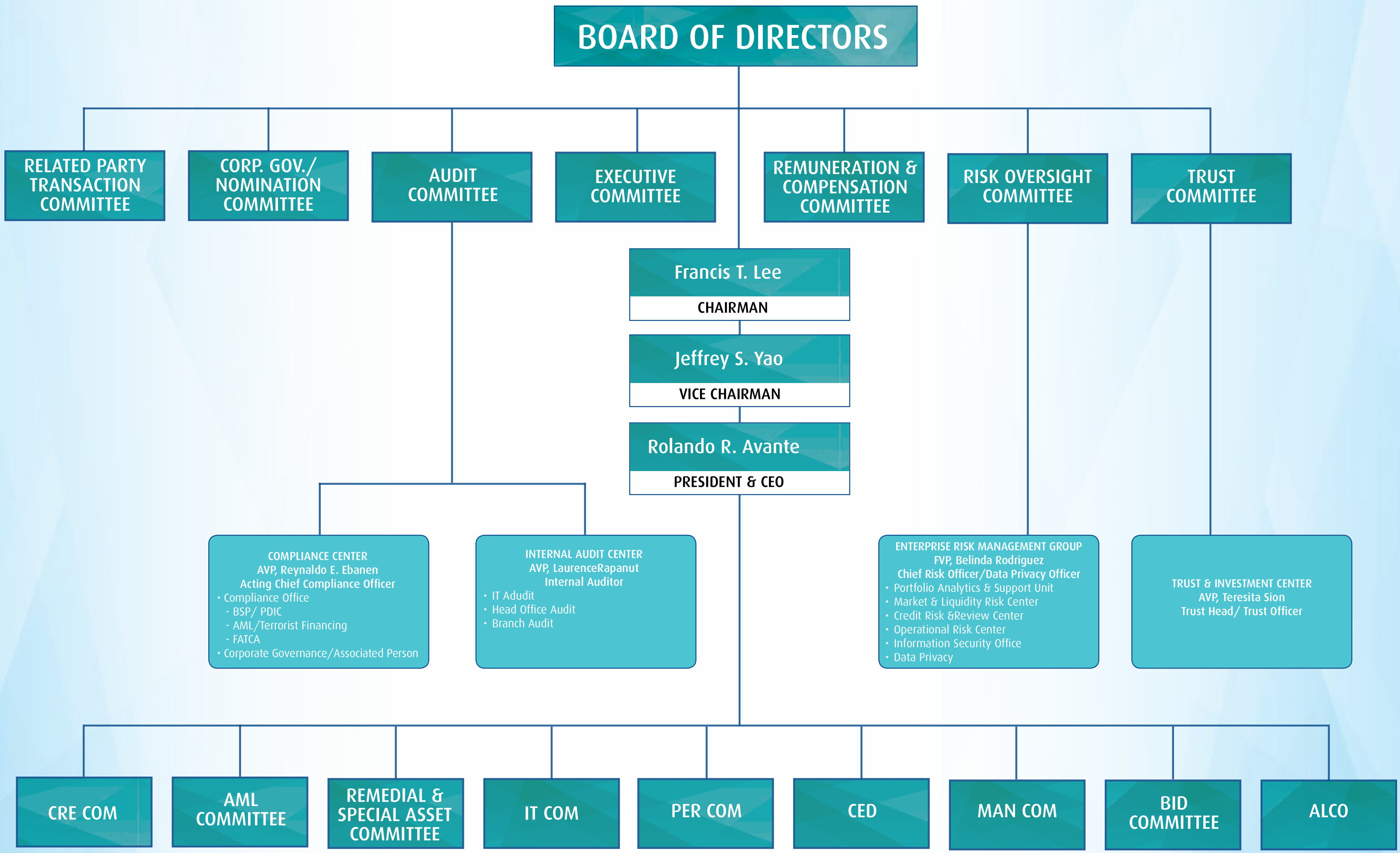
CONSUMER BANKING GROUP – FVP, Rodel P. Geneblazo
- AUTO LOAN
- SALARY LOAN
- HOUSING LOAN
- TEACHERS LOAN

TREASURY SERVICES GROUP – SVP, Joseph S. Cabalde
- ASSET & LIABILITIES MANAGEMENT
- FIXED INCOME TRADING
- FOREIGN EXCHANGE CURRENCY TRADING DESK
- FINANCIAL MARKET SALES & DISTRIBUTION

CREDIT MANAGEMENT GROUP – VP, Miami V. Torres
- PORTFOLIO MANAGEMENT
  - Analytics
  - Credit Policy
  - Crecom Review & Secretariat
  - Credit Review & Monitoring
- ACCEPTANCE
  - Front End
  - Credit Evaluation
- DOCUMENTATION & SAFEKEEPING
  - Document Preparation
  - Customer Fulfillment
  - Files & Security Custodian
- REMEDIAL MANAGEMENT
  - Collection
  - Centralize Admin
- ROPA MANAGEMENT
- FRAUD MANAGEMENT
- INSURANCE DESK

LEGAL SERVICES GROUP – Atty. Roberto S. Santos
- DOCUMENTATION UNIT
- LITIGATION & LEGAL ADVISORY UNIT

BOARD OF DIRECTORS & BOARD REPORTING GROUPS



CORPORATE INFORMATION

Security Ownership

As of December 31, 2018, the following own more than 20% of PBB's outstanding shares.

CORPORATE NAME:	**PHILIPPINE BUSINESS BANK, INC., A Savings Bank**
TOTAL NUMBER OF STOCKHOLDERS:	**Seventy-one (71)**

TOTAL ASSETS BASED ON LATEST AUDITED FINANCIAL STATEMENTS: Php 94.729B

STOCKHOLDER'S INFORMATION

NAME AND NATIONALITY	SHARES SUBSCRIBED				
	TYPE	NUMBER	AMOUNT (PhP)	% OF OWNERSHIP	Voting Status
1. ALFREDO M. YAO FILIPINO	Common	239,838,309	2,398,383,090.00	34.76%	Entitled to 37.26% of voting rights
	Preferred	5,500,000	55,000,000.00		
	TOTAL	**245,338,309**	**2,453,383,090.00**		
2. PCD NOMINEE CORPORATION (FILIPINO) FILIPINO * JAKA SECURITIES CORP. (34,307,170)	Common	218,718,052	2,187,180,520.00	30.99%	Entitled to 33.98% of voting rights
	TOTAL	**218,718,052**	**2,187,180,520.00**		
3. ZEST-O CORPORATION FILIPINO	Common	162,052,923	1,620,529,230.00	27.85%	Entitled to 25.17% of voting rights
	Preferred	34,500,000	345,000,000.00		
	TOTAL	**196,552,923**	**1,965,529,230.00**		

External Auditor & Type of Engagements

Punongbayan & Araullo (P&A), a member firm of Grant Thornton International Limited, has been the bank's independent accountant for the last nine (9) years and is again recommended for appointment at the scheduled stockholders meeting.

None of the Bank's external auditors have resigned during the most recent fiscal years (2017 and 2018) or any interim period. In compliance with SEC Memorandum Circular No. 8, Series of 2003, and Amendments to the SRC Rule 68 on the rotation of external auditors or signing partners of a firm every after five (5) years of engagement, Mr. Christoper M. Ferareza was assigned in 2017 as an independent reviewer and partner in charge for the bank replacing Mr. Leonardo D. Cuaresma, Jr.. Representatives of P&A are expected to be present at the meeting to respond to matters relating to the Auditor's report on the 2018 financial statements of the bank that maybe pertinently raised during the meeting. Their representatives will be given opportunity to make a statement if they so desire.

The Bank has paid the following fees to P&A relative to the regular and special engagements rendered by the latter that are reasonably related to the performance of the audit review of the Bank's financial statement:

Audit Fees For	In PhP
December 31, 2011	721,412.31
June 30, 2012	752,640.00
September 30, 2012	978,432.00
December 31, 2012	824,320.00
December 31, 2013	2,609,152.00
December 31, 2014	2,475,405.61
December 31, 2015	2,324,278.38
December 31, 2016	2,599,735.16
December 31, 2017	2,864,643.60
December 31, 2018	5,124,565.44

In September 2018, P&A provided professional services to PBB in connection with the Bank's proposed issuance of Long Term Negotiable Certificates of Time Deposit (LTNCDs). Aside from this, no other services were rendered by P&A that were not related to the audit and review of the Bank's financial statements.

OUR BRANCHES

METRO MANILA

A. MABINI C-3
ADRIATICO - MALATE
ASEANA CITY - PARAÑAQUE
BANAWE
BANAWE- KALIRAYA
BETTER LIVING-PARANAQUE
BINONDO CORPORATE CENTER
BONIFACIO GLOBAL CITY
CAMARIN
CARMEN PLANAS
COMMONWEALTH - FAIRVIEW
CONCEPCION - MARIKINA
CONGRESSIONAL AVE. - QUEZON CITY
CUBAO
DEL MONTE
EDSA - CALOOCAN BUSINESS CENTER
EDSA - MONUMENTO
ELCANO
GRACE PARK
GREENHILLS
JOSE ABAD SANTOS
KAMIAS-ANONAS
KAYBIGA
LAS PIÑAS
LEGASPI VILLAGE - MAKATI
MADRIGAL BUSINESS PARK
MAIN OFFICE (CALOOCAN)
MAKATI
MALABON
MALABON - RIZAL AVE.
MALINTA
MANDALUYONG
MARIKINA
MUNTINLUPA
NAVOTAS
NOVALICHES
ORTIGAS BUSINESS CENTER
PASAY
PASAY - MALIBAY
PASIG BLVD. - KAPITOLYO
PASO DE BLAS
PATERNO - QUIAPO
PEDRO GIL - PACO
QUINTIN PAREDES
RETIRO
ROOSEVELT
SALCEDO VILLAGE - MAKATI
SAMSON ROAD
SUCAT - PARAÑAQUE
THE FORT
TIMOG - ROTONDA
VALENZUELA
WEST AVE.

PROVINCIAL

ANGELES
ANTIPOLO
ANTIPOLO - MASINAG
BACOLOD
BAGUIO
BALANGA
BALIUAG
BATANGAS
BENGUET - LA TRINIDAD
BINAKAYAN
BIÑAN - LAGUNA
BOCAUE
BORACAY
BUTUAN
CABANATUAN
CAINTA
CAGAYAN DE ORO
CAGAYAN DE ORO - COGON
CALAMBA
CALAPAN
CANDON - ILOCOS SUR
CAUAYAN
CARMONA - CAVITE
CEBU - BANILAD
CEBU CITY BRANCH - LITE
CEBU - CONSOLACION
CEBU - ESCARIO
CEBU - TALISAY
DAGUPAN
DASMARIÑAS - CAVITE
DAVAO - BAJADA
DAVAO - LANANG
DAVAO - C.M. RECTO
DAVAO - PANABO
DAVAO - TAGUM CITY
DAVAO - TORIL
DINALUPIHAN
DIPOLOG
DOWNTOWN - CEBU
DUMAGUETE
GAPAN
GENERAL SANTOS
GENERAL SANTOS - SANTIAGO BLVD.
GENERAL TINIO
ILOILO
ILIGAN
IMUS
IRIGA - CAMARINES SUR
KALIBO
KAWIT
LA UNION
LAPU-LAPU CITY
LAOAG
LEGAZPI CITY
LIMAY
LIPA CITY
LUCENA CITY
MALOLOS
MANDAUE
MEYCAUAYAN
MOLINO - BACOOR
MUZON
NAGA
OLONGAPO
ORMOC
ORTIGAS AVE. EXT. - CAINTA
OZAMIS
PANGASINAN - LINGAYEN
PUERTO PRINCESA PALAWAN
ROXAS CITY
SAN FERNANDO
SAN PABLO
SAN PEDRO - LAGUNA
SANTIAGO
SALES - DAVAO
SBMA - SUBIC
SORSOGON
STA. MARIA
STA. ROSA
SOLANO
SUBIC - ZAMBALES
SURIGAO CITY
TACLOBAN
TAGBILARAN
TAGUIG CITY BRANCH - LITE
TANAUAN
TARLAC
TARLAC - PANIQUI
TAYTAY
TRECE MARTIRES - CAVITE
TUGUEGARAO
URDANETA
VIGAN
ZAMBOANGA

LEGEND: BRANCH LITE

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METRO MANILA BRANCHES

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PROVINCIAL BRANCHES

OUR BRANCHES

METRO MANILA BRANCHES

MAIN OFFICE BRANCH
350 Rizal Ave. Ext cor 8th Ave.
Grace Park, Caloocan City
Phone: (632) 363-3333
Fax: (632) 363-0291

A. MABINI C-3
200 A. Mabini St. Maypajo
Caloocan City
Phone: (632) 287-8895; 287-6621
Fax: (632)288-1249

ADRIATICO-MALATE
G/F Hostel 1632 Adriatico St.
Malate, Manila
Phone: (632) 353-3258; 450-1482
Fax: (632) 353-3262

ASEANA CITY – PARANAQUE BRANCH
Ground Floor Commercial Space GO1
Ri-Rance Corporate Center I
Aseana City, Paranaque
Phone: (632) 395-9762
PLDT Wireless Phone
Landline – (02) 775-3746

BANAWE
Unit 5-7 Solmac Bldg.
84 Dapitan cor Banawe Sts.
Sta. Mesa Heights, Quezon City
Phone: (632) 708-5810; 410-8656
Fax: (632) 410-9019

BANAWE- KALIRAYA
Motorex Philippines, Inc. Bldg.
148 Banawe cor. Kaliraya St.
Brgy. Tatalon, Quezon City
Phone: (632) 711-1015
Fax: (632) 711-0918

BETTER LIVING - PARAÑAQUE
156 Doña Soledad Ave.
Better Living Subdivision
Brgy. Don Bosco, Parañaque City
Phone: (632) 846-8727
Fax: (632) 846-8163

BINONDO CORPORATE CENTER
1126 Soler St., Binondo, Manila
Phone: (632) 242-0601; 310-3785;
310-3784
Fax: (632) 242-7927

BONIFACIO GLOBAL CITY
Stall CS 152 and 153, MC Home Depot
32nd Street, cor. Bonifacio Blvd.
Bonifacio Global City, Taguig City
Phone: (632) 831-8127; 831-9971
Fax: (632) 507-2325

CAMARIN
Zabarte Town Center
588 Camarin Rd. cor. Zabarte Rd.
North, Caloocan City
Phone: (632) 962-0627; 962-0160
Fax: (632) 962-0232

CARMEN PLANAS
869 Carmen Planas St.
Binondo, Manila
Phone: (632) 522-7972; 245-5066
Fax: (632) 245-5226

COMMONWEALTH - FAIRVIEW
G/F Datamex - College of St. Adeline
Commonwealth Ave., East Fairview
Park Subd., Quezon City
Phone: (632) 428-7104;
Fax: (632) 376-2358
Region Office: (632) 376-9477

CONCEPCION- MARIKINA
Bayan- Bayanan Ave., Concepcion Uno
Marikina City
Phone: (632) 948-5688; 955-6172
Fax: (632) 948-4213

CONGRESSIONAL AVE. - QUEZON CITY
622 Congressional Ave.
Brgy. Bahay, Toro, Quezon City
Phone: (632) 921-2919; 921-2932
Fax: (632) 453-7242

CUBAO
Units D, E & F Timbol Singh Bldg.
915 Aurora Blvd.
Cubao, Quezon City
Phone: (632) 709-3695; 438-9966
Fax: (632) 709-3649

DEL MONTE
284-286 Del Monte Ave., Quezon City
Phone: (632) 708-5801; 749-9103;
414-2726
Fax: (632) 742-2655

EDSA - CALOOCAN BUSINESS CENTER
574 EDSA Highway, Caloocan City
Phone: (632) 363-2493; 363-0165;
367-3592
Fax: (632) 363-1635

EDSA - MONUMENTO
261 EDSA Highway, Brgy. 85
Zone 8, Caloocan City
Phone: (632) 294-1837; 949-8673
Fax: (632) 294-1830

ELCANO
730 Elcano St., Binondo, Manila
Phone: (632) 241-9824; 241-5629
Fax: (632) 241-4287

GRACE PARK
249 Rizal Ave. Ext., cor. 7th Ave.
Grace Park, Caloocan City
Phone: (632) 361-0941
Fax: (632) 361-1004

GREENHILLS
G/F LGI Bldg, Ortigas Ave.
Brgy. Greenhills, San Juan City
Phone: (632) 234-9018; 576-8365
Fax: (632) 234-9016

JOSE ABAD SANTOS
1737-1739 Jose Abad Santos Ave.
Tondo, Manila
Phone: (632) 230-2344; 964-8216
Fax: (632) 230-4033

KAMIAS - ANONAS
G/F Armon's Bldg.
142 Kamias Road cor.
Anonas St., Quezon City
Phone: (632) 366-6874; 434-1491
Fax: (632) 366-6876

KAYBIGA
Guilmar Marble Corporation Bldg.
#297 General Luis Street
Kaybiga, Caloocan City
Phone: (632) 352-7872
Fax: (632) 936-9685

LAS PIÑAS
Unit 1 & 2 G/F San Beda Commercial
Zapote Alabang Rd., Las Piñas
Phone: (632) 874-7966; 871-0092
Fax: (632) 875-0589

LEGASPI VILLAGE - MAKATI
Sunrise Terraces, 100 Perea St.
Legaspi Village, Brgy. San Lorenzo
Makati City
Phone: (632) 551-2419; 310-5929
Fax: (632) 551-2416

MADRIGAL BUSINESS PARK
Unit 102 G/F Corporate Centre
1906 Finance Dr., Madrigal Business Park
Muntinlupa City
Phone: (632) 822-6646; 822-6716
Fax: (632) 822-2706

MAKATI
137 Yakal Street, Makati City
Phone: (632) 892-6768; 817-5720;
812-4755
Fax: (632) 892-8498

MALABON
155 Gov. Pascual Ave.
Malabon City
Phone: (632) 288-0078; 446-3444
Fax: (632) 287-7873

MALABON - RIZAL AVE.
726 Rizal Ave. Brgy. Tañong
Malabon City
Phone: (632) 376-1434; 447-6044
Fax: (632) 376-1433

MALINTA
G/F MS Apartelle Bldg.
415 McArthur Highway
Dalandanan, Valenzuela City
Phone: (632) 282-0231
Fax: (632) 283-3348

MANDALUYONG
Unit I, Facilities Centre
Shaw Blvd., Mandaluyong City
Phone: (632) 470-3244; 718-0103
Fax: (632) 531-3537

MARIKINA
306 J. P. Rizal St., Sta. Elena
Marikina City
Phone: (632) 646-5864; 369-4002
Fax: (632) 646-6294

MUNTINLUPA
G/F Units 1 & 2
50 National Road
Putatan, Muntinlupa City
Phone: (632) 798-0284
Fax: (632) 551-0010

NAVOTAS
G/F Teresita Bldg., North Bay Boulevard
Navotas City
Phone: (632) 355-4143; 355-4159;
Fax: (632) 355-4274

NOVALICHES
Krystle Bldg.
858 Quirino Highway
Novaliches, Quezon City
Phone: (632) 936-3467; 938-4038
Fax: (632) 418-3132

ORTIGAS BUSINESS CENTER
E Prime 24-A CW Home Depot- Ortigas
No. 1 Doña Julia Vargas Ave. cor.
Meralco Ave. Brgy. Ugong, Pasig City
Phone: (632) 656-2461; 914-7032
Fax: (632) 656-3303

PASAY
2241 C.K. Sy Bldg.
Taft Ave., Pasay City
Phone: (632) 551-5833; 836-7109
Fax: (632) 551-5830

PASAY - MALIBAY
Unit E, J&B Bldg. 641 EDSA
Malibay, Pasay
Phone: (632) 845-0764; 843-1172
Fax: (632) 622-8158

PASIG BLVD. - KAPITOLYO
G/F Unit 4 Elements on
Rosemarie Bldg.
Pasig Boulevard cor.
Rosemarie St., Pasig City
Phone: (632) 234-0607; 500-6415
Fax: (632) 234-0608

PASO DE BLAS
Paso de Blas road cor. P. Santiago St.
Brgy. Paso de Blas
Valenzuela City
Phone: (632) 292-3575; 292-4136;
294-6239
Fax: (632) 293-1933

PATERNO - QUIAPO
707 Paterno St., Brgy. 307
Quiapo, Manila
Phone: (632) 310-5217; 354-9670
Fax: (632) 354-9695

PEDRO GIL - PACO
1077 Pedro Gil Street
Paco, Manila
Phone: (632) 498-1952; 354-5141;
498-1952
Fax: (632) 354-3239

QUINTIN PAREDES
G/F Downtown Center Bldg.
Quintin Paredes St.
Binondo, Manila
Phone: (632) 522-8039; 522-0871
Fax: (632) 241-7123

OUR BRANCHES

RETIRO
No. 84 Units A&B N.S. Amoranto Ave.
Brgy. Salvacion, La Loma
Quezon City
Phone: (632) 711-2538; 625-8213
Fax: (632) 711-2175

ROOSEVELT
Sun Square Bldg.
323 Roosevelt Ave
Brgy. San Antonio,
San Francisco Del Monte
Quezon City
Phone: (632) 411-6345; 376-1426
Fax: (632) 376-1135

SALCEDO VILLAGE - MAKATI
Unit GDA-1, LPL Center
130 L. P. Leviste St.
Salcedo Village, Makati City
Phone: (632) 550-2482
Fax: (632) 550-2480

SAMSON ROAD
117 D & E Samson Road
Caloocan City
Phone: (632) 310-9068; 332-8506;
332-8971
Fax: (632) 332-9495

SUCAT - PARAÑAQUE
Unit B-10-A Jaka Plaza Mall
A. Santos Ave., Sucat
Parañaque City
Phone:(632) 552-2548; 501-6247
Fax: (632) 552-2547

THE FORT
Units 104-105 Forbeswood Towers,
Forbestown Center, Rizal Drive cor.
Burgos Circle, Bonifacio Global City
Taguig City
Phone: (632) 856-6653; 856-6654
Fax: (632) 856-6652
DL: (632) 556-3206 (treasury)

TIMOG - ROTONDA
A.A. Tanco Bldg.#55 Timog Ave. cor.
Tomas Morato Ave.
Brgy. South Triangle, Quezon City
Phone: (632) 950-6003; 441-0895
Fax: (632) 376-9530

VALENZUELA
215 McArthur Highway,
Karuhatan, Valenzuela City
Phone: (632) 443-8113; 443-8118;
292-3296
Fax: (632) 443-9030

WEST AVENUE
Unit 102, West Ave. Strip
No. 53 West Ave.
Brgy. Paltok, Quezon City
Phone: (632) 709-7109; 411-0355
Fax: (632)709-7110

LUZON BRANCHES

ANGELES
Lot 5 Blk 1 McArthur Highway
Angeles City
Phone: (045) 626-2088; 626-2089
Fax: (045) 626-2087

ANTIPOLO
Units 3 & 4 Megathon Bldg.
Circumferential Road,
Brgy. San Roque, Antipolo City
Phone: (632) 697-3054; 630-5186;
697-3051; 630-0750
Fax: (632) 697-3018

ANTIPOLO - MASINAG
Unit 104 G/F Rikland Centre
Marcos Highway, Mayamot
Antipolo City
Phone: (632) 250-2135; 234-2731
654-6654
Fax: (632) 654-6034

BAGUIO
G/F CTTL Bldg. Abanao Ext.
Baguio City
Phone: (074) 447-2692; 447-2694;
424-4146
Fax: (074) 447-2693

BALANGA
Don Manuel Banzon Ave.
Balanga City, Bataan
Phone: (047) 237-1136
Fax: (047) 237-1137

BALIUAG
B.S. Aquino Ave., Bagong Nayon
Baliuag, Bulacan
Phone: (044) 673-5216
Fax: (044) 766-3485

BATANGAS
Cifra Plaza,
No. 114 Rizal Ave. cor.
P. Zamora St., Brgy 16
Batangas City
Phone: (043) 702-1162; 702-2385
Fax: (043) 425-0053

BENGUET - LA TRINIDAD
KM 5 La Trinidad, Benguet
Phone: (074) 422-9792; 422-9795
619-0261
Fax: (074) 422-9794

BINAKAYAN
Tirona Highway, Binakayan
Kawit, Cavite
Phone: (046) 434-7455; 434-7992
Fax: (046) 434-9009

BIÑAN - LAGUNA
G/F S.A.P. Bldg. 5230 National Highway
Brgy. San Vicente, Biñan
City Laguna
Phone: (049) 511-9200; 576-0209;
576-0256
Fax: (049) 511-3226

BOCAUE
Mac Arthur Highway, Brgy. Wakas
Bocaue, Bulacan
Phone: (044) 233-3615
Fax: (044) 248-6103

CABANATUAN
Paco Roman St.
Cabanatuan City, Nueva Ecija
Phone: (044) 940-1470; 464-7417
464-7411
Fax: (044) 940-1491

CAINTA
Units B5 and B6 The Ave.
Felix Ave., Brgy. San Isidro
Cainta, Rizal
Phone: (632) 645-6631; 647-5622
Fax: (632) 681-1658

CALAMBA
G/F Unit 2 Kim-Kat Annex Bldg.
National Highway, Parian
Calamba City, Laguna
Phone: (049) 508-0059
Fax/Manila Line: (632) 420-8207

CANDON - ILOCOS SUR
G/F BZ Building
#15 National Highway
Barangay San Isidro
Candon City, Ilocos Sur
Phone: (077) 604-0172
Fax: (077) 604-0171

CALAPAN
AST Tolentino Bldg., JP Rizal Street
Brgy. San Vicente East, Calapan City
Oriental Mindoro
Phone: (043) 459-0015
Fax: (043) 288-1082

CAUAYAN
Maharlika Highway, Brgy. San Fermin
Cauayan City, Isabela
Phone: (078) 652-0293; 652-0294;
260-0032
Fax: (078) 652-0301

CARMONA - CAVITE
Units F & G, Jupan C. Lim Bldg.
Governor's Drive, Brgy. Bancal
Carmona, Cavite
Phone: (046) 460-5708
Fax: (046) 460-5706

DAGUPAN
Rizal St., Dagupan City Pangasinan
Phone: (075) 523-4781; 523-4701
Fax: (075) 523-4732

DASMARIÑAS - CAVITE
Unit G2 Annie's Plaza Dasma
Brgy. San Agustin I
Dasmariñas City, Cavite
Phone: (046) 431-7368; 431- 4926
Fax: (046) 431-7564

DINALUPIHAN
No. 33 Rizal St., Dinalupihan, Bataan
Phone: (047) 481-1093; 481-5203
Fax: (047) 636-1118

GAPAN
Tinio St. Brgy. San Vicente
Gapan City, Nueva Ecija
Phone: (044) 486-0893
Fax: (044) 486-2437

GENERAL TINIO
Poblacion Central (Papaya)
Gen. Tinio, Nueva Ecija
Phone: (044) 958-2879; 958-2877
Fax: (044) 958-3001

IMUS
Aguinaldo Highway, Tanzang Luma
Imus, Cavite
Phone: (046) 472-3664; 472-3663
Fax/ Manila Line: (632) 529-8630

IRIGA - CAMARINES SUR
Highway 1 cor. Violeta St.
San Miguel, Iriga City
Phone: (054) 299-7472
Fax: (054) 299-7471

KAWIT
Gregoria St., Poblacion Kawit, Cavite
Phone: (046) 484-5905; 484-7014
Fax: (046) 484-4997

LA UNION
G/F Virginia Bldg.
Quezon Ave. cor. Flores St.
Dominion Bus Terminal
National Highway
San Fernando City, La Union
Phone: (072) 242-3836; 242-0210;
242-0372
Fax: (072) 242-0350

LAOAG
G/F Laoag Allied Marketing Bldg.
Brgy. 19 J. P. Rizal St., Laoag City
Phone: (077) 772-3027; 777-3042
Fax: (077) 772-3041

LEGAZPI CITY
D' Executive Bldg, Rizal St.
Brgy. Tinago, Legazpi City
Albay
Phone: (052) 480-8595
Fax: (052) 480-2815

LIMAY
National Road, Brgy. Reformista
Bernabe Subdivision, Limay, Bataan
Phone : (047) 244-4072
Fax: (047) 633-9128

LIPA CITY
Units 1, 2, 3 & 4 Trinity Business Centre
Ayala Highway, Brgy. Balintawak
Lipa City, Batangas
Phone : (043) 455-1020
Fax: (043) 981-0056

OUR BRANCHES

LUCENA CITY
Quezon Ave.
Lucena City
Phone: (042) 797-1839; 322-0086
Fax: (042) 797-1838

MALOLOS
G/F Unit 4 and 5, DJ Paradise Hotel
Macarthur Highway, Brgy. Dakila
Malolos City, Bulacan
Phone: (044) 794-6254
Business phone: 0917-554-4584

MEYCAUAYAN
Medical Plaza Bldg.
McArthur Highway, Banga
Meycauayan, Bulacan
Phone: (044) 769-6327; 840-4855
Fax: (044) 769-6329

MOLINO - BACOOR
SolaGrande Centre, Molino Business Centre
Molino Road, Molino 2
Bacoor City, Cavite
Phone: (046) 416-3832; 416-3827
Fax/ Manila Line: (632) 512-0386

MUZON
807 Luwasan Muzon,
City of San Jose del Monte, Bulacan
Phone: (044) 760-4703; 760-4709
Fax: (044) 760-4711

NAGA
Unit C G/F CBD Plaza Hotel
Ninoy and Cory Ave.
Central Business District II
Triangulo, Naga City
Phone: (054) 473-6303
Fax: (054) 473-6309

OLONGAPO
2420 Rizal Ave.
Brgy. East Bajac-Bajac
Olongapo City
Phone: (047) 222-9951
Fax: (047) 222-9950

ORTIGAS AVE. EXT. - CAINTA
G/F Crospoint Commercial Area
Resta 2, Ortigas Ave. Ext.
Cainta Junction, Brgy. Sto. Domingo
Cainta, Rizal
Phone: (632) 997-2251; 941-4145
Fax: (632) 997-2557

PANGASINAN - LINGAYEN
17 Avenida Rizal West, Brgy. Poblacion
Lingayen, Pangasinan
Phone: (075) 633-2880; 206-0314
Fax: (075) 633-2879

PUERTO PRINCESA PALAWAN
New Carlos Bldg.
271 Rizal Ave., Central Business
District, Maningning,
Puerto Princesa City, Palawan
Phone: (048) 433-0060
Fax: (048) 433-0049

SAN FERNANDO
Hyatt Garden Bldg., McArthur Highway
Dolores, San Fernando, Pampanga
Phone: (045) 961-0523; 961-1854;
Fax: (045) 961-0524

SAN PABLO
Lynderson Bldg., Lopez Jaena St.
San Pablo City, Laguna
Phone: (049) 521-1158; 521-1121
Fax: (049) 300-0149

SAN PEDRO - LAGUNA
Alex Bldg.
National Highway, Brgy. Poblacion
San Pedro, Laguna
Phone: (632) 843-4098; 843-4099
Fax: (632) 808-7352

SANTIAGO
BDV Bldg., City Road
Santiago City, Isabela
Phone: (078) 258-0073; 258-0070;
305-3068
Fax: (078) 305-3079

SBMA - SUBIC
Unit 1-1 and 1-2 Subic Creative Center
Bldg. Lot C-5A, Block C, Manila Ave. cor.
Dewey Ave., Subic Commercial and Light
Industrial Park, Central Business District
Subic Bay
Freeport Zone
Phone: (047) 250-3571
Fax: (047) 250-3570

SORSOGON
Chiang Kai Shek School Bldg.
Magsaysay Ave., Sorsogon City
Phone: (056) 421-6493
Fax: (056) 421-6492

STA. MARIA
Angelica Bldg.
Gov. F. Halili Ave., Bagbaguin
Sta. Maria, Bulacan
Phone: (044) 288-2713; 815-3983
Fax/Manila line: (632) 299-2713

STA. ROSA
#100 Balibago along
National Highway cor.
Roque Lasaga St., Balibago
Sta. Rosa, Laguna
Phone: (049) 534-5622; 837-2324
Fax/Manila Line: (632) 520-8117

SOLANO
Gaddang St., Brgy. Poblacion
North Solano, Nueva Vizcaya
Phone: (078) 392-0309; 326-0030
Fax: (078) 326-0014

SUBIC - ZAMBALES
No. 0025 National Highway
Calapandayan
Subic, Zambales
Phone: (047) 232-1976
Fax: (047) 306-5122

TANAUAN
Jose P. Laurel Ave.
Brgy. Poblacion, Tanauan City
Phone: (043) 702-7409; 702-7407
Fax: (043) 406-5006

TARLAC
G/F Que Kian Juat Bldg.
F. Tanedo Street, Brgy. San Nicolas
Tarlac City
Phone: (045) 925-3302
Fax: (045) 925-3298

TARLAC - PANIQUI
G/F Unit 8, Green Field Bldg.
Zamora St., Poblacion Sur
Paniqui, Tarlac
Phone: (045) 606-1085; 606-1190
Fax: (045) 491-8508

TAYTAY
Brgy. San Juan, Taytay, Rizal
Phone: (632) 234-2580; 218-3871
Fax: (632) 234-1899

TRECE MARTIRES - CAVITE
VPG Bldg., Tanza- Trece Martires
Road, Brgy. San Agustin
Trece Martires City, Cavite
Phone: (046) 416-7605
Fax: (046) 416-7606

TUGUEGARAO
6 Rizal St., Brgy. 8
Tuguegarao City
Phone: (078) 304-0243; 844-0292;
844-0496
Fax: (078) 501-1049

URDANETA
Unit 1, The Pentagon GNC Bldg.
MacArthur Highway, Nancayasan
Urdaneta, Pangasinan
Phone: (075) 656-3012; 656-2108;
Fax: (075) 568-5876

VIGAN
Luisa Trading Bldg., Quezon Ave. cor.
Salcedo St., Brgy. 3
Vigan City, Ilocos Sur
Phone: (077) 673-0067; 250-2659
Fax: (077) 604-0282

VISAYAS BRANCHES

BACOLOD
Philamlife Bacolod Bldg.
Lacson St. cor. Galo Street
Bacolod City
Phone: (034) 435-5745; 435-5734;
435-5683
Fax: (034) 435-5744

BORACAY
Brgy. Balabag, Boracay Island
Malay, Aklan
Phone: (036) 506-3046; 506-3051
Fax: (036) 663-0019

CEBU - BANILAD
A.S. Fortuna St., Banilad
Mandaue City, Cebu
Phone: (032) 268-7340
Fax: (032) 268-7347

CEBU - CONSOLACION
Highway Consolacion
(Fronting Cebu Home Builders)
Brgy. Cansaga
Consolacion, Cebu
Phone: (032) 236-3476; 236-4299
Fax: (032) 423-0514

CEBU - DOWNTOWN
G/F Lianting Bldg.
130 F. Gonzales Street
Cebu City
Phone: (032) 255-6607; 253-2518;
255-6490
Fax: (032) 253-2366

CEBU - ESCARIO
Unit G-08, Capitol Square
Escario St., Cebu City
Phone: (032) 232-0146; 232-0145
Fax: (032) 232-0147

CEBU- TALISAY
Door 3, Rosalie Bldg.
Gaisano Fiesta Mall Tabunok
Cebu South Road (AKA Tabunok Highway)
Talisay City, Cebu
Phone: (032) 520-7852; 520-7853
Fax: (032) 505-9048

DUMAGUETE
Ground Floor C&L Suites Inn
485 Perdices Street cor. Pinili Street Brgy.
Poblacion 3, Dumaguete City
Phone: (035) 400-4800; 421-1474;
522-2709
Fax: (035) 522-2710

ILOILO
25 Quezon Street, Iloilo City
Phone: (033) 336-5933; 336-5250;
336-9086
Fax: (033) 336-9472

KALIBO
Roxas Ave., Poblacion
Kalibo City, Aklan
Phone: (036) 268-3538; 390-0040;
390-0039
Fax: (036) 500-7253

LAPU-LAPU CITY
G/F AMCO Bldg., ML Quezon
National Road, Pajo
Lapu-Lapu City,Cebu
Phone: (032) 495-2831; 236-3018;
495-8231
Fax: (032) 238-8590

MANDAUE
Unit 1-2 Wireless Plaza Bldg.
H. Cortes Ave. cor. Hi-way Seno
Subangdaku, Mandaue City
Phone: (032) 345-4462; 345-2657;
345-5274; 345-1520
Fax: (032) 345-2657

ORMOC
No. 333 Real St., Brgy. District 5
Ormoc City, Leyte
Phone: (053) 832-3649; 832-3650
Fax: (053) 832-3651

ROXAS CITY
G/F SJS Bldg., San Roque St. Ext.
Brgy. 8, Roxas City, Capiz
Phone: (036) 522-1980
Fax: (036) 620-3470

OUR BRANCHES

TACLOBAN
Zamora St., Tacloban City
Phone: (053) 832-0002; 832-0065; 523-0616
Fax: (053) 832-0074

TAGBILARAN
EB Gallares Bldg.
C. P. Garcia Ave.
Tagbilaran City, Bohol
Phone: (038) 411-0837; 411-0831
Fax: (038) 411-0832

MINDANAO BRANCHES

BUTUAN
Montilla Boulevard cor. T. Calo St.
Butuan City, Agusan Del Norte
Phone: (085) 815-0512
Fax: (085) 815-0513

CAGAYAN DE ORO
Lapasan Highway, Cor. Camp Alagar
Cagayan de Oro City
Phone: (088) 231-6682; 880-5280; 323-1735
Fax: (088) 880-5281

CAGAYAN DE ORO - COGON
ALLA Inc. Bldg., JR Borja St.
(near cor. Corrales Ave.)
Brgy. 32, Cagayan De Oro City
Misamis Oriental
Phone: (088) 220-2989; 323-1625
Fax: (088) 880-2990

DAVAO - BAJADA
G/F DCCCII Bldg.
J.P. Laurel Ave., Davao City
Phone: (082) 222-5146; 300-4386; 222-2316
Fax: (082) 300-4385

DAVAO - LANANG
Fuji One Bldg. Km. 7
Lanang, Davao City
Phone: (082) 305-4621; 234-2879; 234-2933
Fax: (082) 300-8876

DAVAO - C.M. RECTO
JRL Bldg. 107 C.M. Recto Ave.
Brgy. 38-D, Davao City
Phone: (082) 224-3294
Fax: (082) 224-3969

DAVAO - PANABO
Wharf Road, Brgy. Sto. Niño
Poblacion, Panabo City
Davao Del Norte
Phone: (084) 629-0060; 628-4005
Fax: (084) 629-0050

DAVAO - SALES
Door 7 & 8 JM Bldg.
Governor Sales St. Davao City
Phone:(082) 222-4951; 222-4281; 222-4452
Fax: (082) 224-2597

DAVAO - TAGUM CITY
Roxas St. cor. Osmeña St.
Tagum City, Davao
Phone: (084) 216-1725; 216-1724
Fax: (084) 216-1726

DAVAO - TORIL
Gaisano Grand Mall Toril
Unit GL 8B & GL9 Saavedra St.
Toril, Davao City
Phone: (082) 293-9005; 324-1480; 324-1472
Fax: (082) 285-9154

DIPOLOG
No. 331 P. Burgos St.(near cor. Rizal Ave.)
Dipolog City, Zamboanga Del Norte
Phone: (065) 212-1424 ; 908-1576; 908-1700
Fax: (065) 212-1425

GENERAL SANTOS
GSC SunCity Suites
B-1-03 & B-1-04 National Highway
Lagao, General Santos City
Phone: (083) 552-0591; 301-6015
Fax: (083) 301-6014

GENERAL SANTOS - SANTIAGO BLVD.
Santiago Boulevard
Brgy. Dadiangas South
General Santos City
Phone: (083) 552-5712
Fax: (083) 552-2209

ILIGAN
Doromal Bldg., Quezon Ave. Extension
Brgy. Villaverde Iligan City
Phone: (063) 222-3971; 302-0074; 302-0107
Fax: (063) 222-4197

OZAMIS
G/F Insular Life Bldg.
Don Anselmo Bernad Ave.
(National Highway) cor.
Jose Abad Santos St., Ozamis City
Misamis Occidental
Phone: (088) 545-0985; 545-0987; 319-0309
Fax: (088) 319-0308

SURIGAO CITY
Diez St., Brgy. Taft, Surigao City
Surigao Del Norte
Phone: (086) 310-0346

ZAMBOANGA
Wee Agro Bldg.
Veterans Ave., Zamboanga City
Phone: (062) 955-2201; 955-1024
Fax: (062) 955-1047

BRANCHES-LITES

TAGUIG CITY BRANCH-LITE
Unit RT5, One Mckinley Place
4th Ave., Bonifacio
Global City, Taguig
Phone: (632) 851- 4037; 851- 2534
838- 9329

CEBU CITY BRANCH-LITE
4th Floor, NIC-2 Bldg.
Capitol Square, N. Escario St.
Cebu City
Phone: (032) 415-7764

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of Philippine Business Bank, A Savings Bank (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, 2018 and 201 7, 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 to do so.

The Bank's Board of Directors, through management, 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 members.

Punongbayan and Araullo, the independent auditors appointed by the members, has audited the financial statements of the Foundation in accordance with Philippine Standards on Auditing, and in their report to the members, have expressed their opinion on the fairness of presentation upon completion of such audit.

Francis T. Lee
Chairman

Rolando R. Avante
President and CEO

Roselle M. Baltazar
Chief Finance Officer

Signed this 15th day of April, 2019

ATTY NIRO CHRISTOPHER R PURA
Notary Public (NC, [illegible] valid Until Dec. 31, 2019)
Roll of Attorney's No 53988
PTR No 10300054, 01-03-19, Caloocan
IBP No 055949, 12-03-18, Calmana
MCLE Cert No V-0023535, 08 16 16
350 Rizal Ave Cor 8th Ave Grace Park Caloocan

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Philippine Business Bank, Inc., A Savings Bank
350 Rizal Avenue Extension corner 8th Avenue
Grace Park, Caloocan City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Philippine Business Bank, Inc., A Savings Bank (the Bank), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2018 and 2017, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). 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 audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

(a) Adoption of PFRS 9, Financial Instruments

Description of the Matter

In 2018, the Bank adopted PFRS 9, *Financial Instruments* which, effective January 1, 2018, replaced Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement*. The adoption of this new standard, which primarily affected the Bank's classification and measurement of financial assets and impairment of financial instruments using the expected credit loss (ECL) methodology, is considered significant in our audit because of the complexity of the accounting requirements and the significant judgment and assumptions used by management in applying the standard.

The impact of the adoption of PFRS 9, and the related changes in accounting policies, basis of judgment and estimates, and risk management policies and procedures are disclosed in Notes 2, 3 and 4 to the financial statements.

How the Matter was Addressed in the Audit

We have obtained an understanding of the Bank's implementation process of PFRS 9, including the changes in the Bank's policies and processes. Our main audit procedures for each of the new requirements of PFRS 9 are the following:

(i) Classification and Measurement

- obtaining and understanding the board-approved business models for the Bank's portfolios of financial assets;
- evaluating the appropriateness of the Bank's policy for classification and measurement of financial instruments based on the requirements of PFRS 9;
- evaluating the sufficiency and appropriateness of the business model assessment and contractual cash flows characteristics assessment (i.e., testing if the cash flows arising from financial assets relate solely to payment of principal and interest) and assessing the frequency and relative amount of sales in the past;
- checking the analysis done by the Bank in respect of the classification of its financial assets into amortized cost and fair value through other comprehensive income, and measurement of the assets in their respective classifications; and
- checking and evaluating the appropriateness of transition adjustments applied by management as a result of the adoption of PFRS 9 and ascertaining the adequacy of the related financial statement disclosures, including changes in accounting policies and basis of judgment and estimates.

(ii) Impairment

- evaluating the appropriateness of the Bank's new impairment policy, particularly in respect of areas where the exercise of judgment is necessary such as when a credit exposure has experienced a significant increase in credit risk;
- understanding and assessing the appropriateness of ECL models used, including reasonableness of overlays or forward-looking information (FLI);
- assessing completeness, accuracy, relevance and reliability of inputs in the ECL models, including historical information, write-offs and collateral valuations;
- checking the Bank's assessment of the appropriateness of the ECL models, and assumptions and estimates used; and
- evaluating the appropriateness and reasonableness of the impairment adjustments arising from the transition to PFRS 9 as well as completeness and reasonableness of related ECL disclosures.

(b) Valuation of Loans and Other Receivables and Recognition of Related Interest Income

Description of the Matter

(i) Valuation of Loans and Other Receivables

Loans and other receivables are the most significant resources of the Bank. As at December 31, 2018, the balance of the account is P75.5 billion, which is net of allowance for impairment of P1.0 billion, representing 80% of the Bank's total resources.

The relevant accounting policies of the Bank on the measurement and impairment of financial assets are disclosed in Note 2 to the financial statements. In applying such policies, management has made significant accounting judgments and estimates, particularly in determining when loans and other receivables are impaired and how much impairment should be recognized in the financial statements. Management's application of judgments and estimates in respect of impairment of loans and other receivables is disclosed in Note 3 to the financial statements, and the Bank's analysis of the allowance for impairment of the asset is presented in Note 12 to the financial statements.

As discussed in item (a), in 2018, the Bank adopted PFRS 9, which introduced the ECL model in determining impairment of financial assets. Accordingly, the Bank used the ECL model in determining impairment of its loans and other receivables. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, the associated loss ratios and of default correlations between counterparties. Furthermore, the Bank incorporated FLI into both the assessment of whether the credit risk of an instrument has increased significantly from its initial recognition to the measurement of ECL. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The disclosures of the Bank on the allowance for impairment on loans and other receivables, and the related credit risk are included in Notes 4 and 12 to the financial statements.

(ii) Recognition of Interest Income

The Bank measures these financial assets using the effective interest method and recognizes the related interest income using the effective interest rate. In 2018, the interest income recognized on loans and receivables amounted to P5.3 billion which accounts for 96% of the total interest income of the Bank. Because of the materiality of the amount involved and the risk that the amount of interest income recognized in the financial statements could be higher than what have been actually earned, we have considered the recognition of interest income to be a matter of significance in our audit.

How the Matters were Addressed in the Audit

We have established reliance on the Bank's internal control by testing the design and operating effectiveness of internal control including general and application controls over the assessment and approval of customer credit; the capturing of information relevant to calculation of the amount of allowance for impairment (e.g., risk grades, default rates and loss given defaults); the calculation and recognition of impairment loss; and, the calculation and recognition of the interest income using the effective interest method.

In addition, we performed substantive audit procedures, which included, among others:

Valuation of Loans and Other Receivables

- evaluating the appropriateness of the Bank's credit policy and loan impairment process as approved by the Board of Directors;
- testing the Bank's application of internal credit risk rating system by reviewing the ratings of sample credit exposures;
- verifying that the loans are allocated to the appropriate stage of credit impairment by challenging the criteria used to allocate the loan to Stage 1, 2 or 3 in accordance with PFRS 9;
- evaluating the inputs and assumptions as well as the formulas used in the development of the ECL models for each of its loan portfolio. This includes assessing the appropriateness of design of the ECL impairment model and formula used in determining the probability of default, loss given default and exposure at default;
- assessing whether the forecasted macro-economic factors, which generally include but not limited to gross domestic product growth, unemployment rate, inflation rate and interest rates, were appropriate in respect of the FLI used. In addition, assessing the level of significance of correlation of selected macro-economic factors to the default rates and the impact of these variables to the ECL;
- assessing the borrowers' repayment abilities by examining payment history for selected loan accounts; and
- evaluating management's forecast of recoverable cash flows, valuation of collaterals and estimates of recovery from other sources of collection in respect of selected non-performing loan accounts;

Recognition of Interest Income

- testing, on a sampling basis, the reasonableness and appropriateness of the effective interest rate used by the Bank in computing interest income; and
- checking the propriety of the application of payments received by the Bank between principal, interest and penalties, if applicable.

REPORT OF INDEPENDENT AUDITORS

Other Information

Management is responsible for the other information. The other information comprises the information included in the Bank's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditors' report.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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 PSA 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 PSA, 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.

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2018 required by the Bureau of Internal Revenue as disclosed in Note 30 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audits resulting in this independent auditors' report is Christopher M. Ferareza.

PUNONGBAYAN & ARAULLO

By: Christopher M. Ferareza
Partner

CPA Reg. No. 0097462
TIN 184-595-975
PTR No. 7333693, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 1185-AR-2 (until May 9, 2021)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-34-2017 (until Jun. 19, 2020)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 10, 2019

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017
(AMOUNTS IN PHILIPPINE PESOS)

	Notes	2018	2017
RESOURCES			
CASH AND OTHER CASH ITEMS	9	**988,547,825**	1,002,240,895
DUE FROM BANGKO SENTRAL NG PILIPINAS	9	**6,164,361,658**	6,575,270,040
DUE FROM OTHER BANKS	10	**4,528,594,643**	4,012,519,495
TRADING AND INVESTMENT SECURITIES – Net	11		
At fair value through profit or loss (FVPL)		**1,816,806,583**	-
At fair value through other comprehensive income (FVOCI)		**2,279,714,729**	-
At amortized cost - net		**771,055,060**	-
Available-for-sale (AFS)		**-**	2,438,872,511
LOANS AND OTHER RECEIVABLES – Net	12	**75,530,357,441**	70,552,796,381
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – Net	13	**475,278,837**	486,639,186
INVESTMENT PROPERTIES – Net	14	**429,250,479**	423,348,421
OTHER RESOURCES – Net	15	**1,745,524,716**	1,772,157,992
TOTAL RESOURCES		**94,729,491,971**	87,263,844,921
LIABILITIES AND EQUITY			
DEPOSIT LIABILITIES	16		
Demand		**1,360,580,445**	1,219,946,216
Savings		**29,493,591,196**	26,761,394,203
Time		**46,396,911,610**	45,540,676,996
Total Deposit Liabilities		**77,251,083,251**	73,522,017,415
BILLS PAYABLE	17	**3,696,505,696**	1,933,724,724
ACCRUED EXPENSES AND OTHER LIABILITIES	18	**2,422,845,987**	1,581,874,771
Total Liabilities		**83,370,434,934**	77,037,616,910
EQUITY	19		
Capital stock		**7,057,500,940**	7,057,500,940
Additional paid-in capital		**1,998,396,816**	1,998,396,816
Surplus		**2,479,160,277**	1,249,049,896
Revaluation reserves		**(176,000,996)**	(78,719,641)
Total Equity		**11,359,057,037**	10,226,228,011
TOTAL LIABILITIES AND EQUITY		**94,729,491,971**	87,263,844,921

See Notes to Financial Statements.

STATEMENTS OF PROFIT OR LOSS
DECEMBER 31, 2018, 2017 AND 2016
(AMOUNTS IN PHILIPPINE PESOS)

	Notes	2018	2017	2016
INTEREST INCOME				
Loans and other receivables	12	**5,311,070,538**	3,672,405,502	2,753,015,521
Trading and investment securities	11	**150,073,005**	169,493,706	347,450,912
Due from Bangko Sentral ng Pilipinas and other banks	9, 10	**48,332,797**	38,533,466	106,688,143
Others	21	**83,110**	1,037,221	-
		5,509,559,450	3,881,469,895	3,207,154,576
INTEREST EXPENSE				
Deposit liabilities	16	**1,619,874,200**	826,990,066	734,334,592
Bills payable	17	**112,387,248**	14,841,279	12,786
Others	21	**-**	-	385,402
		1,732,261,448	841,831,345	734,732,780
NET INTEREST INCOME		**3,777,298,002**	3,039,638,550	2,472,421,796
IMPAIRMENT LOSSES	11, 12, 14	**294,731,906**	260,519,609	157,043,157
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**3,482,566,096**	2,779,118,941	2,315,378,639
OTHER INCOME				
Service charges, fees and commissions		**284,823,000**	200,841,789	151,446,102
Trading gains (losses) – net	11	**(30,493,963)**	128,497,849	348,705,833
Miscellaneous – net	20	**103,286,349**	57,739,234	71,411,568
		357,615,386	387,078,872	571,563,503
OTHER EXPENSES				
Salaries and other employee benefits	21	**816,987,670**	735,812,499	635,523,891
Taxes and licenses	30	**552,300,873**	382,355,576	354,104,708
Occupancy	24	**316,885,097**	294,904,718	274,470,716
Insurance		**199,899,999**	163,492,077	139,095,054
Depreciation and amortization	13, 14, 15	**185,904,712**	168,389,752	172,421,326
Management and other professional fees		**144,843,719**	117,575,137	125,373,997
Representation and entertainment		**45,480,967**	33,466,272	34,865,345
Miscellaneous	20	**336,457,187**	356,868,288	276,624,450
		2,598,760,224	2,252,864,319	2,012,479,487
PROFIT BEFORE TAX		**1,241,421,258**	913,333,494	874,462,655
TAX EXPENSE	23	**383,423,004**	273,247,394	205,838,450
NET PROFIT	27	**857,998,254**	640,086,100	668,624,205
Earnings Per Share				
Basic and Diluted	27	**1.33**	0.99	0.92

See Notes to Financial Statements.

STATEMENTS OF COMPREHENSIVE INCOME
DECEMBER 31, 2018, 2017 AND 2016
(AMOUNTS IN PHILIPPINE PESOS)

	Notes	**2018**	2017	2016
NET PROFIT		**857,998,254**	640,086,100	668,624,205
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss				
Gain (loss) on remeasurements of post-employment defined benefit plan	21	**(24,019,637)**	(19,589,334)	22,612,985
Tax income (expense)	23	**7,205,891**	5,876,800	(6,783,896)
		(16,813,746)	(13,712,534)	15,829,089
Items that will be reclassified subsequently to profit or loss	11			
Fair value losses on investment securities at FVOCI during the year - net		**(75,060,232)**	-	-
Expected credit losses for FVOCI securities		**4,229,457**	-	-
Fair value gains on AFS securities during the year - net		**-**	59,748,950	772,317,899
Fair value losses reclassified to profit or loss during the year		**-**	(29,979,364)	(270,581,452)
		(70,830,775)	29,769,586	495,278,728
Other Comprehensive Income (Loss) - Net of Tax		**(87,644,521)**	16,057,052	511,107,817
TOTAL COMPREHENSIVE INCOME		**770,353,733**	656,143,152	1,179,732,022

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN EQUITY
DECEMBER 31, 2018, 2017 AND 2016
(AMOUNTS IN PHILIPPINE PESOS)

	Notes	Capital Stock (see Note 19) Preferred Stock	Capital Stock (see Note 19) Common Stock	Additional Paid-in Capital (see Note 19)	Surplus (see Note 19) Appropriated	Surplus (see Note 19) Unappropriated	Revaluation Reserves (see Note 19) Net Unrealized Fair Value Losses on Investment Securities at AFS	Revaluation Reserves (see Note 19) Net Unrealized Fair Value Losses on Investment Securities at FVOCI	Accumulated Actuarial Losses	Total Equity
BALANCE AS OF JANUARY 1, 2018										
As previously reported		620,000,000	6,437,500,940	1,998,396,816	7,107,770	1,241,942,126	(52,250,091)	P -	(26,469,550)	10,226,228,011
Effect of adoption of PFRS 9 (2014)	2	-	-	-	449,628,263	(77,516,136)	52,250,091	(61,886,925)	-	362,475,293
As restated		620,000,000	6,437,500,940	1,998,396,816	456,736,033	1,164,425,990	-	(61,886,925)	(26,469,550)	10,588,703,304
Appropriation for trust reserves	19, 25	-	-	-	1,200,755	(1,200,755)	-	-	-	-
Appropriation for general loan loss reserve	19	-	-	-	275,750,535	(275,750,535)	-	-	-	-
Total comprehensive income (loss)		-	-	-	-	857,998,254	-	(70,830,775)	(16,813,746)	770,353,733
BALANCE AS OF DECEMBER 31, 2018		**620,000,000**	**6,437,500,940**	**1,998,396,816**	**733,687,323**	**1,745,472,954**	**P -**	**(132,717,700)**	**(43,283,296)**	**11,359,057,037**
BALANCE AS OF JANUARY 1, 2017		620,000,000	5,364,584,370	1,998,396,816	5,989,552	1,675,890,814	(82,019,677)	P -	(12,757,016)	9,570,084,859
Stock dividends	19	-	1,072,916,570	-	-	(1,072,916,570)	-	-	-	-
Appropriation for trust reserves	19, 25	-	-	-	1,118,218	(1,118,218)	-	-	-	-
Total comprehensive income (loss)		-	-	-	-	640,086,100	29,769,586	-	(13,712,534)	656,143,152
BALANCE AS OF DECEMBER 31, 2017		620,000,000	6,437,500,940	1,998,396,816	7,107,770	1,241,942,126	(52,250,091)	P -	(26,469,550)	10,226,228,011
BALANCE AS OF JANUARY 1, 2016		620,000,000	5,364,584,370	1,998,396,816	4,799,387	1,087,656,774	(577,298,405)	P -	(28,586,105)	8,469,552,837
Appropriation for trust reserves	19, 25	-	-	-	1,190,165	(1,190,165)	-	-	-	-
Cash dividends	19	-	-	-	-	(79,200,000)	-	-	-	(79,200,000)
Total comprehensive income		-	-	-	-	668,624,205	495,278,728	-	15,829,089	1,179,732,022
BALANCE AS OF DECEMBER 31, 2016		620,000,000	5,364,584,370	1,998,396,816	5,989,552	1,675,890,814	(82,019,677)	P -	(12,757,016)	9,570,084,859

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS
DECEMBER 31, 2018, 2017 AND 2016
(AMOUNTS IN PHILIPPINE PESOS)

	Notes	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**1,241,421,258**	913,333,494	874,462,655
Adjustments for:				
Impairment losses	11, 12, 14	**294,731,906**	260,519,609	157,043,157
Depreciation and amortization	13, 14, 15	**185,904,712**	168,389,752	172,421,326
Unrealized loss (gain) on foreign currency revaluation of investment securities	11	**(80,556,789)**	8,938,655	(157,739,246)
Gain on sale of properties - net	14, 15	**(13,457,936)**	(21,104,197)	(14,957,797)
Amortization of premium (discount)	11	**(3,053,009)**	8,583,967	(126,136,285)
Reversal of allowance for impairment	11	**(547,987)**	-	-
Gain on sale of available-for-sale (AFS) securities	11	**-**	(35,661,078)	(323,546,622)
Operating profit before working capital changes		**1,624,442,155**	1,303,000,202	905,093,810
Decrease (increase) in trading and investment securities at FVPL		**(1,232,591,853)**	3,274,168,284	(3,198,225,645)
Increase in loans and other receivables		**(4,188,417,087)**	(18,946,058,784)	(10,292,691,231)
Decrease (increase) in other resources		**(89,607,475)**	23,921,740	(383,443,754)
Increase in deposit liabilities		**3,729,065,836**	14,447,530,766	3,735,627,968
Increase (decrease) in accrued expenses and other liabilities		**901,604,515**	(166,116,284)	(489,921,837)
Cash generated from (used in) operations		**744,496,091**	(63,554,076)	(9,723,560,689)
Cash paid for income taxes		**(496,975,483)**	(334,642,895)	(223,708,542)
Net Cash From (Used in) Operating Activities		**247,520,608**	(398,196,971)	(9,947,269,231)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of investment securities at FVOCI	11	**(783,916,126)**	-	-
Acquisitions of investment securities at amortized cost	11	**(375,097,281)**	-	-
Acquisitions of bank premises, furniture, fixtures and equipment	13	**(144,117,676)**	(102,838,293)	(142,983,302)
Proceeds from sale of investment and other properties	14, 15	**117,426,391**	94,683,757	422,360,427
Acquisition of software licenses	15	**(77,965,698)**	(16,556,063)	(14,989,422)
Proceeds from sale of bank premises, furniture, fixtures and equipment	13	**15,588,647**	15,532,562	33,672,003
Proceeds from sale of AFS securities	11	**-**	4,803,015,169	9,013,850,949
Acquisitions of AFS securities	11	**-**	**(3,352,273,750)**	(1,844,594,612)
Cash acquired through business combination	15	**-**	216,156,116	-
Payments for business acquisition	15	**-**	-	(223,539,299)
Net Cash From (Used in) Investing Activities		**(1,248,081,743)**	1,657,719,498	7,243,776,744
CASH FLOWS FROM FINANCING ACTIVITIES				
Availments of bills payable	17	**16,646,397,805**	6,424,212,200	-
Settlement of bills payable	17	**(14,883,616,833)**	(4,490,487,476)	(956,250)
Payment of cash dividends	19	**-**	(79,200,000)	-
Net Cash From (Used in) Financing Activities		**1,762,780,972**	1,854,524,724	(956,250)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**762,219,837**	3,114,047,251	(2,479,593,301)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR				
Cash and other cash items	9	**1,002,240,895**	1,098,616,524	1,279,302,155
Due from Bangko Sentral ng Pilipinas	9	**6,575,270,040**	6,225,701,096	7,672,637,783
Due from other banks	10	**4,012,519,495**	1,633,340,396	2,825,982,401
Securities under reverse repurchase agreement	12	**826,072,472**	345,154,260	-
Foreign currency notes and coins on hand	15	**60,144,407**	59,387,782	63,871,020
		12,476,247,309	9,362,200,058	11,841,793,359
CASH AND CASH EQUIVALENTS AT END OF THE YEAR				
Cash and other cash items	9	**988,547,825**	1,002,240,895	1,098,616,524
Due from Bangko Sentral ng Pilipinas	9	**6,164,361,658**	6,575,270,040	6,225,701,096
Due from other banks	10	**4,528,594,643**	4,012,519,495	1,633,340,396
Securities under reverse repurchase agreement	12	**1,500,000,000**	826,072,472	345,154,260
Foreign currency notes and coins on hand	15	**56,963,020**	60,144,407	59,387,782
		13,238,467,146	12,476,247,309	9,362,200,058

Supplemental Information on Non-cash Investing and Financing Activities:

(1) In 2017, the Bank declared and distributed stock dividend amounting to P1,072.9 million (see Note 19).

(2) In 2017 and 2016, the Bank acquired bank premises, furniture, fixtures and equipment amounting to P1.0 million and P5.6 million, respectively, through business combination (see Notes 13 and 15).

(3) On December 29, 2016, the Bank declared cash dividend on preferred shares amounting to P79.2 million which was paid in 2017 (see Note 19).

(4) Loans and other receivables settled through foreclosures of related collateral amounted to P140.7 million in 2018 and P62.9 million in 2017 and P191.9 million in 2016 (see Notes 12, 14 and 15).

(5) On January 1, 2018, the Bank reclassified investment securities amounting to P2,438.9 million from AFS to investment securities at FVPL, FVOCI, and amortized cost (see Note 11).

Other Information -

The securities under reverse repurchase agreement and foreign currency notes and coins are included as part of Cash and Cash Equivalents for cash flow purposes but are presented as part of Loans and Other Receivables and Other Resources, respectively, in the statements of financial position (see Notes 12 and 15).

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018, 2017 AND 2016
(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

1. CORPORATE MATTERS

1.1 Incorporation and Operations

Philippine Business Bank, Inc., A Savings Bank (the Bank or PBB) was incorporated in the Philippines on January 28, 1997 to engage in the business of thrift banking. It was authorized to engage in foreign currency deposit operations on August 27, 1997 and in trust operations on November 13, 2003. The Bank is a publicly listed entity in the Philippine Stock Exchange (PSE). It had its initial public offering (IPO) of shares on February 13, 2013 (see Note 19.4).

As a banking institution, the Bank's operations are regulated and supervised by the Bangko Sentral ng Pilipinas (BSP). In this regard, the Bank is required to comply with rules and regulations of the BSP such as those relating to maintenance of reserve requirements on deposit liabilities and those relating to adoption and use of safe and sound banking practices, among others, as promulgated by the BSP. Its activities are subject to the provisions of the General Banking Law of 2000 [Republic Act (RA) No. 8791] and other relevant laws.

PBB is the first savings bank in the Philippines that obtained the BSP approval to issue foreign letters of credit and pay/accept/negotiate import/export drafts/bills of exchange under RA Nos. 8791 and 7906 and the Manual of Regulations for Banks. It was granted in April 2010.

The Bank operates in the Philippines and, as of December 31, 2018 and 2017, it has 145 and 142 branches, respectively, located nationwide.

The Bank's registered address, which is also its principal place of business, is at 350 Rizal Avenue Extension corner 8th Avenue, Grace Park, Caloocan City.

1.2 Approval of the Financial Statements

The financial statements of the Bank as of and for the year ended December 31, 2018 (including the comparative financial statements as of December 31, 2017 and for the years ended December 31, 2017 and 2016) were authorized for issue by the Bank's Board of Directors (BOD) on April 10, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies that have been used in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC), from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of resource, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Bank presents a statement of comprehensive income separate from the statement of profit or loss.

The Bank presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

In 2018, the Bank adopted PFRS 9, *Financial Instruments*, which was applied using the transitional relief allowed by the standard. This allowed the Bank not to restate its prior periods' financial statements. Differences arising from the adoption of PFRS 9 in relation to classification and measurement and impairment of financial assets are recognized in the opening balance of Surplus and Revaluation Reserves in the current year [see Note 2.2(a)(ii)].

Accordingly, the application of the changes in the Bank's accounting policy on financial instruments in relation to its adoption of this new accounting standard did not warrant the presentation of a third statement of financial position.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Bank's functional and presentation currency, and all values represent absolute amounts, except when otherwise indicated.

Items included in the financial statements of the Bank are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Bank operates. The financial statements of the Bank's foreign currency deposit unit (FCDU), which is reported in United States (US) dollar, are translated to Philippine peso based on Bankers Association of the Philippine (BAP) at the end of reporting period for the statement of financial position accounts and at the average BAP for the period for the profit and loss.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2018 that are Relevant to the Bank

The Bank adopted for the first-time the following new PFRS, amendments, and interpretation, which are mandatorily effective for annual periods beginning on or after January 1, 2018:

PAS 40 (Amendments)	:	Investment Property – Reclassification to and from Investment Property
PFRS 9	:	Financial Instruments
PFRS 15	:	Revenue from Contracts with Customers; Clarifications to FPRS 15
International Financial Reporting Interpretations Committee (IFRIC) 22	:	Foreign Currency Transactions and Advance Consideration

Discussed below are the relevant information about these pronouncements.

(i) PAS 40 (Amendments), *Investment Property – Reclassification to and from Investment Property*. The amendments states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendments provided a non-exhaustive list of examples constituting change in use. The application of these amendments had no impact on the Bank's financial statements.

(ii) PFRS 9, *Financial Instruments* (issued in 2014). This new standard on financial instruments replaced PAS 39, *Financial Instruments: Recognition and Measurement,* and PFRS 9 issued in 2009, 2010 and 2013. This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments, i.e., financial assets at amortized costs, fair value through profit and loss (FVPL), and fair value through other comprehensive income (FVOCI);

- an expected credit loss (ECL) model in determining impairment of all debt financial assets that are not measured at FVPL, which generally depends on whether there has been a significant increase in credit risk since initial recognition of such financial assets; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

The following are the details of the impact of the Bank's adoption of PFRS 9:

a. Debt Instruments Reclassified from AFS to FVPL

The Bank reclassified to securities at FVPL certain government and corporate debt securities with fair value of P584.2 million, which were previously classified as AFS securities, because these securities are now held by the Bank for trading purposes or with the objective of selling them in the short to medium-term. Accordingly, the accumulated net unrealized fair value losses on AFS securities amounting to P13.9 million was adjusted to the opening balance Unappropriated Surplus [(see Note 2.2(a)(ii)f] as at January 1, 2018.

b. Debt Instruments Reclassified from Available-for-Sale (AFS) to FVOCI

The Bank reclassified certain government and corporate debt securities under AFS securities to financial assets at FVOCI because the investment objective of the related business model is to hold these investments to collect the contractual cash flows and sell, but are held for long-term strategic investment and are not expected to be traded in the short to medium-term. As a result, these securities valued at amortized cost are remeasured at fair value at the reclassification date. The Bank reclassified an accumulated net unrealized fair value losses on FVOCI securities of P61.9 million, which was adjusted to the opening balance of Net Unrealized Fair Value Losses on Investment Securities at FVOCI under Revaluation Reserves as at January 1, 2018 [(see Note 2.2(a)(ii)f]. In addition, the securities were analyzed for impairment based on the ECL model developed by the Bank [(see Note 2.2(a)(ii)f].

c. *Debt Instruments Reclassified from AFS to Amortized Cost*

The Bank reclassified certain government and corporate debt securities with fair value of P365.1 million, which were previously classified as AFS securities, that met the criteria to be classified as investment securities at amortized cost under PFRS 9 because the related business model is to hold these debt instruments to collect contractual cash flows, wherein said cash flows pertain solely to payment of principal and interest. Accordingly, the accumulated net unrealized fair value losses on AFS securities amounting to P4.2 million was transferred to Net Unrealized Fair Value Losses on Investment Securities at FVOCI under Revaluation Reserves as at January 1, 2018 [(see Note 2.2(a)(ii)f]. Moreover, the Bank determined whether these securities are impaired based on the ECL model developed by the Bank [(see Note 2.2(a)(ii)f].

d. *Unquoted Debt Securities Classified as Loans (UDSCL) Reclassified to Amortized Cost*

The Bank reclassified unquoted debt securities amounting to P25.9 million previously classified under loans and other receivables to investment securities at amortized cost that met the business model criteria set for investment securities at amortized cost, which is the collection of the contractual cash flows, wherein said cash flows pertain solely to payments of principal and interest. Furthermore, the securities were analyzed for impairment based on the Bank's ECL model [(see Note 2.2(a)(ii)f].

e. *Credit Losses on Loans and Other Receivables*

The application of the ECL methodology based on the stages of impairment assessment for loans and other receivables resulted in the reduction in allowance for credit losses on specific loan accounts of P401.3 million as well as the related deferred tax asset of P120.4 million which were charged and credited, respectively, to the opening balance of Unappropriated Surplus [(see Note 2.2(a)(ii)h]. As required under BSP Circular 1011, *Guidelines on the Adoption of the Philippine Financial Reporting Standard (PFRS) 9 – Financial Instruments*, a general loan loss provision of P449.6 million, which represents the excess of the 1% required allowance under of the BSP over the computed allowance for ECL, was credited by the Bank to Appropriated Surplus as at January 1, 2018 [(see Note 2.2(a)(ii)f].

In addition, the Bank accrued interest income of P232.5 million on Stage 3 loans and recognized a corresponding deferred tax liability of P69.7 million which were credited and debited, respectively, to the opening balance of Unappropriated Surplus [(see Note 2.2(a)(ii)f].

f. *Credit Losses on Investment in Debt Securities*

All of the Bank's investment in debt securities classified at amortized cost and FVOCI are considered to have low credit risk, and the loss allowance recognized was therefore limited to 12-month expected credit loss. Management considers 'low credit risk' for quoted and government bonds to be an investment grade credit rating with at least one reputable rating agency. Other instruments are considered to have low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Nevertheless, due to application of ECL methodology, an allowance for impairment of P2.2 million was recognized on debt securities at amortized cost which was debited to the opening balance of the Unappropriated Surplus account.

The table below summarizes the effects of the adoption of PFRS 9 on the carrying amounts and presentation of the categories of certain financial assets in the statement of financial position as of January 1, 2018.

	Notes	Carrying Value PAS 39 December 31, 2017	Reclassification	Remeasurements	Carrying Value PFRS 9 January 1, 2018
Available-for-sale (AFS) securities		P 2,438,872,511	P -	P -	P 2,438,872,511
Reclassification to:					
Investment securities at FVPL	a	-	(584,214,730)	-	(584,214,730)
Investment securities at FVOCI	b	-	(1,489,541,718)	-	(1,489,541,718)
Investment securities at amortized cost	c	-	(365,116,063)	-	(365,116,063)
AFS Securities		**P 2,438,872,511**	**(P 2,438,872,511)**	**P -**	**P -**
Investment securities at FVPL		P -	P -	P -	P -
Reclassification from AFS securities	a	-	584,214,730	-	584,214,730
Investment securities at FVPL		**P -**	**P 584,214,730**	**P -**	**P 584,214,730**

	Notes	Carrying Value PAS 39 December 31, 2017	Reclassification	Remeasurements	Carrying Value PFRS 9 January 1, 2018
Investment securities at FVOCI		P -	P -	P -	P -
Reclassification from AFS securities	b	-	1,489,541,718	-	1,489,541,718
Investment securities at FVOCI		**P -**	**P 1,489,541,718**	**P -**	**P 1,489,541,718**
Investment securities at amortized cost		P -	P -	P -	P -
Reclassification from AFS securities	c		365,116,063	4,243,554	369,359,617
Loans and other receivables	d	-	25,923,421	-	25,923,421
Investment securities at amortized cost		**P -**	**P 391,039,484**	**P 4,243,554**	**P 395,283,038**
Loans and other receivables					
Gross amount		P 72,009,244,549	P -	P -	P 72,009,244,549
Allowance for impairment	e	(1,456,448,168)	-	324,103,199	(1,132,344,969)
Reclassification to Investment securities at amortized cost	d	-	(25,923,421)	-	(25,923,421)
Investment securities at amortized cost		**P 70,552,796,381**	**(P 25,923,421)**	**P 324,103,199**	**P 70,850,976,159**

(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

The table below shows the impact of the adoption of PFRS 9 on the Bank's total equity as at January 1, 2018.

	Effects on			
	Surplus		Revaluation	Total
	Appropriated	Unappropriated	Reserves	Equity
Balance at January 1, 2018, PAS 39	P 7,107,770	P 1,241,942,126	(P 52,250,091)	P10,226,228,011
Effect of reclassification and remeasurements of financial assets	-	13,880,388	(9,636,834)	4,243,554
Recognition of accrued interest income	-	232,484,800	-	232,484,800
Reversal of allowance on loans	-	401,287,986	-	401,287,986
Recognition of allowance for impairment on:				
Accrued interest receivable	-	(77,184,785)	-	(77,184,785)
Loan commitment	-	(6,058,499)	-	(6,058,499)
Debt securities reclassified to amortized cost	-	(2,165,927)	-	(2,165,927)
Appropriation of surplus free for general loan loss provision per BSP requirement	449,628,263	(449,628,263)	-	-
Decrease in deferred tax asset arising from:				
Remeasurements of financial assets	-	(120,386,396)	-	(120,386,396)
Recognition of accrued interest income	-	(69,745,440)	-	(69,745,440)
	449,628,263	(77,516,136)	(9,636,934)	362,475,293
Balance at January 1, 2018, PFRS 9	**P 456,736,033**	**P 1,164,425,990**	**(P 61,886,925)**	**P10,588,703,304**

As the accounting for financial liabilities remains substantially the same under PFRS 9, the Bank's financial liabilities were not affected by the adoption of PFRS 9.

The Bank's new accounting policies on financial instruments relative to the adoption of PFRS 9 is fully disclosed in Notes 2.5 and 2.8.

(iii) PFRS 15, *Revenue from Contract with Customers*, together with the *Clarifications to PFRS 15* (herein referred to as PFRS 15). This standard replaced PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Bank's significant sources of revenue pertain to its lending and trading activities, which generate interest income and service fees. Except for certain service fees, significant amount of the Bank's revenues are out of the scope of PFRS 15. Recognition and measurement of the Bank's revenue streams within the scope of PFRS 15 did not vary upon transition from PAS 18. Accordingly, the adoption of the new standard, which was applied retrospectively, had no material impact on the Bank's financial statements. Nevertheless, the Bank's accounting policy on revenue recognition has been updated to conform well with the provisions of PFRS 15 in respect of revenues that are in scope (see Notes 2.16 and 20.1).

(iv) IFRIC 22, *Foreign Currency Transactions and Advance Consideration – Interpretation on Foreign Currency Transactions and Advance Consideration.* The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The application of this amendment had no impact on the Bank's financial statements.

(b) Effective in 2018 that are not Relevant to the Bank

The following amendments and improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2018 but are not relevant to the Bank's financial statements:

PFRS 2 (Amendments)	:	Share-based Payment – Classification and Measurement of Share-based Payment Transactions
PFRS 4 (Amendments)	:	Insurance Contracts – Applying PFRS 9 with PFRS 4
Annual Improvements to PFRS (2014-2016 Cycle)		
PAS 28 (Amendments)	:	Investment in Associates – Clarification on Fair Value Through Profit or Loss Classification
PFRS 1 (Amendments)	:	First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions

(c) Effective Subsequent to 2018 but not Adopted Early

There are new PFRS, interpretation, amendments and improvements to existing standards effective for annual periods subsequent to 2018, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements:

(i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

(ii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI.

PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The management plans to adopt the modified retrospective application of PFRS 16 where the cumulative effect of initially applying the standard will be recognized as an adjustment to the opening balance of the Unappropriated Surplus account at the date of initial application. The Bank will elect to apply the standard to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. Management anticipates that the adoption of this standard will result in an increase in resources and a corresponding lease liability of the Bank as of December 31, 2018.

(iii) IFRIC 23, *Uncertainty Over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Bank to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Bank has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

(iv) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, the following amendments are relevant to the Bank but had no material impact on the Bank's financial statements as these amendments merely clarify existing requirements:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

2.3 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of a business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity or net assets. Subsequent to initial recognition, goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.19).

Negative goodwill which is the excess of the Bank's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Bank is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provision, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Bank's products and services as disclosed in Note 8.

Each of these operating segments is managed separately as each of these services requires different technologies and resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies of the Bank used for segment reporting under PFRS 8, *Operating Segments,* is the same as those used in its financial statements. In addition, corporate resources which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

The Bank's operations are organized according to the nature of the products and services provided. Financial performance on operating segments is presented in Note 8.

2.5 Financial Assets

Financial assets are recognized when the entity becomes a party to the contractual provisions of the instrument. At initial recognition, the Bank measures a financial asset at its fair value plus or minus, in the case of a financial asset not at FVPL, transaction costs that are incremental or directly attributable to the acquisition or issue of the financial asset, such as fees and commissions. Transaction costs of financial assets carried at FVPL are expensed outright in profit or loss. Unless specifically indicated to apply to either year, the policies that follow apply to both years.

(a) Classification, Measurement and Reclassification of Financial Assets in Accordance with PFRS 9 (Applicable to 2018)

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described as follows.

(i) Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Bank's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

Where the business model is to hold assets to collect contractual cash flows, the Bank assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement [see Note 3.1(b)]. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL. The Bank's financial assets at amortized cost are presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Investment Securities at Amortized Cost, Loans and Other Receivables and as part of Other Resources in respect of security deposits, petty cash fund and foreign currency notes and coins on hand which are included in the account.

For purposes of cash flows reporting and presentation, cash and cash equivalents include cash and other cash items, due from BSP and other banks, foreign currency notes and coins on hand and securities under reverse repurchase agreement (SPURRA) with original maturities of three months or less.

(ii) Financial Assets at Fair Value Through Other Comprehensive Income

The Bank accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Bank for trading or as mandatorily required to be classified as FVPL. The Bank has no equity instruments as at the reporting periods covered by initial application of PFRS 9.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of the Revaluation Reserves account in equity. When the asset is disposed of, the cumulative fair value gains or losses previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Surplus except for those debt securities classified as FVOCI wherein fair value changes are recycled to profit or loss.

(iii) Financial Assets at Fair Value Through Profit or Loss

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVPL. The Bank's financial assets at FVPL include debt securities which are held for trading purposes or designated as at FVPL.

Financial assets at FVPL are measured at fair value with gains or losses recognized in profit or loss as part of Trading Gains or Losses in the statement of profit or loss. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The Bank can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Bank is required to reclassify financial assets: (i) from amortized cost to FVPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and (ii) from FVPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Bank's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) *Classification, Measurement and Reclassification of Financial Assets in Accordance with PAS 39 (Applicable to 2017 and prior years)*

Prior to 2018, financial assets are assigned to different categories by management on initial recognition, depending on the purpose for which the investments were acquired and their characteristics. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVPL, loans and receivables, HTM investments and AFS financial assets.

A more detailed description of the four categories of financial assets follow.

(i) *Financial Assets at FVPL*

This category includes financial assets that are either classified as held for trading or that meets certain conditions and are designated by the entity to be carried at FVPL upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments.

Financial assets at FVPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at FVPL) may be reclassified out of FVPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

(ii) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money or services directly to a debtor with no intention of trading the receivables. Included in this category are financial assets arising from direct loans to customers, unquoted debt securities, sales contract receivables and all receivables from customers and other banks.

The Bank's financial assets categorized as loans and receivables are presented in the statement of financial position as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Loans and Other Receivables, and as part of Other Resources in respect of security deposits, petty cash fund and foreign currency notes and coins on hand.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(iii) HTM Investments

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Bank has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

If the Bank were to sell other than an insignificant amount of HTM investments, the whole category would be tainted and reclassified to AFS securities under PFRS, and the Bank will be prohibited from holding investments under the HTM investments category for the next two financial reporting years after the year the tainting occurred. The tainting provision under PFRS will not apply if the sales or reclassifications of HTM investments are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value; occur after the Bank has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or are attributable to an isolated event that is beyond the control of the Bank, is nonrecurring and could not have been reasonably anticipated by the Bank.

Subsequent to initial recognition, HTM investments are measured at amortized cost using the effective interest method, less impairment losses, if any.

(iv) AFS Securities

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the reporting period. In 2017, the Bank's AFS securities include government securities and corporate bonds.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income and are reported as part of the Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial assets has not been derecognized.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured. Interest calculated using the effective interest method for all categories of financial assets is recognized in the statement of profit or loss.

A financial asset is reclassified out of the FVPL category when the financial asset is no longer held for the purpose of selling or repurchasing it in the near term or under rare circumstances. A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

(c) *Effective Interest Rate Method and Interest Income*

Under both PFRS 9 and PAS 39, interest income is recorded using the effective interest rate (EIR) method for all financial instrument measured at amortized cost and financial instrument designated at FVPL. Interest income on interest-bearing financial assets measured at FVOCI under PFRS 9, similar to interest-bearing financial assets classified as AFS or HTM under PAS 39, are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of EIR. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive (negative) adjustment to the carrying amount of the asset in the statement of financial position with an increase (a reduction) in Interest income. The adjustment is subsequently amortized through interest and similar income in the statement of profit or loss.

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For financial assets that have become credit-impaired subsequent to initial recognition [see Note 2.5(d)], interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(d) *Impairment of Financial Assets Under PFRS 9 (Applicable to 2018)*

Starting January 1, 2018, the Bank assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI and other contingent accounts. Recognition of credit losses is no longer dependent on the Bank's identification of a credit loss event. Instead, the Bank considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following financial instruments for which they measured as 12-month ECL:

- all current loan accounts, except restructured loans;
- debt securities that are identified to have 'low credit risk' at the reporting date; and,
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

For these financial instruments, the allowance for credit losses is based on 12-month ECL associated with the probability of default of a financial instrument in the next 12 months (referred to as 'Stage 1' financial instruments). Unless there has been a significant increase in credit risk subsequent to the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as 'Stage 2' financial instruments).

'Stage 2' financial instruments also include the following characteristics:

- performing accounts but with occurrence of loss event;
- accounts with missed payments but not yet classified as defaulted;
- current restructured loans; and,
- current loans that are rated as Especially Mentioned based on the Internal Credit Risk Rating System (ICRRS) of the Bank.

A lifetime ECL shall be recognized for 'Stage 3' financial instruments, which include financial assets considered as credit-impaired, purchased or originated credit-impaired assets, and those classified as Past Due and Items in Litigation based on the ECL methodology of the Bank.

The Bank's definition of credit risk and information on how credit risk is mitigated by the Bank are disclosed in Note 4.3.

Measurement of ECL

The key elements used in the calculation of ECL are as follows:

- *Probability of default (PD)* – This is a quantitative measure of default risk based on the general credit worthiness of the borrower or issuer. It is the likelihood of a borrower defaulting on its obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. A related measurement of default is the survival rate, which is the chance that the loan will be repaid.

- *Loss given default (LGD)* – The fraction of loan value or exposure that is likely to be lost in the event of borrower default. The loss statistic is specific to the facility structure and thus, associated with the facility risk rating. A related measure is the recovery rate, which is the percentage of the defaulted principal that can be recovered if default occurs.

- *Exposure at default (EAD)* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation. The EAD is measured at book value of facilities granted with an assumption that most short-term lines and credit commitments are fully drawn at default. In case of a loan commitment, the Bank shall include the potential availment (up to the current contractual limit) at the time of default should it occur.

The measurement of the ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and, (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(e) Impairment of Financial Assets Under PAS 39 (Applicable to 2017 and prior years)

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (events) has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about certain loss events, including, among others: *(i)* significant financial difficulty of the issuer or debtor; *(ii)* a breach of contract, such as a default or delinquency in interest or principal payments; *(iii)* it is probable that the borrower will enter bankruptcy or other financial reorganization; *(iv)* the disappearance of an active market for that financial asset because of financial difficulties; or, *(v)* observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

The Bank recognizes impairment loss based on the category of financial assets as follows:

(i) Carried at Amortized Cost – Loans and Receivables and HTM Investments

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the Bank includes the asset in a group of financial asset with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and other receivables or HTM investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit loss that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. If loans and other receivables or HTM investments have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosures less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets because they are indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

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

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures, including approval from the management and the BOD, have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

When 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 that future payments are likely to occur.

(ii) *Carried at Fair Value – AFS Financial Assets*

The Bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as AFS securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for AFS securities, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income as part of equity – is reclassified from other comprehensive income to profit or loss as a reclassification adjustment.

Impairment losses recognized in the statement of profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as AFS securities increases and the increase can be objectively related to an event occurring after the impairment loss was recognized the impairment loss is reversed through profit or loss.

Reversal of impairment losses is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(iii) Carried at Cost – AFS Financial Assets

The Bank assesses at the end of each reporting period whether there is objective evidence that any of the unquoted equity securities which are carried at cost, may be impaired. The amount of impairment loss is the difference between the carrying amount of the equity security and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset. Impairment losses on assets carried at cost cannot be reversed.

(f) Derecognition of Financial Assets

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(i) Modification of Loans

When the Bank renegotiates or otherwise modifies the contractual cash flows of loans to customers, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank considers, among others:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced that will affect the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and/or,
- Insertion of collateral, other security or credit enhancements that will significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognizes the financial asset and recognizes a "new" asset at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognized in profit or loss as either gain or loss on derecognition of financial assets. As to the impact on ECL measurement, the expected fair value of the "new" asset is treated as the final cash flow from the existing financial asset at the date of derecognition. Such amount is included in the calculation of cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows of the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). As to the impact on ECL measurement, the derecognition of the existing financial asset will result in the expected cash flows arising from the modified financial asset to be included in the calculation of cash shortfalls from the existing financial asset.

(ii) Derecognition of Financial Assets Other than Through Modification

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.6 Derivative Financial Instruments

The Bank uses derivative financial instruments, particularly plain vanilla foreign exchange swaps, to manage its risks associated with fluctuations in foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive (recognized as part of Miscellaneous under the Other Resources account) and as liabilities (recognized under the Accrued Expenses and Other Liabilities account) when the fair value is negative.

The Bank's derivative instruments provide economic hedges under the Bank's policies but are not designated as accounting hedges. Consequently, any gains or losses arising from changes in fair value are taken directly to profit or loss for the period.

2.7 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.8 Financial Liabilities

Financial liabilities include deposit liabilities, bills payable and accrued expenses and other liabilities (excluding tax-related payables and post-employment benefit obligation) and are recognized when the Bank becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as Interest Expense in the statement of profit or loss.

Deposit liabilities and bills payable are recognized initially at their fair value, which is the issuance proceeds (fair value of consideration received) net of direct issue costs, and are subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments. Any difference between proceeds net of transaction costs and the redemption value is recognized in the profit or loss over the period of the borrowings.

Accrued expenses and other liabilities are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.9 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less impairment losses, if any. Bank premises, furniture, fixtures and equipment are carried at acquisition cost less accumulated depreciation and amortization and any impairment losses.

The cost of an asset comprises its purchase price and directly attributable cost of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Furniture, fixtures and equipment	5-7 years
Transportation equipment	5 years

Leasehold improvements are amortized over the term of the lease or the estimated useful life of the improvements of 5 to 20 years, whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

Fully depreciated and fully amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

The residual values, estimated useful lives and method of depreciation and amortization of bank premises, furniture, fixtures and equipment (except land) are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of bank premises, furniture, fixtures and equipment, including the related accumulated depreciation, amortization and impairment loss, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.10 Investment Properties

Investment properties pertain to land, buildings or condominium units acquired by the Bank, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment. These properties are neither held by the Bank for sale in the next 12 months nor used in the rendering of services or for administrative purposes.

Investment properties are stated at cost, less accumulated depreciation and any impairment losses (see Note 2.19). The cost of an investment property comprises its acquisition price and directly attributable costs incurred such as legal fees, transfer taxes and other transaction costs.

Investment properties, except land, are depreciated over a period of five to ten years. Depreciation and impairment loss are recognized in the same manner as in bank premises, furniture, fixtures and equipment.

Transfers from other accounts (such as bank premises, furniture, fixtures and equipment) are made to investment properties when and only when, there is a change in use, evidenced by ending of owner-occupation or holding the property for capital appreciation, while transfers from investment properties are made when, and only when, there is a change in use, evidenced by commencement of owner-occupation.

Direct operating expenses related to investment properties, such as real estate taxes are normally charged against current operations in the period in which these costs are incurred.

Investment properties, including the related accumulated depreciation and any impairment losses, are derecognized upon disposal and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in profit or loss under the Gain (or Loss) on sale of properties under Miscellaneous Income (or Expenses) in the statement of profit or loss, in the year of retirement or disposal.

2.11 Intangible Assets

Intangible assets include goodwill, branch licenses, investment in club shares and computer software, which are included as part of Other Resources and are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire an asset at the time of its acquisition.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of these intangible assets which are considered finite. In addition, intangible assets are subject to impairment testing when indications exist, as described in Note 2.19. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets and branch licenses acquired at the date of acquisition. Goodwill and branch licenses are classified as intangible assets with indefinite useful life, and thus, not subject to amortization but to an annual test for impairment (see Note 2.19). For purposes of impairment testing, goodwill and branch licenses are allocated to cash-generating units and is subsequently carried at cost less any allowance for impairment losses.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.12 Other Resources

Other resources pertain to other assets controlled by the Bank as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to the Bank and the asset has a cost or value that can be measured reliably.

2.13 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Bank that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

On the other hand, any reimbursement that the Bank is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.14 Equity

Capital stock represents the nominal value of the common and preferred shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital.

Appropriated surplus comprises mainly the appropriation for general loan loss provision (GLLP) as prescribed by the BSP under its existing rules and regulations. It also includes the accumulated amount set aside by the Bank for trust business under prevailing regulations, requiring the Bank to carry to surplus 10% of its net profits accruing from trust business until the surplus amounts to 20% of its authorized capital stock. The reserve shall not be paid out in dividends, but losses accruing in the course of the trust business may be charged against this reserve.

Unappropriated surplus includes all current and prior period results of operations as disclosed in the statement of profit or loss, less appropriated surplus and dividends declared.

Revaluation reserves comprise of the remeasurements of post-employment defined benefit plan and unrealized fair value gains or losses on mark-to-market valuation of financial assets at FVOCI (AFS securities prior to 2018), net of amortization of fair value gains or losses on reclassified financial assets.

2.15 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Bank and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercises significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Bank; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank and close members of the family of any such individual; and (d) the Bank's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.16 Other Income and Expense Recognition

In 2017 and prior years, other income is recognized to the extent that it is probable that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Bank; and the costs and expenses incurred and to be incurred can be measured reliably. Starting January 1, 2018, other income is recognized only when (or as) the Bank satisfies a performance obligation by transferring control of the promised services to the customer. A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15. In such case, the Bank applies PFRS 9 first to separate and measure the part of the contract that is covered by PFRS 9, and then applies PFRS 15 to the residual part of the contract. Expenses and costs, if any, are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. All finance costs are reported in profit or loss on accrual basis.

The Bank also earns service fees in various banking services and gains on sale of properties, which are supported by contracts approved by the parties involved. These revenues are accounted for by the Bank in accordance with PFRS 15. The following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

a. *Service charges, fees and commissions* – Service charges, fees and commissions are generally recognized when the service has been provided. These include the commission and fees arising from loans, deposits, and other banking transactions are taken up as income based on agreed terms and conditions.

b. *Asset Management Services* – The Bank provides asset management services, which include trust and fiduciary activities. Related fees are recognized as follows:

(i) *Asset management and trust fees* – these are service fees calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on the scheduled collection date. Revenue from asset management services is recognized over time as the services are provided.

(ii) *Non-refundable upfront fees* – are charged to customers when opening certain types of trust account with the Bank. These fees give rise to material rights for future services and are recognized as revenue over the period for which a customer is expected to continue receiving asset management services.

c. *Gain or loss from assets sold or exchanged* – Income or loss from assets sold or exchanged is recognized when the title to the properties is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is included in profit or loss as part of Miscellaneous Income or Miscellaneous Expenses in the statement of profit or loss.

2.17 Leases – Bank as Lessee

Leases, which do not transfer to the Bank substantially all the risks and benefits of ownership of the asset, are classified as operating lease. Operating lease payments (net of any incentive received from the lessor) are recognized as an expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Bank determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.18 Foreign Currency Transactions and Translation

The accounting records of the Bank's regular banking unit are maintained in Philippine pesos while the FCDU are maintained in US dollars. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign exchange gains and losses resulting from the settlement of foreign currency denominated transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Changes in the fair value of monetary financial assets denominated in foreign currency classified as financial assets at FVOCI (AFS securities prior to 2018) are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

2.19 Impairment of Non-financial Assets

The Bank's premises, furniture, fixtures and equipment, investment properties, goodwill, branch licenses, computer software, other properties held-for-sale (classified as part of Miscellaneous under Other Resources) and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life, such as goodwill and branch licenses (see Note 2.11) or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors. Impairment loss is charged pro rata to the other assets in the cash generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed, except goodwill, if the cash generating units' recoverable amount exceeds its carrying amount.

2.20 Employee Benefits

The Bank provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Bank, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Bank's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, non-contributory and administered by a trustee bank.

The liability recognized in the statement of financial position for defined benefit post-employment plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates based on zero coupon government bonds as published by Bloomberg Valuation (BVAL) in 2018; and by Philippine Dealing & Exchange Corp. (PDEx) in 2017 and prior years, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL and PDEx provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Interest Income or Interest Expense account in the statement of profit or loss.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Bank pays fixed contributions into an independent entity (e.g. Social Security System and Philhealth). The Bank has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are normally of a short-term nature.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Bonus Plans

The Bank recognizes a liability and an expense for employee bonuses, based on a formula that is fixed regardless of the Bank's income after certain adjustments and does not take into consideration the profit attributable to the Bank's shareholders. The Bank recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Accrued Expenses and Other Liabilities account in the statement of financial position at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement.

2.21 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.22 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for, using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Bank has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.23 Earnings Per Share

Basic earnings per share (EPS) is determined by dividing net profit attributable to common shares by the weighted average number of common shares subscribed and issued during the period, after retroactive adjustment for any stock dividend declared in the current period, if any.

The diluted EPS is also computed by dividing net profit by the weighted average number of common shares subscribed and issued during the period. However, net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of potentially dilutive convertible preferred shares as approved by the Securities and Exchange Commission. Convertible preferred shares are deemed to have been converted to common shares at the issuance of preferred shares. As of December 31, 2018 and 2017, the Bank has no convertible preferred shares (see Note 19.1).

2.24 Trust and Fiduciary Operations

The Bank acts as trustee and in other fiduciary capacity that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and their income arising thereon are excluded from these financial statements, as these are neither resources nor income of the Bank.

2.25 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Bank's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Bank's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates. Unless specifically indicated to apply to either year, the policies that follow apply to both years.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Application of ECL to Financial Assets at FVOCI and Amortized Cost (Applicable to 2018)

The Bank uses external benchmarking and historical loss rates to calculate ECL for all debt instruments carried at FVOCI and amortized cost as well as loan commitments. The allowance for impairment is based on the ECLs associated with the PD of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized. This is where significant management judgment is required.

The Bank has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has significantly increased since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

(b) Evaluation of Business Model Applied and Testing the Cash Flow Characteristics of Financial Assets in Managing Financial Instruments (Applicable to 2018)

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

The Bank developed business models which reflect how it manages its portfolio of financial instruments. These 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, 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 (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Bank's investment, trading and lending strategies. Furthermore, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding.

The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the 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.

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

(c) Evaluating Impairment of AFS Securities (Applicable to 2017)

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Bank evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Bank's AFS securities, management has assessed that none of the Bank's securities are impaired as of December 31, 2017. Future changes in those information and circumstance might significantly affect the carrying amount of the assets.

(d) Distinction Between Investment Properties or Other Properties Held for Sale and Owner-occupied Properties

The Bank determines whether a property qualifies as investment property. In making this judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to properties but also to other assets used in the production or supply process.

The Bank classifies its acquired properties (foreclosed properties) as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as other properties held for sale presented as part of Miscellaneous under Other Resources, if the Bank expects that the properties, which are other than land and building, will be recovered through sale rather than use, and as Investment Properties if the Bank intends to hold the properties, which could be land and/or building, to earn rental or for capital appreciation.

Some properties may comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in providing services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Bank accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in providing services or for administrative purposes.

Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Bank considers each property separately in making its judgment.

(e) Determination of Branch Licenses Having Indefinite Useful Lives

The Bank's branch licenses were regarded as having an indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the Bank. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

(f) Distinction Between Operating and Finance Leases

The Bank has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

As of December 31, 2018 and 2017, the Bank has determined that all its leases are operating leases (see Note 24).

(g) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish the difference between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.13 and relevant disclosures are presented in Note 24.

In dealing with the Bank's various legal proceedings, its estimate of the probable costs that may arise from claims and contingencies has been developed in consultation and coordination with the Bank's internal and outside counsels acting in defense for the Bank's legal cases and are based upon the analysis of probable results.

Although the Bank does not believe that its dealing on these proceedings will have material adverse effect on the Bank's financial position, it is possible that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies conducted relating to those proceedings.

3.2 Key Sources of Estimation Uncertainty

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

(a) Estimation of Allowance for ECL (Applicable to 2018)

The measurement of the allowance for ECL on debt financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behaviour (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.3.

The carrying value of investment debt securities at amortized cost and at FVOCI, and loans and other receivables together with the analysis of the allowance for impairment on such financial assets, are shown in Notes 11 and 12, respectively.

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Bank's financial assets at FVPL and FVOCI (AFS securities prior to 2018) and the amounts of fair value changes recognized on those assets are disclosed in Note 11.

(b) Estimation of Impairment of AFS Securities and Loans and Other Receivables (Applicable to 2017)

The Bank reviews its AFS securities and loans and other receivable portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the portfolio before the decrease can be identified with an individual item in that portfolio.

Moreover, the Bank holds debt securities measured at fair value classified as AFS securities as of December 31, 2017. The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment whether the Bank has an investment classified as AFS is other-than-temporarily impaired, the Bank evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

In determining whether the loans and receivables have any evidence of impairment, the Bank gathers information that include observable data which indicates that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic conditions that correlate with defaults on assets in the group, including, but not limited to, the length of the Bank's relationship with the customers, the customers' current credit status, average age of accounts, collection experience and historical loss experience.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The carrying value of loans and other receivables and the analysis of the related allowance for impairment on such financial assets are shown in Note 12. There are no impairment losses recognized on AFS securities and HTM investments in 2017 and 2016.

(c) Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources (i.e. Computer Software)

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment, investment properties, except land, and other resources (i.e., computer software) based on the period over which the assets are expected to be available for use. The estimated useful lives of bank premises, furniture, fixtures and equipment, investment properties and computer software are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of bank premises, furniture, fixtures and equipment, investment properties and other resources (e.g., computer software and branch licenses) are analyzed in Notes 13, 14 and 15, respectively. Based on management assessment, there is no change in the estimated useful lives of these assets during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) Determination of Realizable Amount of Deferred Tax Assets

The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying value of deferred tax assets, which management has assessed to be fully recoverable, as of December 31, 2018 and 2017 is disclosed in Notes 23.

(e) Determination of Fair Value of Investment Properties

The Bank's investment properties are composed of parcels of land and buildings and improvements which are held for capital appreciation, and are measured using cost model. The estimated fair value of investment properties disclosed in Note 7.4 is determined on the basis of the appraisals conducted by professional appraiser applying the relevant valuation methodologies as discussed therein.

At initial recognition, the Bank determines the fair value of the acquired properties based on valuations performed by both internal and external appraisers. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the property. For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties. A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

The Bank's methodology in determining the fair value of acquired properties are further discussed in Note 7.

(f) Impairment of Non-financial Assets

Except for intangible assets with indefinite useful lives (i.e. goodwill and branch licenses), which are annually tested for impairment, PFRS requires that an impairment review be performed when certain impairment indications are present. The Bank's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.19. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Allowance for impairment recognized on investment properties and other properties held for sale are discussed in Notes 14 and 15. There are no impairment losses recognized in goodwill, branch licenses, bank premises, furniture, fixtures and equipment.

(g) Valuation of Post-employment Benefits

The determination of the Bank's obligation and cost of post-employment benefit plan is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21 and include, among others, discount rates, expected rate of salary increases and employee turnover. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of defined benefit obligation, as well as the significant assumptions used in estimating such obligation, are presented in Note 21.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

PBB, as a financial institution, is in the business of risk taking. Its activities expose the Bank to credit, market and liquidity and operational risks. Credit risk emanates from exposures to borrowing customers, counterparty risk in trading activities, and contingent credit risks arising from trade finance exposures. Market risk covers price, liquidity and interest rate risks in the Bank's investment portfolio. Liquidity risk may arise from shortage in funding and/or lack of market for sale of its assets. Operational risk covers potential losses other than market and credit risk arising from failures of people, process, systems and information technology and external events.

The ability to manage risks effectively is vital for the Bank to sustain its growth and continue to create value for its shareholders.

4.1 Risk Management

The Bank continually advances on its risk management techniques and integrate this into the overall strategic business objectives to support the growth objectives of the Bank.

The Bank has automated the front-office, back office, and middle office operations as far as market risk is concerned. This includes the integration of pre-deal limit checking, on-demand position monitoring, automated limit reporting and breach approval, and automated value-at-risk (VaR) calculations. In addition to the automation, the Bank continues to review its limits system to ensure that it only enters into transactions allowed under its existing policies and that adequate capital is available to cover market risk exposures.

On the credit side, the Bank has instituted improvements on its credit policies, which includes review and approval of large exposure and credit concentration within proper authority. The Bank also reviews plans and progress on the resolution of problem loan accounts. Credit process streamlining has also been initiated to ensure that commensurate controls are in place while the Bank continues to device ways to improve on its credit process.

As for operational risk, the Bank has completed the bankwide operational risk and control self-assessment in support of the enterprise risk management framework of the Bank. With this, there is also an enterprise-wide training on risk awareness to ensure appreciation and measurement of key risks of each unique business and support units and how these relate to the overall objective and strategies of the Bank. In addition, information security policies were further strengthened, implemented, and disseminated across all units of the Bank.

4.2 Enterprise Risk Management Framework

The Bank adopts an Enterprise Risk Management framework as its integrated approach to the identification, measurement, control and disclosure of risks, subject to prudent limits and stringent controls as established in its risk management framework and governance structure. The Bank has an integrated process of planning, organizing, leading, and controlling its activities in order to minimize the effects of risk on its capital and earnings. The Bank's BOD formulates the corporate risk policy, sets risk tolerances and appetite and provide risk oversight function through the Risk Oversight Committee (ROC), which in turn supervises the Chief Risk Officer and Head of the Enterprise Risk Management Group (ERMG) in the development and implementation of risk policies, processes and guidelines. The framework covers operational, market and liquidity, credit and counterparty, and other downside risks within the context of the supervisory risk guidelines of the BSP and aligned best practices on risk management.

4.3 Credit Risk

Credit risk pertains to the risk to income or capital due to failure by borrowers or counterparties to pay their obligations, either in full or partially as they fall due, deterioration in the credit quality of a borrower, issuer or counterparty, and the reduced recovery from a credit facility in the event of default. This is inherent in the Bank's lending, investing, and trading and is managed in accordance with the Bank's credit risk framework of risk identification, measurement, control and monitoring.

Credit risk is managed through a continuing review of credit policies, systems, and procedures. It starts with the definition of business goals and setting of risk policies by the BOD. Account officers and credit officers directly handle credit risk as guided by BOD-approved policies and limits. ERMG, as guided by the ROC, performs an independent portfolio oversight of credit risks and reports regularly to the BOD and the ROC.

On the transactional level, exposure to credit risk is managed through a credit review process wherein a regular analysis of the ability of the obligors and potential obligors to meet interest and capital repayment obligations is performed. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees. Moreover, in accordance with best practices, the Bank also adopts an ICRRS for the purpose of measuring credit risk for every exposure in a consistent manner as accurately as possible and uses this information as a tool for business and financial decision-making.

4.3.1 Credit Risk Measurement

Loans and receivables, regardless if the accounts have been fully paid, extended or renewed in subsequent year or period, are subjected to evaluation for possible losses. The Bank's estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows, and the passage of time. The assessment of credit risk of a portfolio of assets requires further estimations as to the PDs occurring, of the associated loss ratios, and of default correlations between counterparties; accordingly, such the credit risk is measured using PD, EAD, and LGD, for purposes of measuring ECL as required by PFRS 9 effective January 1, 2018.

The initial recognition of credit risk by individual or group of related counterparties is done via its ICRRS. The ICRRS is tailored to consider various categories of counterparty. The rating system is further supplemented with external data such as credit rating agencies' scoring information on individual borrowers.

The ICRRS is established by the Bank in congruence with and with reference to the credit risk rating methodology used by an established rating agency in measuring the creditworthiness of an individual borrower, whether the related borrowing is still performing or current in status. The risk ratings determined by the Bank for its portfolio of loans and receivables at a given review date is updated to consider the possible shift in the economy or business environment or circumstances affecting the industry and the entity or borrower, in particular. Accordingly, a periodic assessment of credit quality may improve the borrower's rating or it could lead to one or more rating downgrades over time. The credit risk ratings in ICRRS are calibrated such that the risk of default increases exponentially at each higher risk rating (e.g., a difference in the PD between risk ratings). Past due, accounts identified for phase-out and those that exhibit the characteristics of classified loans shall be risk-rated under Especially Mentioned, Substandard, Doubtful or Loss, and the loan loss provision of which are based on the loss given default.

Management considers additional information for each type of loan portfolio held by the Bank:

(i) *Retail or Consumer Loans*

Subsequent to initial recognition, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioral score. At the initial adoption of PFRS 9, due to insufficiency of historical data for group of accounts under a rating grade for consumer loans, the ECL parameters were carried on collective basis on shared credit risk characteristics of the borrowers and the repayment scheme of the products.

(ii) *Corporate and Commercial Loans*

For corporate and commercial loans, the rating is determined at the borrower level. A relationship manager will incorporate any updated or new information or credit assessments into the credit review system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as publicly available financial statements. This will determine the internal credit rating and the PD.

(iii) *Debt Securities at Amortized Cost and at FVOCI*

For the Bank's debt securities, credit ratings published by reputable external rating agency (such as S&P) are used. These ratings are continuously monitored and updated. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency.

In the process of applying the Bank's ICRRS in determining indications of impairment on individually significant items of financial assets at amortized cost and debt securities at FVOCI, the Bank analyzes the credit quality of the borrowers and counterparties through a set of criteria and rating scale classified into the following:

Risk Rating	Rating Description/Criteria
Excellent	Borrowers have very strong debt service capacity and have conservative balance sheet leverage
Strong	Borrower normally has a comfortable degree of stability, substance and diversity
Good	Borrowers have low probability of going into default and bear characteristics of some degree of stability and substance though susceptible to cyclical changes and higher degree of concentration of business risk either by product or by market
Satisfactory	Borrowers where clear risk elements exist and the probability of default is somewhat greater
Acceptable	Borrower where the nature of the exposure represents a higher risk because of extraordinary developments but for which a decreasing risk within acceptable period can be expected
Watch list	Borrowers for which unfavorable industry or company-specific risk factors represent a concern

Classified accounts or accounts already in default as defined are further mapped into BSP classification of non-performing accounts as follows:

Risk Rating	Rating Description/Criteria
Especially Mentioned	Has potential weaknesses that deserve management's close attention and if left uncorrected, these weaknesses may affect the repayment of the loan
Substandard	Have well-defined weakness/(es), that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower
Doubtful	Loans and credit accommodations that exhibit more severe weaknesses than those classified as "Substandard", whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable
Loss	Loans considered absolutely uncollectible or worthless

Credit exposures shall be regularly assessed and loan loss provision be recognized in a timely manner to ensure that capital is adequate to support such risk exposure. To ensure that this is rationally implemented, the Bank developed and adopted an internal loan loss methodology.

4.3.2 Credit Quality Analysis

The following table sets out information about the credit quality of loans and other receivables, financial assets measured at amortized cost (2018), FVOCI debt investments (2018) and AFS debt securities (2017). Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts for loan commitments and other contingent accounts, the amounts in the table represent the amounts committed. As of December 31, 2018 and 2017, there are no purchased or originated credit-impaired financial assets in the Bank's financial statements.

(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

The following table shows the exposure to credit risk as of December 31, 2018 for each internal risk grade and the related allowance for impairment:

	2018			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers - corporate				
Excellent	P 1,294,018,554	P -	P -	P 1,294,018,554
Strong	1,426,380,763	-	-	1,426,380,763
Good	26,746,808,452	-	-	26,746,808,452
Satisfactory	28,828,290,947	-	34,777,449	28,863,068,396
Acceptable	8,123,868,414	-	-	8,123,868,414
Watchlist	2,155,093,781	264,038,478	117,121,887	2,536,254,146
Classified	-	5,102,318	1,169,145,731	1,174,248,049
	68,574,460,911	269,140,796	1,321,045,067	70,164,646,774
Expected credit loss allowance	(223,912,949)	(13,268,069)	(566,712,181)	(803,893,199)
Carrying amount	P68,350,547,962	P 255,872,727	P 754,332,886	P69,360,753,575
Receivables from customers - consumer				
Auto loans	P 1,083,488,229	P 518,950	P 65,995,161	P 1,150,002,340
Contract-to-sell	42,234,804	-	497,393	42,732,197
Housing loans	2,834,277,589	22,495,477	177,531,784	3,034,304,850
Salary loans	46,077,061	-	3,305,628	49,382,689
	4,006,077,683	23,014,427	247,329,966	4,276,422,076
Expected credit loss allowance	(27,088,724)	(2,128,563)	(56,937,254)	(86,154,541)
Carrying amount	P 3,978,988,959	P 20,885,864	P 190,392,712	P 4,190,267,535
Other receivables				
Excellent	P 1,652,460,398	P -	P -	P 1,652,460,398
Strong	8,015,981	-	-	8,015,981
Good	78,746,767	-	-	78,746,767
Satisfactory	84,114,764	-	724,227	84,838,991
Acceptable	103,724,462	-	-	103,724,462
Watchlist	5,755,615	1,103,102	2,001,949	8,860,666
Classified	-	-	367,689,676	367,689,676
	1,932,817,987	1,103,102	370,415,852	2,304,336,941
Expected credit loss allowance	(2,319,779)	(19,104)	(152,435,039)	(154,773,922)
Carrying amount	P 1,930,498,208	P 1,083,998	P 218,460,873	P 2,149,563,019
Loan commitments and other contingent accounts				
Excellent	P -	P -	P -	P -
Strong	-	-	-	-
Good	641,068,466	-	-	641,068,466
Satisfactory	753,882,953	-	-	753,882,953
Acceptable	568,776,041	-	-	568,776,041
Watchlist	-	-	-	-
Classified	-	-		-
	1,963,727,460	-	-	1,963,727,460
Expected credit loss allowance	(9,563,549)	-	-	(9,563,549)
Carrying amount	P 1,954,163,911	P -	P -	P 1,954,163,911

	2018			
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at FVOCI/ AFS securities				
Grades AAA to B : Current	P 2,279,714,729	P -	P -	P 2,279,714,729
Debt investment securities at amortized cost				
Grades AAA to B : Current	P 772,673,000	P -	P -	P 772,673,000
Expected credit loss allowance	(1,617,940)	-	-	(1,617,940)
Carrying amount	P 771,055,060	P -	P -	P 771,055,060

As of December 31, 2018 and 2017, the Bank held Cash and Other Cash Items, Due from Other Banks and Due from BSP totalling to P11,681.5 million and P11,590.0 million, respectively. The financial assets are held with the BSP and financial institution counterparties that are rated at least BBB to AAA+, based on S&P ratings.

4.3.3 Concentrations of Credit Risk

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk (gross of allowance) at the reporting date is shown below (amounts in thousands).

	2018			2017		
	Cash and Cash Equivalents*	**Receivables from Customers****	**Trading and Investment Securities**	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities
Concentration by sector:						
Financial and insurance activities	**P 13,238,467**	**P -**	**P 2,480,110**	P 12,476,247	P -	P 2,154,321
Wholesale and retail trade	**-**	**26,141,106**	**371,914**	-	25,028,390	50,995
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	**-**	**8,473**	**-**	-	11,945	-
Electricity, gas, steam and and air-conditioning supply	**-**	**5,210,786**	**190,000**	-	4,697,583	223,221
Manufacturing	**-**	**8,122,405**	**-**	-	7,659,280	-
Transportation and storage	**-**	**7,138,041**	**10,364**	-	5,916,230	10,336
Construction	**-**	**18,306,358**	**-**	-	19,345,728	-
Mining and quarrying	**-**	**369,397**	**-**	-	171,610	-
Agriculture, forestry and fishing	**-**	**1,828,692**	**-**	-	861,697	-
Administrative and support services	**-**	**7,315,811**	**-**	-	7,155,130	-
	P 13,238,467	**P 74,441,069**	**P 3,052,388**	P 12,476,247	P 70,937,593	P 2,438,873

* *Cash and cash equivalents include cash and other cash items, due from BSP and other banks, SPURRA and foreign currency notes and coins on hand (see Note 2.5).*
***Receivables from customers are reported gross of unearned interests or discounts.*

4.3.4 Amounts Arising from Expected Credit Losses

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI have significant increase in credit risk (referred to as Stages 2 and 3 financial assets). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using PD, LGD and EAD.

(a) Significant Increase in Credit Risk (SICR)

As outlined in PFRS 9, a '3-stage' impairment model was adopted by the Bank based on changes in credit quality since initial recognition of the financial asset. As discussed in Note 2.5(d), a financial asset that is not credit-impaired on initial recognition is classified as 'Stage 1', with credit risk continuously monitored by the Bank as its ECL is measured at an amount equal to the portion of lifetime ECL that results from possible default events within the next 12 months. If an SICR since initial recognition is identified, the classification will be moved to 'Stage 2' but is not yet deemed to be credit-impaired. Such assessment is based on certain qualitative criteria as follows:

- Borrowers with past due accounts over the cure period of 30 days but with current accounts at the effectivity of the cure period policy shall be downgraded to Watchlist Rating.

- Watchlist borrowers can be upgraded upon completion of the seasoning period which shall be 12 months from the time of downgrading provided an updated ICCR has been conducted. The seasoning means that there is not incident of past due even within the cure period.

- Borrowers with accounts that are all past due over the cure period shall be rated as Classified. Such shall be categorized as:

  (i) Classified secured less than 5 years past due
  (ii) Classified – Clean less than 3 years
  (iii) Classified over Recovery Period

Watchlisted accounts shall be considered as Stage 2 accounts for purposes of provisioning while Classified accounts shall be Stage 3.

(b) Definition of Default and Credit-impaired Assets

Credit impaired assets are those classified as both past due and under Stage 3.
Total credit impaired assets under corporate, consumer, and other receivables amounted to P1,321.0 million, P247.3 million, and P370.4 million, respectively. The Bank defines a financial asset as in default, which is aligned with the definition of credit-impaired asset, when it meets one or more of the following criteria:

- *Quantitative* – in this criterion, the borrower is more than 30 days past due on its contractual payments.

- *Qualitative* – this includes instances where the borrower is unlikely to pay its obligations and is deemed to be in significant financial difficulty, which include cases of long-term forbearance, borrower's death, insolvency, breach of financial covenant/s, disappearance of active market for that financial instrument because of financial difficulties, and bankruptcy.

These criteria have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. Such definition has been consistently applied in determining PD, EAD, and LGD throughout the ECL calculations of the Bank.

An instrument is considered to have cured when it no longer meets any of the default criteria for a consecutive period of six months. The cure period sets the tolerance period wherein the borrowers are allowed to update the payments. This period was determined based on an analysis which considers the likelihood of a financial instrument returning to default status. The Bank considers verifiable collection experience and reasonable judgment that support the likelihood.

Unsecured and secured loans qualify for write-off when outstanding for more than 914 days and 1,095 days, respectively, and upon BOD approval.

(c) Key Inputs, Assumptions and Estimation Techniques Used in Measurement of ECL

The ECL is measured on either a 12-month or lifetime basis depending on whether an SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the PD, EAD, and LGD, which are defined in Note 2.5(d). The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not been prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to and summed at the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. Such profile is supported by a historical analysis (usually, an observation period of five to seven years).

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For loans with periodic amortization and one-time full payment at end of the term, EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default, and may vary by product type. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market or book values due to forced sales, time to repossession and recovery costs observed. For unsecured products, LGD is typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. The LGD is influenced by collection strategies.

The determination of the 12-month and lifetime PD, LGD, and EAD includes the overlay of forward-looking economic information [see Note 4.3.4(d)]. Further, the assumptions underlying the calculation of the ECL – such as how the maturity profile of the PDs and how collateral values change – are monitored and reviewed by the Bank on a quarterly basis.

There have been no significant changes in the estimation techniques or significant assumptions made by the Bank in 2018.

(d) Overlay of Forward-looking Information in the Measurement of ECL

The Bank incorporates forward-looking information (FLI) in its assessment of SICR and calculation of ECL. The Bank has performed historical analysis and has identified the key macroeconomic variables (MEVs) impacting credit risk associated with its borrowers and/or counterparties and the ECL for each portfolio of debt instruments.

The MEVs and their associated impact on the PD, EAD and LGD vary by financial instrument. The Bank formulates forecasts of MEVs (one base economic scenario, and two less likely scenarios – one upside and one downside) and are performed by the Bank's ERMG on a quarterly basis and provide the best estimate view of the economy over the next five years. To project the MEVs for the full remaining life of each financial instrument, a mean reversion approach has been used, which means that MEVs tend to either a long run average rate (e.g. lending interest rate) or a long run average growth rate (e.g. gross domestic product) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

The base scenario is aligned with information used by the Bank for strategic planning and budgeting. The MEVs considered by the Bank includes economic data and forecasts published by government bodies (e.g., BSP and Philippine Statistics Authority), international organizations (e.g., International Monetary Fund), and certain reputable private and academic organizations involved in forecasting. Accordingly, the Bank has identified key drivers for credit risk for its corporate loans portfolio, which include gross domestic product and interest rates. The analysis of these scenarios take into account the range of possible outcomes that each chosen scenario is representative of. The assessment of SICR is performed using the lifetime PD under each of the scenario, multiplied by the associated scenario weight, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3, hence, whether a 12-month or lifetime ECL should be recorded.

Following this assessment, the Bank measures ECL as either a probability-weighted 12-month ECL (Stage 1), or a probability-weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weights.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different to those projections. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Bank's different product types to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Management has also considered other FLI not incorporated within the above economic scenarios, such as any regulatory, legislative, or political changes, but are not deemed to have a significant impact on the calculation of ECL.

(e) Collective Basis of Measurement of ECL

For modelling ECL parameters which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as instrument, product type (auto loans, housing loans, etc.), repayment scheme, industry type, remaining life to maturity, and geographical locations of the borrowers and/or counterparties.

The groupings are subject to the regular review by the Bank's CMD in order to ensure that credit exposures within a particular group remain appropriately homogenous.

(f) Write-offs

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include: cessation of enforcement activity; and, where the Bank's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off.

4.3.4 *Allowance for Expected Credit Loss*

The following table show the reconciliation of the loss allowance for ECL by class of financial instruments at the beginning and end of 2018.

	2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Receivables from customers – corporate				
Balance at January 1	**P 209,238,344**	**P 1,706,829**	**P 686,156,061**	**P 897,101,234**
Transfers to:				
Stage 1	**24,120**	**-**	**(24,120)**	**-**
Stage 2	**-**	**1,763,019**	**(1,763,019)**	**-**
Stage 3	**(971,467)**	**(515,107)**	**1,486,574**	**-**
Net remeasurement of loss allowance	**(4,332,130)**	**10,207,602**	**208,405,145**	**214,280,617**
New financial assets originated	**110,196,491**	**2,979,206**	**40,096,398**	**153,272,095**
Derecognition of financial assets	**(90,242,409)**	**(2,873,479)**	**(39,445,816)**	**(132,561,704)**
Write-offs	**-**	**-**	**(328,199,043)**	**(328,199,043)**
Balance at December 31	**P 223,912,949**	**P 13,268,070**	**P 566,712,180**	**P 803,893,199**
Receivables from customers – consumer				
Balance at January 1	**P 29,473,763**	**P 163,268**	**P 69,315,419**	**P 98,952,450**
Transfers to:				
Stage 1	**16,848,554**	**-**	**(16,848,554)**	**-**
Stage 2	**-**	**-**	**-**	**-**
Stage 3	**(521,581)**	**-**	**521,581**	**-**
Net remeasurement of loss allowance	**(30,294,204)**	**1,948,201**	**22,705,898**	**(5,640,105)**
New financial assets originated	**15,598,373**	**657,751**	**11,053,830**	**27,309,954**
Derecognition of financial assets	**(4,016,181)**	**(640,657)**	**(9,778,553)**	**(14,435,391)**
Write-offs	-	-	**(20,032,367)**	**(20,032,367)**
Balance at December 31	**P 27,088,724**	**P 2,128,563**	**P 56,937,254**	**P 86,154,541**
Other receivables				
Balance at January 1	**P 851,083**	**P 6,027**	**P 145,415,838**	**P 146,272,948**
Transfers to:				
Stage 1	**406,607**	**-**	**(406,607)**	**-**
Stage 2	**70,792**	**337**	**(71,129)**	**-**
Stage 3	**(2,668)**	**-**	**2,668**	**-**
Net remeasurement of loss allowance	**5,880,181**	**7,865**	**(8,868,247)**	**(2,980,200)**
New financial assets originated	**4,107,171**	**4,875**	**21,989,278**	**26,101,324**
Derecognition of financial assets	**(8,993,387)**	**-**	**(4,886,263)**	**(13,879,650)**
Write-offs	**-**	**-**	**(740,500)**	**(740,500)**
Balance at December 31	**P 2,319,779**	**P 19,104**	**P 152,435,039**	**P 154,773,922**

(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

	2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loan commitments				
Balance at January 1	P 6,058,499	P -	P -	P 6,058,499
Net remeasurement of loss allowance	245,976	-	-	245,976
New financial assets originated or purchased	8,510,678	-	-	8,510,678
Derecognition of financial assets	(5,251,604)	-	-	(5,251,604)
Balance at December 31	P 9,563,549	P -	P -	P 9,563,549
Debt investment securities at FVOCI (2018) /AFS securities (2017)				
Balance at January 1	P -	P -	P -	P -
Net remeasurement of loss allowance	4,229,457	-	-	4,229,457
Balance at December 31	P 4,229,457	P -	P -	P 4,229,457
Debt investment securities at amortized cost (2018)/HTM securities (2017)				
Balance at January 1	P -	P -	P -	P -
Net remeasurement of loss allowance	2,165,927	-	-	2,165,927
Reversal of impairment	(547,987)	-	-	(547,987)
Balance at December 31	P 1,617,940	P -	P -	P 1,617,940

4.3.5 Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

The table below provides information how the significant changes in the gross carrying amount of financial instruments in 2018 contributed to the changes in the allowance for ECL.

	2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Receivables from customers – corporate				
Balance at January 1	P65,706,362,030	P 2,313,439	P1,463,590,523	P67,172,265,992
Transfers to:				
Stage 1	3,000,000	-	(3,000,000)	-
Stage 2	-	22,627,168	(22,627,168)	
Stage 3	(211,661,592)	(43,117,709)	254,779,301	-
New financial assets originated	44,925,708,041	287,718,454	429,932,069	45,643,358,564
Derecognition of financial assets	(41,848,947,568)	(400,557)	(473,430,616)	(42,322,778,741)
Write-offs	-	-	(328,199,043)	(328,199,043)
Balance at December 31	P 68,574,460,911	P 269,140,796	P 1,321,045,067	P70,164,646,774
Receivables from customers – consumer				
Balance at January 1	P 3,126,168,221	P 22,417,729	P 285,549,313	P3,434,135,263
Transfers to:				
Stage 1	81,384,427	-	(81,384,427)	-
Stage 2	-	-	-	-
Stage 3	(53,125,437)	-	53,125,437	-
New financial assets originated	1,779,206,092	8,139,499	61,749,964	1,849,095,555
Derecognition of financial assets	(927,555,620)	(7,542,801)	(51,677,954)	(986,776,375)
Write-offs	-	-	(20,032,367)	(20,032,367)
Balance at December 31	P 4,006,077,683	P 23,014,427	P 247,329,966	P 4,276,422,076
Other receivables				
Balance at January 1	P 1,118,672,343	P 65,211	P 72,963,243	P1,191,700,797
Transfers to:				
Stage 1	1,932,781	-	(1,932,781)	-
Stage 2	(219,914)	902,711	(682,797)	-
Stage 3	(2,525,886)	-	2,525,886	-
New financial assets originated	855,565,212	135,181	313,960,874	1,169,661,266
Derecognition of financial assets	(40,606,549)	-	(15,678,073)	(56,284,622)
Write-offs	-	-	(740,500)	(740,500)
Balance at December 31	P 1,932,817,987	P 1,103,102	P 370,415,852	P2,304,336,941

	2018			
	Stage 1	Stage 2	Stage 3	Total
Loan commitments				
Balance at January 1	P 2,861,681,871	P -	P -	P2,861,681,871
New financial assets originated or purchased	1,761,099,684	-	-	1,761,099,684
Derecognition of financial assets	(2,659,054,095)	-	-	(2,659,054,095)
Foreign exchange	-	-	-	-
Balance at December 31	P 1,963,727,460	P -	P -	P1,963,727,460
Debt investment securities at FVOCI (2018) /AFS securities (2017)				
Balance at January 1	P 2,438,872,511	P -	P -	P2,438,972,511
Effect of adoption of PFRS 9 (see Note 2.2)	(949,330,793)	-	-	(949,330,793)
New financial assets purchased	783,916,126	-	-	783,916,126
Fair value losses	75,060,232			75,060,232
Foreign currency revaluation and others	81,317,117	-	-	81,317,117
Balance at December 31	P 2,279,714,729	P -	P -	P2,279,714,729
Debt investment securities at amortized cost (2018)/HTM securities (2017)				
Balance at January 1	P -	P -	P -	P -
Effect of adoption of PFRS 9 (see Note 2.2)	393,117,111			393,117,111
New financial assets purchased	375,097,281	-	-	375,097,281
Amortization of discount	2,292,681			2,292,681
Net remeasurement of loss allowance	547,987	-	-	547,987
Balance at December 31	P 771,055,060	P -	P -	P 771,055,060

4.3.6 Impaired Financial Assets – Comparative Information Under PAS 39

The Bank regularly reviews and monitors defaults of borrowers identified either individually or by group, and incorporates this information into its credit risk evaluation. Where available at a reasonable cost, external credit ratings and/or reports on customers are obtained and used. In addition, for a significant proportion of loans, post-dated checks are received to mitigate credit risk.

The following table shows detailed analysis of the Bank's maximum exposure to credit risk on loans and other receivables as of December 31, 2017 (amounts in thousands):

Individually impaired	
Wholesale and retail trade	P 516,798
Services	340,601
Consumption	201,956
Manufacturing	149,487
Real estate, renting and construction	122,952
Others	201,745
Gross amount	1,533,539
Allowance for impairment	(861,045)
Carrying amount	672,494

Forward

Collectively impaired		
Wholesale and retail trade	P	14,114,505
Services		12,162,896
Real estate, renting and construction		14,641,842
Manufacturing		4,374,867
Others		1,682,427
Gross amount		46,976,537
Allowance for impairment		(595,403)
Carrying amount		46,381,134
Past due but unimpaired		
Carrying amount		196,988
Neither past due nor impaired		
Carrying amount		23,302,180
Total carrying amount	P	70,552,796

The Bank's financial assets that are past due but unimpaired pertains only to certain loans and other receivable items.

In addition to default and concentration risk arising from lending activities, the Bank has an incremental issuer credit risk exposure emanating from trading and investment securities and due from other banks amounting to P2,438.9 million and P4,012.5 million, respectively, as of December 31, 2017. These are, however, neither past due nor impaired.

The balance of the Due from BSP account represents the aggregate balance of noninterest-bearing deposit accounts in local currency maintained by the Bank with the BSP primarily to meet reserve requirements and to serve as a clearing account for interbank claims. Hence, no significant credit risk is anticipated on this account.

The carrying amounts of loans and other receivables are partially secured by collateral mainly consisting of real estate and chattel mortgages, and hold-out deposits.

The Bank's financial assets that are past due but unimpaired pertains only to certain loans and other receivable items. An analysis of the past due but unimpaired loans and other receivables reckoned from the last payment date follows (amounts in thousands).

Up to 30 days	P	122,859
31 to 90 days		74,129
	P	196,988

The credit risk for cash and cash equivalents such as Due from BSP, Due from Other Banks and SPURRA are considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

4.4 Market Risk

The Bank's market risk exposure arises from adverse movements in interest rates and prices of assets that are either carried in the banking book or held as positions in the trading book (financial instruments), mismatches in the contractual maturity of its resources and liabilities, embedded optionality in the loans and deposits due to pre-terminations, and potential cash run offs arising from changes in the overall liquidity and funding conditions in the market.

Market risk related to the Bank's financial instruments includes foreign currency, interest rate and price risks.

(a) Foreign Currency Risk

The Bank manages its exposure to effects of fluctuations in the foreign currency exchange rates by maintaining foreign currency exposure within the existing regulatory guidelines and at a level that it believes to be relatively conservative for a financial institution engaged in that type of business.

The Bank's foreign currency exposure is primarily limited to the foreign currency deposits, which are sourced within the Philippines or generated from remittances by Filipino expatriates and overseas Filipino workers. Also, foreign currency trading with corporate accounts and other financial institutions is a source of foreign currency exposure for the Bank. At the end of each month, the Bank reports to the BSP on its acquisition and disposition of foreign currency resulting from its daily transactions.

The breakdown of the financial assets and financial liabilities as to foreign currency (translated into Philippine pesos) and Philippine peso-denominated balances as of December 31, 2018 and 2017 follow (amounts in thousands):

	Foreign Currency	Philippine Peso	Total
2018			
Financial Assets:			
Cash and other cash items	**P -**	**P 988,548**	**P 988,548**
Due from BSP	**-**	**6,164,362**	**6,164,362**
Due from other banks	**3,187,792**	**1,340,803**	**4,528,595**
Investment securities at:			
FVPL	**1,057,827**	**758,980**	**1,816,807**
FVOCI	**1,761,243**	**518,472**	**2,279,715**
Amortized cost	**-**	**771,055**	**771,055**
Loans and other receivables - net	**972,207**	**74,558,150**	**75,530,357**
Other resources	**56,963**	**33,602**	**90,565**
	P 7,036,032	**P 85,133,972**	**P 92,170,004**
Financial Liabilities:			
Deposit liabilities	**P 5,733,260**	**P 71,517,823**	**P 77,251,083**
Bills payable	**-**	**3,696,506**	**3,696,506**
Accrued expenses and other liabilities	**-**	**2,354,185**	**2,354,185**
	P 5,733,260	**P 77,568,514**	**P 83,301,774**
2017			
Financial Assets:			
Cash and other cash items	P -	P 1,002,241	P 1,002,241
Due from BSP	-	6,575,270	6,575,270
Due from other banks	3,122,080	890,439	4,012,519
Financial assets at FVPL	-	-	-
AFS securities	2,073,757	365,116	2,438,873
Loans and other receivables - net	444,176	70,108,620	70,552,796
Other resources	54,223	36,055	90,278
	P 5,694,236	P 78,977,741	P 84,671,977
Financial Liabilities:			
Deposit liabilities	P 5,463,248	P 68,058,769	P 73,522,017
Bills payable	-	1,933,725	1,933,725
Accrued expenses and other liabilities	-	1,403,001	1,403,001
	P 5,463,248	P 71,395,495	P 76,858,743

(b) Interest Rate Risk

Interest rate risk is the probability of decline in net interest earnings as a result of an adverse movement of interest rates.

In measuring interest rate exposure from an earnings perspective, the Bank calculates the Earnings at Risk (EAR) to determine the impact of interest rate changes on the Bank's accrual portfolio. The EAR is the potential decline in net interest income due to the adverse movement in interest rates. To quantify interest rate exposure, the statement of financial position is first classified into interest rate sensitive and non-interest rate sensitive asset and liability accounts and then divided into pre-defined interest rate sensitivity gap tenor buckets with corresponding amounts slotted therein based on the term to next re-pricing date (the re-pricing maturity for floating rate accounts) and remaining term to maturity (the equivalent re-pricing maturity for fixed rate accounts).

The rate sensitivity gaps are calculated for each time band and on a cumulative basis. The gap amount for each bucket is multiplied by an assumed change in interest rate to determine EAR. A negative interest rate sensitivity gap position implies that EAR increases with a rise in interest rates, while a positive interest rate sensitivity gap results in a potential decline in net interest rate income as interest rates fall. To supplement the EAR, the Bank regularly employs sensitivity analysis on the Bank's interest rate exposure.

To mitigate interest rate risk, the Bank follows a prudent policy on managing resources and liabilities so as to ensure that exposure to interest rate risk are kept within acceptable levels. The BOD has also approved the EAR Limit which is reviewed regularly.

The analyses of the groupings of resources, liabilities, capital funds and off-book financial position items as of December 31, 2018 and 2017 based on the expected interest realization or recognition follows (amounts in thousands).

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Non-rate Sensitive	Total
2018						
Resources:						
Cash and other cash items	P -	P -	P -	P -	P 988,548	P 988,548
Due from BSP	6,164,362	-	-	-	-	6,164,362
Due from other banks	4,528,595	-	-	-	-	4,528,595
Trading and investment securities	-	-	38,942	4,828,634	-	4,867,576
Loans and other receivables - net	43,097,889	8,837,454	7,737,870	849,747	15,007,397	75,530,357
Other resources*	-	-	-	-	2,650,054	2,650,054
Total Resources	53,790,846	8,837,454	7,776,812	5,678,381	18,645,999	94,729,492
Liabilities and Equity:						
Deposit liabilities	18,135,290	17,542,332	7,611,648	2,972,865	30,988,948	77,251,083
Bills payable	2,000,000	125,000	375,000	-	1,196,506	3,696,506
Accrued expenses and other liabilities	-	-	-	-	2,422,846	2,422,846
Total Liabilities	20,135,290	17,667,332	7,986,648	2,972,865	34,608,300	83,370,435
Equity	-	-	-	-	11,359,057	11,359,057
Total Liabilities and Equity	20,135,290	17,667,332	7,986,648	2,972,865	45,967,357	94,729,492

** Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources.*

Forward

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Non-rate Sensitive	Total
On-book Gap	P33,655,556	(P 8,829,878)	(P 209,836)	P 2,705,516	(P 27,321,358)	P -
Cumulative On-book Gap	33,655,556	24,825,678	24,615,842	27,321,358	-	-
Contingent Resources	-	-	-	-	3,419,351	3,419,351
Contingent Liabilities	-	-	-	-	3,775,968	3,775,968
Off-book Gap	-	-	-	-	(356,617)	(356,617)
Net Periodic Gap	33,655,556	(8,829,878)	(209,836)	2,705,516	(27,677,975)	(356,617)
Cumulative Total Gap	**P 33,655,556**	**P 24,825,678**	**P 24,615,824**	**P 27,321,358**	**(P 356,617)**	**P -**

2017

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Non-rate Sensitive	Total
Resources:						
Cash and other cash items	P -	P -	P -	P -	P 1,002,241	P 1,002,241
Due from BSP	6,575,270	-	-	-	-	6,575,270
Due from other banks	4,012,519	-	-	-	-	4,012,519
Trading and investment securities	-	-	77,321	2,361,552	-	2,438,873
Loans and other receivables - net	41,850,742	9,995,861	5,447,947	1,782,787	11,475,459	70,552,796
Other resources*	-	-	-	-	2,682,146	2,682,146
Total Resources	52,438,531	9,995,861	5,525,268	4,144,339	15,159,846	87,263,845
Liabilities and Equity:						
Deposit liabilities	19,500,474	13,537,109	12,157,472	1,693,532	26,633,430	73,522,017
Bills payable	1,000,000	-	-	-	933,725	1,933,725
Accrued expenses and other liabilities	-	-	-	-	1,581,875	1,581,875
Total Liabilities	20,500,474	13,537,109	12,157,472	1,693,532	29,149,030	77,037,617
Equity	-	-	-	-	10,226,228	10,226,228
Total Liabilities and Equity	20,500,474	13,537,109	12,157,472	1,693,532	39,375,258	87,263,845
On-book Gap	31,938,057	(3,541,248)	(6,632,204)	2,450,807	(24,215,412)	-
Cumulative On-book Gap	31,938,057	28,396,809	21,764,605	24,215,412	-	-
Contingent Resources	-	-	-	-	-	-
Contingent Liabilities	-	-	-	-	816,409	816,409
Off-book Gap	-	-	-	-	(816,409)	(816,409)
Net Periodic Gap	31,938,057	(3,541,248)	(6,632,204)	2,450,807	(25,031,821)	(816,409)
Cumulative Total Gap	P31,938,057	P28,396,809	P21,764,605	P24,215,412	(P 816,409)	P -

** Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources.*

(c) Price Risk

In measuring the magnitude of exposures related to the Bank's trading portfolio arising from holding of government and other debt securities, the Bank employs VaR methodology. VaR is an estimate of the amount of loss that a given risk exposure is unlikely to exceed during a given time period, at a given level of statistical confidence. Analytically, VaR is the product of: (a) the sensitivity of the market value of the position to movement of the relevant market risk factors, and (b) the volatility of the market risk factor for the given time horizon at a specified level of statistical confidence. Typically, the Bank uses a 99% confidence level for this measurement; i.e., losses could exceed the VaR in one out of 100 trading days.

In calculating the severity of the market risk exposure for fixed income securities, the Bank takes into account the cash flow weighted term or modified duration of the securities comprising the portfolio, the yield to maturity, and mark-to-market value of the component securities position in the trading book. As the VaR methodology requires a minimum historical period of reckoning with market movements from a transparent discovery platform, the Bank uses yield and price data from the Bloomberg in the calculation of the volatility of rates of return and security prices, consistent with BSP valuation guidelines.

In assessing market risk, the Bank scales the calculated VaR based on assumed defeasance or holding periods that range from one day and ten days consistent with best practices and BSP standards.

As a prudent market risk control and compliance practice, the BOD has approved a market risk limit system which includes: (i) VaR limit on a per instrument and portfolio; (ii) loss limit on per investment portfolio, (iii) off-market rate limits on per instrument type; and, (iv) holding period for investment securities.

In recognition of the limitations of VaR related to the assumptions on which the model is based, the Bank supplements the VaR with a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position.

The table below shows the VaR position and ranges of the Bank's financial assets at FVPL and at FVOCI (AFS securities prior to 2018) portfolios as at December 31 (amounts in millions).

	2018	2017
VaR Position:		
Financial assets at FVPL	**P 1,816**	P -
Financial assets at FVOCI	**2,279**	-
AFS securities	**-**	855
VaR Ranges:		
Minimum	**33**	17
Maximum	**1,840**	4,404
Average	**1,036**	595

Stress test on the December 31, 2018 and 2017 portfolio shows the potential impact on profit and capital funds of parallel increase in interest rates of financial assets at FVPL and at FVOCI (AFS securities prior to 2018) as follows:

	2018			
	Current	**Sensitivities**		
Currency	**Market Value**	**+100 bps**	**+300 bps**	**+500 bps**
Philippine peso	P1,277,451,215	(P 65,703,574)	(P 197,110,723)	(P 328,517,871)
US dollar	2,819,070,097	(179,512,119)	(538,536,358)	(897,560,596)
Total	**P4,096,521,312**	**(P245,215,693)**	**(P 735,647,081)**	**(P 1,226,078,467)**

	2017			
	Current	Sensitivities		
Currency	Market Value	+100 bps	+300 bps	+500 bps
Philippine peso	P 365,116,063	(P 24,835,395)	(P 74,506,184)	(P 124,176,973)
US dollar	2,073,756,448	(196,166,788)	(588,500,365)	(980,833,941)
Total	P2,438,872,511	(P221,002,183)	(P 663,006,549)	(P 1,105,010,914)

(d) Liquidity Risk

Liquidity risk is the risk to income and capital as a result of the Bank failing its commitment for funds as they fall due. The Bank manages its liquidity risk through the management's monitoring of various liquidity ratios, Treasury's weekly and regular assessment of liquidity gaps, and the maturity ladder. A maturity ladder relates the inflows to outflows of funds at selected maturity dates and is constructed to measure liquidity exposure. The ladder shows the Bank's statement of financial position distributed into tenor buckets across the term structure on the basis of the term to final maturity or cash flow dates. The amount of net inflows which equals the difference between the amounts of contractually maturing assets (inflows) and liabilities (outflows) is computed per tenor bucket and on a cumulative basis incorporating certain behavioral and hypothetical assumptions regarding the flows from assets and liabilities including contingent commitments over time. The calculated periodic and cumulative gaps constitute the Bank's run off schedule, which indicate the Bank's net funding requirements in local and foreign currency.

To control liquidity gap risks, a quantitative ceiling to the net outflow of funds of the Bank called Maximum Cumulative Outflow (MCO) limit is observed per currency based on the recommendation of management, which model and assumptions are reviewed by the Asset and Liability Committee (ALCO) and the ROC prior to the confirmation by the BOD.

The analysis of the cash flow gap analysis of resources, liabilities, capital funds and off-book financial position items as of December 31, 2018 and 2017 follows (amounts in thousands).

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Total
2018					
Resources:					
Cash and other cash items	P 988,548	P -	P -	P -	P 988,548
Due from BSP	6,164,362	-	-	-	6,164,362
Due from other banks	4,528,595	-	-	-	4,528,595
Trading and investment securities	-	-	38,942	4,828,634	4,867,576
Loans and other receivables	13,483,189	14,564,446	14,781,467	32,701,255	75,530,357
Other resources*	385,794	219,171	183,582	1,861,507	2,650,054
Total Resources	25,550,488	14,783,617	15,003,991	39,391,396	94,729,492
Liabilities and Equity:					
Deposit liabilities	48,911,835	17,754,735	7,611,648	2,972,865	77,251,083
Bills payable	2,166,417	459,874	1,070,215	-	3,696,506
Accrued expenses and other liabilities	1,377,624	682,912	305,342	56,968	2,422,846
Total Liabilities	52,455,876	18,897,521	8,987,205	3,029,833	83,370,435
Equity	-	-	-	11,359,057	11,359,057
Total Liabilities and Equity	52,455,876	18,897,521	8,987,205	14,388,890	94,729,492
On-book Gap	(26,905,388)	(4,113,904)	6,016,786	25,002,506	-
Cumulative On-book Gap	(26,905,388)	(31,019,292)	(25,002,506)	-	-
Contingent Resources	-	-	-	3,419,351	3,419,351
Contingent Liabilities	2,633,255	745,382	397,320	11	3,775,968
Off-book Gap	(2,633,255)	(745,382)	(397,320)	3,419,340	(356,617)
Net Periodic Gap	(29,538,643)	(4,859,286)	5,619,466	28,421,846	(356,617)
Cumulative Total Gap	**(P 29,538,643)**	**(P 34,397,929)**	**(P 28,778,463)**	**(P 356,617)**	**P -**
2017					
Resources:					
Cash and other cash items	P 1,002,241	P -	P -	P -	P 1,002,241
Due from BSP	6,575,270	-	-	-	6,575,270
Due from other banks	4,012,519	-	-	-	4,012,519
Trading and investment securities	-	-	77,321	2,361,552	2,438,873
Loans and other receivables	621,570	23,805,844	15,857,374	30,268,008	70,552,796
Other resources*	181,293	343,017	1,543,579	614,257	2,682,146
Total Resources	12,392,893	24,148,861	17,478,274	33,243,817	87,263,845
Liabilities and Equity:					
Deposit liabilities	1,269,750	14,230,983	20,172,409	37,848,875	73,522,017
Bills payable	1,127,543		-	806,182	1,933,725
Accrued expenses and other liabilities	1,581,875	-	-	-	1,581,875
Total Liabilities	3,979,168	14,230,983	20,172,409	38,655,057	77,037,617
Equity	-	-	-	10,226,228	10,226,228
Total Liabilities and Equity	3,979,168	14,230,983	20,172,409	48,881,285	87,263,845

** Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources.*
Forward

	Less than One Month	One to Three Months	Three Months to One Year	More than One Year	Total
On-book Gap	P 8,413,725	P 9,917,878	(P 2,694,135)	(P 15,637,468)	P -
Cumulative On-book Gap	8,413,725	18,331,603	15,637,468	-	-
Contingent Resources	-	-	-	-	-
Contingent Liabilities	-	37,930	-	-	37,930
Off-book Gap	-	(37,930)	-	-	(37,930)
Net Periodic Gap	8,413,725	9,879,948	(2,694,135)	(15,637,468)	37,930
Cumulative Total Gap	P 8,413,725	P 18,293,673	P 15,599,538	(P 37,930)	P -

The negative liquidity gap in the MCO is due to the timing difference in the contractual maturities of assets and liabilities. The MCO measures the maximum funding requirement the Bank may need to support its maturing obligations. To ensure that the Bank maintains a prudent and manageable level of cumulative negative gap, the Bank maintains a pool of highly liquid assets in the form of tradable investment securities. Moreover, the BOD has approved the MCO Limits which reflect the Bank's overall appetite for liquidity risk exposure. This limit is reviewed every year. Compliance to MCO Limits is monitored and reported to the BOD and senior management. In case of breach in the MCO Limit, the Risk Management Center elevates the concern to the BOD through the ROC for corrective action.

Additional measures to mitigate liquidity risks include reporting of funding concentration, short-term liquidity reporting, available funding sources, and liquid assets analysis.

More frequent analysis of projected funding source and requirements as well as pricing strategies is discussed thoroughly during the weekly ALCO meetings.

4.5 Operational Risk

Operational risks are risks arising from the potential inadequate information systems and systems, operations or transactional problems (relating to service or product delivery), breaches in internal controls, fraud, or unforeseen catastrophes that may result in unexpected loss. Operational risks include the risk of loss arising from various types of human or technical error, settlement or payments failures, business interruption, administrative and legal risks, and the risk arising from systems not performing adequately.

The ROC of the Bank assists management in meeting its responsibility to understand and manage operational risk exposures.

The ROC applies a number of techniques to efficiently manage operational risks. Among these are enumerated below.

- Each major business line has an embedded operational risk management officer who acts as a point person for the implementation of various operational risk tools. The operational risk officers attend annual risk briefings conducted by the ROC to keep them up-to-date with different operational risk issues, challenges and initiatives.

- With ROC's bottom up self-assessment process, which is conducted at least annually, areas with high risk potential are highlighted and reported, and control measures are identified. The results of said self-assessment exercise also serve as one of the inputs in identifying specific key risk indicators (KRIs).

- KRIs are used to monitor the operational risk profile of the Bank and of each business unit, and alert the management of impending problems in a timely fashion.

- Internal loss information is collected, reported and utilized to model operational risk.

- The ROC reviews product and operating manuals, policies, procedures and circulars, thus allowing the embedding of desired operational risk management practices in all business units.

(a) Reputational Risk

Reputation risk is the risk to earnings or capital arising from negative public opinion. This affects the Bank's ability to establish new relationships or services, or to continue servicing existing relationships. This risk can expose the Bank to litigation, financial loss, or damage to its reputation. Reputation risk arises whenever technology-based banking products, services, delivery channels or processes may generate adverse public opinion such that it seriously affects the Bank's earnings or impairs its capital. This risk is present in activities such as asset management and regulatory compliance.

The Bank adopted a reputation risk monitoring and reporting framework to manage public perception.

(b) Legal Risk and Regulatory Risk Management

Changes in laws and regulations and fiscal policies could adversely affect the Bank's operations and financial reporting. In addition, the Bank faces legal risks in enforcing its rights under its loan agreements, such as foreclosing of collateral. Legal risk is higher in new areas of business where the law remains untested by the courts. The Bank uses a legal review process as the primary control mechanism for legal risk. Such a legal review aims to verify and validate the existence, genuineness and due execution of legal documents, and verify the capacity and authority of counterparties and customers to enter into transactions.

In addition, the Bank seeks to minimize its legal risk by using stringent legal documentation, imposing certain requirements designed to ensure that transactions are properly authorized, and consulting internal and external legal advisors.

Regulatory risk refers to the potential for the Bank to suffer financial loss due to changes in the laws or monetary, tax or other governmental regulations of the country. The Bank's Compliance Program, the design and implementation of which is overseen and coordinated by the Compliance Officer, is the primary control process for regulatory risk issues. The Compliance Office is committed to safeguard the integrity of the Bank by maintaining a high level of regulatory compliance. It is responsible for communicating and disseminating new rules and regulations to all units, assessing and addressing identified compliance issues, performing periodic compliance testing on branches and head office units, and reporting compliance findings to the Audit Committee and the BOD.

4.6 Anti-Money Laundering Controls

The Anti-Money Laundering Act (AMLA) or RA No. 9160 was passed in September 2001 and was amended by RA No. 9194, RA No. 10167, and RA No. 10365 in March 2003, June 2012 and February 2013, respectively. Under the AMLA, as amended, the Bank is required to submit "Covered Transaction Reports" to the Anti-Money Laundering Council (AMLC) involving single transactions in cash or other equivalent monetary instruments in excess of P0.5 million within one banking day. The Bank is also required to submit "Suspicious Transaction Reports" to the AMLC in the event that circumstances exist and there are reasonable grounds to believe that the transaction is suspicious. Furthermore, terrorist financing was criminalized in RA No. 10168. In addition, the AMLA requires that the Bank safe keeps, as long as the account exists, all the Know Your Customer (KYC) documents involving its clients, including documents that establish and record the true and full identity of its clients. Likewise, transactional documents must be maintained and stored for five years from the date of the transaction. In cases involving closed accounts, the KYC documents must be kept for five years after their closure. Meanwhile, all records of accounts with court cases must be safe kept until there is a final resolution.

On January 27, 2011, BSP Circular No. 706 was implemented superseding all policies on AMLA. The Circular requires the Bank to adopt a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MLPP) designed according to the covered institution's corporate structure and risk profile.

In an effort to further prevent money laundering activities, the Bank revised its KYC policies and guidelines in order to comply with the aforementioned Circular. Under the guidelines, each business unit is required to validate the true identity of a customer based on official or other reliable identifying documents or records before an account may be opened. Likewise, the Bank is required to risk profile its clients to Low, Normal or High with its corresponding due diligence of Reduced, Average or Enhanced, in compliance with the risk-based approach mandated by the Circular. Decisions to enter into a business relationship with a high risk customer requires senior management approval, and in some cases such as a politically exposed person or a private individual holding a prominent position, Credit and Collection Department Group Head approval is necessary.

The Bank's procedures for compliance with the AMLA are set out in its MLPP. The Bank's Compliance Officer, through the Anti-Money Laundering Department (AMLD), monitors AMLA compliance and conducts regular compliance testing of business units.

The AMLD requires all banking units to submit to the Compliance Office certificates of compliance with the Anti-Money Laundering Rules and Regulations on a quarterly basis.

The Compliance Officer regularly reports to the Audit Committee and to the BOD results of their monitoring of AMLA compliance.

5. CAPITAL MANAGEMENT AND REGULATORY CAPITAL

The Bank's lead regulator, the BSP, sets and monitors capital requirements for the Bank. In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed ratio of qualifying capital to risk-weighted assets. PBB, being a stand-alone thrift bank, is required under BSP regulations to comply with Basel 1.5. Under this regulation, the qualifying capital account of the Bank should not be less than an amount equal to 10% of its risk weighted assets.

The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio consists of Tier 1 capital plus Tier 2 capital elements net of the required deductions from capital such as:

(a) unbooked valuation reserves and other capital adjustments as may be required by the BSP;
(b) total outstanding unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI);
(c) deferred tax asset net of deferred tax liability;
(d) goodwill;
(e) sinking fund for redemption of redeemable preferred shares; and,
(f) other regulatory deductions.

Risk weighted assets is the sum of the Bank's credit risk weighted assets, operational risk weighted assets, and market risk weighted assets. The latter was due to the Bank's authority to engage in derivatives as end-user under a Type 3 Limited End-User Authority. Risk weighted assets are computed using the standardized approach for credit and market risks while basic indicator approach with modification was used for operational risk.

The following are the risk-based capital adequacy of the Bank as of December 31, 2018, 2017 and 2016 (amounts in millions):

		2018		2017		2016
Net Tier 1 Capital	**P**	**11,124**	P	9,809	P	9,241
Tier 2 Capital		**779**		678		470
Total Qualifying Capital	**P**	**11,903**	P	10,487	P	9,711
Risk Weighted Assets						
Credit Risk Weighted Assets	**P**	**74,044**	P	68,887	P	48,738
Operational Risk Weighted Assets		**4,118**		3,941		3,930
Market Risk Weighted Assets		**1,254**		2,092		4,477
Total Risk-Weighted Assets	**P**	**79,417**	P	74,920	P	57,145
Capital ratios:						
Total qualifying capital expressed as percentage of total risk-weighted assets		**15.0%**		14.0%		17.0%
Net Tier 1 capital expressed as percentage of total risk-weighted assets		**14.0%**		13.1%		16.2%

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

The Bank's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

A bank's regulatory capital is analyzed into two tiers, which are Tier 1 Capital plus Tier 2 Capital less deductions from the total of Tier 1 and Tier 2 capital equivalent to 50% of the following:

(a) Investments in equity of unconsolidated subsidiary banks and other financial allied undertakings, but excluding insurance companies;

(b) Investments in debt capital instruments of unconsolidated subsidiary banks;

(c) Investments in equity of subsidiary insurance companies and non-financial allied undertakings;

(d) Reciprocal investments in equity of other banks/enterprises; and,

(e) Reciprocal investments in unsecured subordinated term debt instruments of other banks/quasi-banks qualifying as Hybrid Tier 1, Upper Tier 2 and Lower Tier 2, in excess of the lower of (i) an aggregate ceiling of 5% of total Tier 1 capital of the bank excluding Hybrid Tier 1; or (ii) 10% of the total outstanding unsecured subordinated term debt issuance of the other bank/quasi-banks.

Provided, that any asset deducted from the qualifying capital in computing the numerator of the risk-based capital ratio shall not be included in the risk-weighted assets in computing the denominator of the ratio.

As of December 31, 2018 and 2017, the Bank has no exposure in item (a) to item (e) above. There were no material changes in the Bank's management of capital during the current year.

As of December 31, 2018 and 2017, the Bank has satisfactorily complied with the capital-to-risk assets ratio.

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" (regular net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects (mainly in the recognition of deferred tax assets). Thrift banks with head office in the National Capital Region and have more than 50 branches are required to comply with the minimum capital requirement of P2.0 billion. The Bank has complied with the minimum capital requirement at the end of each reporting period.

(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Carrying Amounts and Fair Values by Category

The following table summarizes the carrying values and fair values of the financial assets and financial liabilities in the statements of financial position:

	Notes	Carrying Values	Fair Values
December 31, 2018:			
Financial Assets			
At amortized cost:			
Cash and other cash items	9	**P 988,547,825**	**P 988,547,825**
Due from BSP	9	**6,164,361,658**	**6,164,361,658**
Due from other banks	10	**4,528,594,643**	**4,528,594,643**
Loans and other receivables - net	12	**75,530,357,441**	**69,844,432,133**
Other resources	15	**90,565,430**	**90,565,430**
FVPL securities	11	**1,816,806,583**	**1,816,806,583**
FVOCI securities	11	**2,279,714,729**	**2,279,714,729**
Amortized cost securities - net	11	**771,055,060**	**760,373,635**
		P 92,170,003,369	**P 86,473,396,636**
Financial Liabilities			
At amortized cost:			
Deposit liabilities	16	**P 77,251,083,251**	**P 71,557,678,415**
Bills payable	17	**3,696,505,696**	**3,696,505,696**
Accrued expenses and other liabilities	18	**2,354,184,964**	**2,354,184,964**
		P 83,301,773,911	**P 77,608,369,075**
December 31, 2017:			
Financial Assets			
Loans and receivables:			
Cash and other cash items	9	P 1,002,240,895	P 1,002,240,895
Due from BSP	9	6,575,270,040	6,575,270,040
Due from other banks	10	4,012,519,495	4,012,519,495
Loans and other receivables - net	12	70,552,796,381	60,760,296,589
Other resources	15	90,278,157	90,278,157
AFS securities	11	2,438,872,511	2,438,872,511
		P 84,671,977,479	P 74,879,477,687
Financial Liabilities			
At amortized cost:			
Deposit liabilities	16	P 73,522,017,415	P 73,465,834,285
Bills payable	17	1,933,724,724	1,933,724,724
Accrued expenses and other liabilities	18	1,403,000,937	1,403,000,937
		P 76,858,743,076	P 76,802,559,946

The Bank concluded that the carrying amounts of foregoing other financial assets and financial liabilities which are measured at amortized cost approximate the fair values either because those instruments are short-term in nature or the effect of discounting for those with maturities of more than one year is not material. The fair value information disclosed for the Bank's debt securities are determined based on the procedures and methodologies discussed in Note 7.2.

6.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets, presented in the statements of financial position at gross amounts, are covered by enforceable master netting arrangements and similar agreements:

	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position		Net amount
		Financial Instruments	Collateral received	
December 31, 2018				
Loans and receivables - net	**P 75,530,357,441**	**(P 4,197,858,340)**	**P -**	**P 71,332,499,101**
Deposit liabilities	**77,251,083,251**	**(2,374,719,446)**	**-**	**74,876,363,805**
Bills Payable	**3,696,505,696**	**(1,191,604,686)**	**-**	**2,504,901,010**
December 31, 2017				
Loans and receivables - net	P 70,552,796,381	(P 4,063,170,283)	P -	P 66,489,626,098
Deposit liabilities	73,522,017,415	(2,901,897,730)	-	70,620,119,685
Bills payable	1,933,724,724	(932,490,528)	-	1,000,234,196

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Bank and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

7. FAIR VALUE MEASUREMENT AND DISCLOSURES

7.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Bank uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

7.2 Financial Instruments Measured at Fair Value

The table shows the fair value hierarchy of the Bank's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2018 and 2017 (amounts in millions).

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Financial assets at FVPL				
Government debt securities	**P 447**	**P 759**	**P -**	**P 1,206**
Corporate debt securities	**611**	**-**	**-**	**611**
	P 1,058	**P 759**	**P -**	**P 1,817**
Financial assets at FVOCI				
Government debt securities	**P 1,494**	**P 518**	**P -**	**P 2,012**
Corporate debt securities	**268**	**-**	**-**	**268**
	P 1,762	**P 518**	**P -**	**P 2,280**
December 31, 2017				
AFS securities				
Government debt securities	P 1,490	P 77	P -	P 1,567
Corporate debt securities	872	-	-	872
	P 2,362	P 77	P -	P 2,439

As of December 31, 2017 (nil for 2018), the Bank had an outstanding derivative financial assets amounting to P0.6 million presented as part of Miscellaneous under the Other Resources account in the statement of financial position (see Note 15). The Bank has no outstanding derivative liabilities as of December 31, 2018 and 2017. Derivative financial assets are categorized within Level 2, and are determined through valuation techniques using the net present value computation.

The fair value of the debt securities of the Bank determined as follows:

(a) In 2018, fair values of peso-denominated government debt securities issued by the Philippine government, are based on the reference price per Bloomberg which used BVAL. These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithm of direct observations or observed comparables. In 2017, fair value is determined to be the reference price per PDEx which is computed based on the weighted average of done or executed deals, the simple average of all firm bids per benchmark tenor or interpolated yields. This is consistent with BSP Circular No. 813, *Amendment on Market Valuation of Government Securities*, issued by the BSP pursuant to Monetary Board Resolution No. 1504 dated September 13, 2013.

(b) For other quoted debt securities under Level 1, fair value is determined to be the current mid-price, which is computed as the average of ask and bid prices as appearing on Bloomberg.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

7.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Bank's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed (amount in millions).

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Financial Assets:				
Cash and other cash items	**P 989**	**P -**	**P -**	**P 989**
Due from BSP	**6,164**	**-**	**-**	**6,164**
Due from other banks	**4,529**	**-**	**-**	**4,529**
Investment securities at amortized cost	**693**	**67**	**-**	**760**
Loans and other receivable	**-**	**-**	**69,844**	**69,844**
Other financial assets	**60**	**-**	**31**	**91**
	P 12,435	**P 67**	**P 69,875**	**P 82,377**
Financial Liabilities:				
Deposit liabilities	**P -**	**P -**	**P 71,558**	**P 71,558**
Bills payable	**-**	**-**	**3,697**	**3,697**
Accrued expenses and other liabilities	**-**	**-**	**2,354**	**2,354**
	P -	**P -**	**P 77,609**	**P 77,609**
December 31, 2017				
Financial Assets:				
Cash and other cash items	P 1,002	P -	P -	P 1,002
Due from BSP	6,575	-	-	6,575
Due from other banks	4,013	-	-	4,013
Loans and other receivable	-	-	60,760	60,760
Other financial assets	59	-	31	90
	P 11,649	P -	P 60,791	P 72,440

(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

	Level 1		Level 2		Level 3		Total
December 31, 2017							
Financial Liabilities:							
Deposit liabilities	P	-	P	-	P 73,466	P	73,466
Bills payable		-		-	1,934		1,934
Accrued expenses and other liabilities		-		-	1,403		1,403
	P	-	P	-	P 76,803	P	76,803

The fair values of financial assets and financial liabilities not presented at fair value in the statements of financial position are determined as follows:

(a) Due from BSP and Other Banks

Due from BSP pertains to deposits made by the Bank to BSP for clearing and reserve requirements. Due from other banks includes interbank deposits and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximates the nominal value.

(b) Loans and Other Receivables

Loans and other receivables are net of impairment losses. The estimated fair value of loans and other receivables represents the discounted amount of estimated future cash flows expected to be received. Long term interest-bearing loans are periodically repriced at interest rates equivalent to the current market rates, to determine fair value.

(c) Other Financial Assets

Other financial assets pertain to foreign currency notes and coins, security deposits and petty cash fund which are included in the Other Resources account. Due to their short duration, the carrying amounts of these items in the statements of financial position are considered to be reasonable approximation of their fair values.

(d) Deposits and Bills Payable

The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and bills payable without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amount of short term bills payable approximate their fair values.

(e) Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities classified as financial liabilities are recognized initially at their fair value and subsequently measured at amounts to which they are to be paid. Due to their short-duration, management ascertained that the fair values of these short-term liabilities approximate their carrying values.

7.4 Fair Value Measurement of Investment Properties Carried at Cost

The total estimated fair values of the Bank's investment properties, categorized under Level 3 of the fair value hierarchy amount to P684.7 million and P554.6 million as of December 31, 2018 and 2017, respectively (see Note 14).

The fair value of the investment properties of the Bank was determined on the basis of a valuation carried out on the acquisition dates by either an independent or internal appraiser having appropriate qualifications and recent experience in the valuation of properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the management of the Bank with respect to determination of the inputs such as size, age, and condition of the land and buildings and the comparable prices in the corresponding property location. In estimating the fair value of the properties, management takes into account the market participant's ability to generate economic benefits by using the assets in highest and best use. Based on management's assessment, the best use of the investment properties indicated above is their current use which is generate positive future cash flows through sale.

The fair value of these investment properties were determined based on the following approaches:

(a) Fair Value Measurement for Land

The Level 3 fair value of land was derived using observable recent prices of the reference properties adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value. On the other hand, if fair value of the land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations, fair value is included in Level 2. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property, minor adjustments on the price is made to consider peculiarities of the property with that of the benchmark property.

(b) Fair Value Measure for Building and Improvements

The Level 3 fair value of the buildings and improvements included in Investment Properties was determined using the replacement cost approach that reflects the cost to a market participant to construct an asset of comparable usage, constructions standards, design and lay-out, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2018 and 2017.

8. SEGMENT REPORTING

The Bank's main operating businesses are organized and managed separately according to the nature of services and products provided and the different markets served, with each segment representing a strategic business unit. These are also the basis of the Bank in reporting to its chief operating decision-maker for its strategic decision-making activities.

Management currently identifies the Bank's three service lines as primary operating segments.

(a) *Consumer Banking* – includes auto financing, home financing, and salary or personal loans;

(b) *Corporate Banking* – includes term loans, working capital credit lines, bills purchase and discounting lines; and,

(c) *Treasury Operations* – manages liquidity of the Bank and is a key component in revenue and income generation through its trading and investment activities.

These segments are the basis on which the Bank reports its segment information. Transactions between the segments are on normal commercial terms and conditions.

Segment revenues and expenses that are directly attributable to primary operating segment and the relevant portions of the Bank's revenues and expenses that can be allocated to that operating segment are accordingly reflected as revenues and expenses of that operating segment. Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis.

8.1 Analysis of Primary Segment Information

The contribution of these various business activities to the Bank's revenues and income for the years 2018, 2017 and 2016 are as follows (amounts in millions):

	Consumer	Corporate	Treasury	Total
2018:				
Net interest and other income				
From external customers				
Interest income	P 320	P 4,944	P 246	P 5,510
Interest expense	(78)	(1,447)	(207)	(1,732)
Net interest income	242	3,497	39	3,778
Non-interest income	-	321	-	321
	242	3,818	39	4,099
Expenses				
Operating expenses excluding depreciation and amortization	108	2,222	318	2,648
Depreciation and amortization	9	142	22	173
	117	2,364	340	2,821
Segment operating income (loss)	**P 125**	**P 1,454**	**(P 301)**	**P 1,278**
Total resources and liabilities				
Total resources	**P 4,535**	**P 71,809**	**P 16,606**	**P 92,950**
Total liabilities	**P 3,669**	**P 67,611**	**P 9,676**	**P 80,956**

	Consumer	Corporate	Treasury	Total
2017:				
Net interest and other income				
From external customers				
Interest income	P 276	P 3,395	P 209	P 3,880
Interest expense	(41)	(687)	(114)	(842)
Net interest income	235	2,708	95	3,038
Non-interest income	-	227	139	366
	235	2,935	234	3,404
Expenses				
Operating expenses excluding depreciation and amortization	99	1,919	276	2,294
Depreciation and amortization	7	115	19	141
	106	2,034	295	2,435
Segment operating income (loss)	P 129	P 901	(P 61)	P 969
Total resources and liabilities				
Total resources	P 3,997	P 68,874	P 14,327	P 87,198
Total liabilities	P 3,614	P 60,642	P 10,087	P 74,343
2016:				
Net interest and other income				
From external customers				
Interest income	P 241	P 2,512	P 454	P 3,207
Interest expense	(37)	(521)	(177)	(735)
Net interest income	204	1,991	277	2,472
Non-interest income	7	214	335	556
	211	2,205	612	3,028
Expenses				
Operating expenses excluding depreciation and amortization	92	1,376	475	1,943
Depreciation and amortization	8	100	39	147
	100	1,476	514	2,090
Segment operating income (loss)	P 111	P 729	P 98	P 938
Total resources and liabilities				
Total resources	P 3,844	P 50,059	P 16,271	P 70,174
Total liabilities	P 3,021	P 39,780	P 15,503	P 58,304

8.2 Reconciliation

Presented below is a reconciliation of the Bank's segment information to the key financial information presented in its consolidated financial statements (amounts in millions).

	2018	2017	2016
Net interest and other income			
Total segment revenues	**P 4,099**	P 3,404	P 3,028
Unallocated income	**36**	22	15
Net interest and other income as reported in profit or loss	**P 4,135**	P 3,426	P 3,043
Profit or loss			
Total segment operating income	**P 1,278**	P 969	P 938
Unallocated profit	**(37)**	(56)	(64)
Net profit before tax as reported in profit or loss	**P 1,241**	P 913	P 874
Resources			
Total segment resources	**P 92,950**	P 87,198	P 70,174
Unallocated assets	**1,779**	66	92
Total resources	**P 94,729**	P 87,264	P 70,266
Liabilities			
Total segment liabilities	**P 80,956**	P 74,343	P 58,304
Unallocated liabilities	**2,414**	2,695	2,392
Total liabilities	**P 83,370**	P 77,038	P 60,696

The Bank has no intersegment revenues during 2018, 2017 and 2016.

9. CASH AND DUE FROM BSP

This account is composed of the following:

	2018	2017
Cash and other cash items	**P 988,547,825**	P 1,002,240,895
Due from BSP		
Mandatory reserves	**5,964,361,658**	5,475,270,040
Other than mandatory reserves	**200,000,000**	1,100,000,000
	6,164,361,658	6,575,270,040
	P 7,152,909,483	P 7,577,510,935

Cash consists primarily of funds in the form of Philippine currency notes and coins in the Bank's vault and those in the possession of tellers, including automated teller machines. Other cash items include cash items other than currency and coins on hand (see Note 15) such as checks drawn on the other banks or other branches that were received after the Bank's clearing cut-off time until the close of the regular banking hours.

Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements and to serve as clearing account for interbank claims (see Note 16).

Due from BSP other than mandatory reserves bears annual effective interest rates ranging from 3.7% to 4.5% in 2018, and 0.0% to 2.5% in 2017 and 2016. The total interest income earned in 2018, 2017 and 2016 amounted to P12.1 million, P24.4 million and P89.1 million, respectively, and are included as part of Interest Income on Due from BSP and Other Banks in the statements of profit or loss.

10. DUE FROM OTHER BANKS

The balance of this account represents deposits with the following:

	2018	2017
Local banks	**P 3,112,087,845**	P 3,538,289,535
Foreign banks	**1,416,506,798**	474,229,960
	P 4,528,594,643	P 4,012,519,495

Interest rates on these deposits range from 0.25% to 1.75% per annum in 2018, 2017 and 2016. The total interest income earned in 2018, 2017 and 2016 amounted to P36.2 million, P14.1 million and P17.6 million, respectively, and are included as part of Interest Income on Due from BSP and Other Banks in the statements of profit or loss.

The breakdown of due from other banks by currency follows:

	2018	2017
US dollars	**P 3,187,791,963**	P 3,122,079,557
Philippine peso	**1,340,802,680**	890,439,938
	P 4,528,594,643	P 4,012,519,495

11. TRADING AND INVESTMENT SECURITIES

The components of this account are presented below.

	Notes	2018	2017
Financial assets at FVPL	11.1	**P 1,816,806,583**	P -
Financial assets at FVOCI	11.2	**2,279,714,729**	-
Investment securities at amortized cost – net	11.3	**771,055,060**	-
AFS securities	11.2	**-**	2,438,872,511
		P 4,867,576,372	P 2,438,872,511

11.1 Investment Securities at FVPL

This account is composed of government securities and corporate bonds with fair value amounting to P1,816.8 million as of December 31, 2018. Because of better earning opportunities in other form of investments, management decided to dispose of this financial instrument in 2017; hence, the nil balance as at December 31, 2017. Annual coupon interest rates on these investments range from 3.0% to 5.5% in 2018 and 3.5% to 8.0% in 2016. The total interest income earned in 2018, 2017 and 2016 amounted to P48.8 million, P16.4 million, and P23.6 million, respectively, and are included as part of Interest Income on Trading and Investment Securities in the statements of profit or loss.

The related net unrealized fair value amounted to P17.5 million in 2018 and P29.0 million in 2016 (nil in 2017). The net realized trading loss in 2018 amounted to P13.0 million and net realized trading gains in 2017 and 2016 amounted to P92.8 million and P54.2 million, respectively. These are presented as part of Trading Gains (Losses) in the statements of profit or loss.

(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

11.2 Investment Securities at FVOCI/AFS Securities

The account is composed of the following:

	2018 (FVOCI)	2017 (AFS)
Government debt securities	**P 2,012,190,318**	P 1,566,860,912
Corporate bonds – quoted	**267,524,411**	872,011,599
	P 2,279,714,729	P 2,438,872,511

As to currency, this account consists of the following:

	2018 (FVOCI)	2017 (AFS)
Foreign currencies	**P 1,761,243,341**	P 2,073,756,448
Philippine pesos	**518,471,388**	365,116,063
	P 2,279,714,729	P 2,438,872,511

An analysis of the maturity profile of the Bank's financial assets at FVOCI and AFS securities:

	2018 (FVOCI)	2017 (AFS)
Within one year	**P -**	P 77,488,754
Beyond one year	**2,279,714,729**	2,361,383,757
	P 2,279,714,729	P 2,438,872,511

Government debt securities issued by the Republic of the Philippines and foreign sovereigns and other debt securities issued by resident and non-resident corporations earn interest at annual coupon rates ranging from 3.7% to 6.3%, from 0.0% to 8.1% and from 3.5% to 8.1% in 2018, 2017, and 2016 respectively.

The total interest income earned in 2018, 2017, and 2016 amounted to P75.8 million, P153.1 million and P144.8 million, respectively, and are included as part of Interest Income on Trading and Investment Securities in the statements of profit or loss. In 2018, provision for probable loss and accumulated impairment losses on these securities amounted to P4.2 million and is presented as part of Impairment Losses and Unrealized Fair Value Losses on Investment Securities at FVOCI in the 2018 statement of profit or loss and statement of changes in equity, respectively. No similar amounts were recognized in 2017 and 2016 since the Bank applied the transitional relief allowed by the new standard (see Note 2.2).

The net fair value gains recycled to profit or loss from equity resulting from the sale of AFS securities amounted to P35.7 million, and P323.5 million in 2017 and 2016 (nil in 2018), respectively. These are included as part of Trading Gains in the statements of profit or loss.

The fair values of these securities have been determined directly by reference to published prices in an active market (see Note 7.2).

In compliance with current banking regulations relative to the Bank's trust functions, certain securities of the Bank, with a face value of P40.0 million and P35.0 million as of December 31, 2018 and 2017, respectively, are deposited with the BSP (see Note 25).

Changes in the securities at FVOCI/AFS securities are summarized below.

	2018 (FVOCI)	2017 (AFS)
Balance at beginning of year		
As previously stated	**P -**	P 3,811,726,524
Effect of adoption of PFRS 9 [see Note 2.2(a)(ii)] – reclassifications from AFS securities	**1,489,541,718**	-
As restated	**1,489,541,718**	3,811,726,524
Additions	**783,916,126**	3,352,273,750
Disposals	**-**	(4,767,354,091)
Fair value gains (losses)	**(75,060,232)**	59,748,950
Foreign currency revaluation	**80,556,789**	(8,938,655)
Amortization of discount (premium)	**760,328**	(8,583,967)
Balance at end of year	**P 2,279,714,729**	P 2,438,872,511

The reconciliation of unrealized fair value losses on securities at FVOCI/AFS securities reported under equity is shown below.

	2018 (FVOCI)	2017 AFS	2016 AFS
Balance at beginning of year,			
As previously stated	**P -**	(P 82,019,677)	(P 577,298,405)
Effect of adoption of PFRS 9 [(see Note 2.2(a)(ii)h] – reclassifications from AFS securities	**(61,886,925)**	-	-
As restated	**(61,886,925)**	(82,019,677)	(577,298,405)
Changes on unrealized fair value gains (losses) during the year:			
Fair value gains (losses) during the year	**1,484,005**	59,748,950	(78,227,452)
Realized fair value losses (gains) on AFS securities disposed during the year - net	**-**	(29,979,364)	74,648,222
	1,484,005	29,769,586	(3,579,230)
Changes on unrealized fair value gains (losses) on reclassified securities during the year:			
Amortization of fair value gains (losses) on reclassified securities in 2014	**-**	-	(6,457,719)
Fair value gain (loss) on AFS investments reclassified to FVOCI securities in 2018	**(76,544,237)**	-	-
Fair value gain (loss) on HTM investments reclassified to AFS securities in 2016		-	850,545,351
Expected credit losses on AFS investments reclassified to FVOCI securities in 2018	**4,229,457**	-	-
Realized fair value gains on HTM investments reclassified to AFS securities in 2016	**-**	-	(345,229,674)
	(72,314,780)	-	498,857,958
	(70,830,775)	29,769,586	495,278,728
Balance at end of year	**(P 132,717,700)**	(P 52,250,091)	(P 82,019,677)

11.3 Investment Securities at Amortized Cost/HTM Investment

This account is composed of the following:

	2018 (Amortized Cost)	2017 (HTM)
Government securities	P 482,673,000	P -
Corporate debt securities	290,000,000	-
	772,673,000	-
Allowance for impairment	(1,617,940)	-
	P 771,055,060	P -

All of the Bank's investment securities at amortized cost are in Philippine peso and has a maturity profile of beyond one year.

The reconciliation of the carrying amounts of investment securities at amortized cost in 2018 are presented below.

Balance at beginning of year	
As previously stated	P -
Effect of adoption of PFRS 9 [(see Note 2.2(a)(ii)h]	
Reclassification from:	
AFS securities	369,359,617
Loans and other receivables	25,923,421
Recognition of allowance for impairment	(2,165,927)
As restated	393,117,111
Additions	375,097,281
Amortization of discount	2,292,681
Reversal of impairment	547,987
Balance at end of year	P 771,055,060

Interest rate on these investments range from 3.5% to 8.1% in 2018. The total interest income earned amounted to P25.4 million in 2018 and P179.1 million in 2016 (nil in 2017), and is included as part of Interest Income on Trading and Investment Securities in the statements of profit or loss.

12. LOANS AND OTHER RECEIVABLES

This account consists of the following:

	2018	2017
Receivable from customers:		
Loans and discounts	**P 70,546,193,193**	P66,993,743,115
Unearned discount	**(170,226,689)**	(120,049,688)
	70,375,866,504	66,873,693,427
Bills purchased	**10,707,079**	366,130,161
Customers' liabilities on acceptances, letters of credit and trust receipts	**3,884,168,578**	3,577,720,164
	74,270,842,161	70,817,543,752
Other receivables:		
SPURRA	**P 1,500,000,000**	P 826,072,472
Accrued interest receivable	**602,780,238**	207,680,908
Sales contracts receivable	**91,967,808**	35,934,861
Deficiency claims receivable	**71,164,766**	55,056,218
Accounts receivable	**38,424,130**	41,032,917
Unquoted debt securities	**-**	25,923,421
	2,304,336,942	1,191,700,797
	76,575,179,103	72,009,244,549
Allowance for impairment	**(1,044,821,662)**	(1,456,448,168)
	P 75,530,357,441	P70,552,796,381

SPURRA are secured by certain treasury bills of the BSP. SPURRA represent loans and receivables from BSP as of December 31, 2018 and 2017 arise from overnight lending from excess liquidity.

Non-performing loans of the Bank amount to P1,306.3 million and P1,504.5 million as of December 31, 2018 and 2017, respectively, while restructured loans amount to P195.3 million and P40.6 million, respectively. Interest income recognized on impaired loans and receivables amounted to P63.8 million in 2018.

A summary of the Bank's maximum exposure to credit risk on loans and other receivables is disclosed in Note 4.3.

An analysis of the maturity profile of the Bank's receivable from customers, gross of allowance and unearned discount, follows (amounts in thousands):

	2018	2017
Within one year	**P 36,706,354**	P 38,358,514
Beyond one year	**37,734,715**	32,579,079
	P 74,441,069	P 70,937,593

As to security, receivable from customers, gross of allowance and unearned discount, are classified into the following (amounts in thousands):

	Note	2018	2017
Secured:			
Real estate mortgage		**P 34,345,108**	P 28,816,083
Chattel mortgage		**6,607,784**	4,860,906
Deposit hold-out	6.2	**2,374,719**	2,901,898
Others		**2,061,646**	782,717
Unsecured		**29,051,812**	33,575,989
		P 74,441,069	P 70,937,593

(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

The changes in the allowance for impairment on loans and other receivables are summarized below.

	2018	2017
Balance at beginning of year		
As previously restated	**P 1,456,448,168**	P 1,233,668,289
Effect of adoption of PFRS 9 [see Note 2.2(a)(ii)h]	**(324,103,199)**	-
As restated	**1,132,344,969**	1,233,668,289
Impairment losses for the year	**276,741,832**	260,519,609
Write-off	**(348,231,409)**	-
Reversal of allowance for impairment	**(16,033,730)**	(37,739,730)
Balance at end of year	**P 1,044,821,662**	P 1,456,448,168

Of the total loans and discounts of the Bank as of December 31, 2018 and 2017, 80.0% and 81.0%, respectively, are subject to periodic interest repricing.

The annual effective interest rates of loans and discounts range from 1.0% to 42% in 2018, 0.8% to 72.9% in 2017 and 1.3% to 30.0% in 2016, while the annual effective interest rates of interest-bearing other receivables range from 5.0% to 12.0% in 2018, 2.0% to 8.59% in 2017 and 3.0% to 4% in 2016. The total interest income earned from loans and discounts amounted to P5,296.1 million, P3,631.7 million and P2,570.2 million in 2018, 2017 and 2016, respectively, while total interest income earned from interest-bearing other receivables amounted to P15.0 million, P40.7 million and P182.8 million in 2018, 2017 and 2016, respectively. These are presented as Interest Income on Loans and Other Receivables in the statements of profit or loss.

Loans receivables pledged as collaterals to secure borrowings under rediscounting privileges amount to P1,191.6 million and P932.5 million as of December 31, 2018 and 2017, respectively (see Note 17).

13. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of 2018 and 2017 are shown below.

	Land	**Building**	**Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Leasehold Improve-ments**	**Total**
December 31, 2018						
Cost	**P 90,802,205**	**P 130,629,198**	**P 513,076,860**	**P 164,618,199**	**P 577,847,097**	**P 1,476,973,559**
Accumulated depreciation and amortization	**-**	**(59,892,868)**	**(353,671,048)**	**(104,555,882)**	**(483,574,924)**	**(1,001,694,722)**
Net carrying amount	**P 90,802,205**	**P 70,736,330**	**P 159,405,812**	**P 60,062,317**	**P 94,272,173**	**P 475,278,837**
December 31, 2017						
Cost	P 90,802,205	P 118,392,293	P 453,608,640	P 154,979,127	P 545,555,882	P 1,363,338,147
Accumulated depreciation and amortization	-	(51,867,987)	(311,120,293)	(86,070,295)	(427,640,386)	(876,698,961)
Net carrying amount	P 90,802,205	P 66,524,306	P 142,488,347	P 68,908,832	P 117,915,496	P 486,639,186

	Land	Building	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improve-ments	Total
January 1, 2017						
Cost	P 89,848,156	P 118,429,528	P 412,938,957	P 148,470,474	P 528,612,606	P 1,298,299,721
Accumulated depreciation and amortization	-	(48,493,151)	(266,048,782)	(83,554,014)	(364,208,136)	(762,304,083)
Net carrying amount	P 89,848,156	P 69,936,377	P 146,890,175	P 64,916,460	P 164,404,470	P 535,995,638

A reconciliation of the carrying amounts at the beginning and end of 2018 and 2017 is shown below.

	Land	**Building**	**Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Leasehold Improve-ments**	**Total**
Balance at January 1, 2018, net of accumulated depreciation and amortization	**P 90,802,205**	**P 66,524,306**	**P 142,488,347**	**P 68,908,832**	**P 117,915,496**	**P 486,639,186**
Additions		**8,271,626**	**78,379,744**	**21,237,283**	**36,229,023**	**144,117,676**
Disposals	**-**	**-**	**(10,708,963)**	**(4,774,013)**	**(105,671)**	**(15,588,647)**
Depreciation and amortization charges for the year	**-**	**(4,059,602)**	**(50,753,316)**	**(25,309,785)**	**(59,766,675)**	**(139,889,378)**
Balance at December 31, 2018, net of accumulated depreciation and amortization	**P 90,802,205**	**P 70,736,330**	**P 159,405,812**	**P 60,062,317**	**P 94,272,173**	**P 475,278,837**
Balance at January 1, 2017, net of accumulated depreciation and amortization	P 89,848,156	P 69,936,377	P 146,890,175	P 64,916,460	P 164,404,470	P 535,995,638
Additions	954,049	95,000	47,084,886	36,530,060	18,174,298	102,838,293
Disposals	-	(121,341)	(5,641,260)	(7,802,619)	(1,967,342)	(15,532,562)
Depreciation and amortization charges for the year	-	(3,385,730)	(45,845,454)	(24,735,069)	(62,695,930)	(136,662,183)
Balance at December 31, 2017, net of accumulated depreciation and amortization	P 90,802,205	P 66,524,306	P 142,488,347	P 68,908,832	P 117,915,496	P 486,639,186

As of December 31, 2018 and 2017, the cost of the Bank's fully depreciated bank premises, furniture, fixtures and equipment that are still used in operations amounts to P191.1 million and P160.7 million, respectively.

The BSP requires that investment in bank premises, furniture, fixtures and equipment do not exceed 50% of the Bank's unimpaired capital. As of December 31, 2018 and 2017, the Bank has satisfactorily complied with this requirement.

(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

14. INVESTMENT PROPERTIES

Investment properties consist of various parcels of land, and buildings and improvements acquired through foreclosure or dacion for the settlement of outstanding loans of borrowers who are unable to pay their loan in cash.

The gross carrying amounts and accumulated depreciation and allowance for impairment of investment properties at the beginning and end of 2018 and 2017 are shown below.

	Land	Buildings and Improvements	Total
December 31, 2018			
Cost	**P 417,254,063**	**P 143,752,934**	**P 561,006,997**
Accumulated depreciation	**-**	**(89,251,044)**	**(89,251,044)**
Allowance for impairment	**(37,259,583)**	**(5,245,891)**	**(42,505,474)**
Net carrying amount	**P 379,994,480**	**P 49,255,999**	**P 429,250,479**
December 31, 2017			
Cost	P 394,712,982	P 143,032,494	P 537,745,476
Accumulated depreciation	-	(85,652,200)	(85,652,200)
Allowance for impairment	(26,551,861)	(2,192,994)	(28,744,855)
Net carrying amount	P 368,161,121	P 55,187,300	P 423,348,421
January 1, 2017			
Cost	P 390,539,220	P 153,159,794	P 543,699,014
Accumulated depreciation	-	(66,564,578)	(66,564,578)
Allowance for impairment	(26,551,861)	(2,192,994)	(28,744,855)
Net carrying amount	P 363,987,359	P 84,402,222	P 448,389,581

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2018 and 2017 is shown below.

	Land	Buildings and Improvements	Total
Balance at January 1, 2018, net of accumulated depreciation and impairment	**P 368,161,121**	**P 55,187,300**	**P 423,348,421**
Additions	**126,037,932**	**12,668,370**	**138,706,302**
Disposals	**(103,496,851)**	**(471,602)**	**(103,968,453)**
Depreciation for the year	**-**	**(15,075,172)**	**(15,075,172)**
Impairment loss	**(10,707,722)**	**(3,052,897)**	**(13,760,619)**
Balance at December 31, 2018, net of accumulated depreciation and impairment	**P 379,994,480**	**P 49,255,999**	**P 429,250,479**
Balance at January 1, 2017, net of accumulated depreciation and impairment	P 363,987,359	P 84,402,222	P 448,389,581
Additions	47,140,723	10,645,458	57,786,181
Disposals	(42,966,961)	(30,612,599)	(73,579,560)
Depreciation for the year	-	(9,247,781)	(9,247,781)
Balance at December 31, 2017, net of accumulated depreciation and impairment	P 368,161,121	P 55,187,300	P 423,348,421

In 2018, 2017 and 2016, gains on sale of investment properties amounted to P13.5 million, P15.2 million and P13.2 million, respectively, and are presented as part of Gain on sale of properties under Miscellaneous Income in the statements of profit or loss (see Note 20.1). Expenses incurred on investment properties include real property taxes and depreciation. Real property taxes incurred on these investment properties amounted to P13.2 million, P9.3 million and P12.1 million in 2018, 2017 and 2016, respectively, and are presented as part of Miscellaneous, as Litigation on asset acquired, under Other Expenses in the statements of profit or loss (see Note 20.2). Depreciation recognized in 2018 and 2017, as shown above, and in 2016 were included in Depreciation and Amortization under Other Expenses in profit or loss.

The total estimated fair values of the Bank's investment properties amount to P684.7 million and P554.6 million as of December 31, 2018 and 2017, respectively (see Note 7.4).

15. OTHER RESOURCES

This account consists of the following as of December 31:

	Notes	2018	2017
Other investment	15.1	**P 575,030,000**	P 575,030,000
Deferred tax assets – net	23	**287,532,960**	493,343,661
Branch licenses	15.2	**250,500,000**	250,380,060
Prepaid expenses		**122,267,747**	30,175,044
Goodwill	15.3	**121,890,408**	121,890,408
Computer software – net		**92,893,978**	45,868,442
Due from head office or branches		**72,628,444**	70,311,672
Foreign currency notes and coins on hand	6	**56,963,020**	60,144,407
Club shares		**38,000,000**	-
Security deposits	6	**33,602,410**	29,782,252
Stationery and supplies		**16,969,490**	14,905,921
Sundry debits		**690,469**	3,819,865
Deferred charges		**-**	13,383,687
Retirement benefit asset	21.2	**-**	1,202,348
Miscellaneous	15.4	**78,210,527**	76,958,649
		1,747,179,453	1,787,196,416
Allowance for impairment		**(1,654,737)**	(15,038,424)
		P 1,745,524,716	P 1,772,157,992

A reconciliation of the allowance for impairment of other resources, which mainly pertain to deferred charges, at the beginning and end of 2018 and 2017 is shown below.

	2018	2017
Balance at beginning of year	**P 15,038,424**	P 15,038,424
Write-offs	**(13,383,687)**	-
Balance at end of year	**P 1,654,737**	P 15,038,424

(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

The current and non-current portion of this account is shown below.

	2018	2017
Current	**P 275,181,267**	P 189,487,993
Non-current	**1,470,343,449**	1,582,669,999
	P 1,745,524,716	P 1,772,157,992

Movements of computer software is shown below.

	2018	2017
Balance at beginning of year	**P 45,868,442**	P 51,792,167
Additions	**77,965,698**	16,556,063
Amortization	**(30,940,162)**	(22,479,788)
Balance at end of year	**P 92,893,978**	P 45,868,442

15.1 Other Investment

In July 2015, the Bank's BOD approved the acquisition of all outstanding shares of Insular Savers Bank, Inc. (ISBI), which is still subject to BSP's approval as at December 31, 2017, with an agreed initial purchase price of P518.2 million. Of this purchase price, the Bank directly paid P101.2 million to the shareholders of ISBI and deposited P417.0 million with the designated escrow agent. In 2016, the agreed purchase price was increased by P82.5 million but was subsequently reduced by P25.7 million in 2017 because of the revaluation of ISBI which brings the agreed purchase price to P575.0 million as at December 31, 2017 from P549.3 million as at December 31, 2016. As of December 31, 2016, the Bank has already released from the escrow fund P252.9 million as payment for the ISBI shares. The unpaid balance of the purchase price (i.e., net of amounts released from the escrow fund and direct payment made) is presented as part of Accounts payable under Accrued Expenses and Other Liabilities in the statements of financial position (see Note 18).

On December 20, 2018, the BSP issued an approval of the merger between the Bank and ISB, with the Bank as the surviving entity. Such merger shall be completed within six (6) months with effectivity on the date the SEC issues a certificate of merger. As of December 31, 2018, the application for certificate of merger is yet to be submitted to the SEC.

15.2 Branch Licenses

In 2016, the Bank have opened various branches in the CAMANAVA, Vis-Min Area and Central Luzon area which total cost of branch licenses amounted to P1.8 million.

On February 27, 2014, the Bank received an approval from the BSP regarding its application for new licenses. This is in line with the Bank's branch expansion program for which it has allocated a portion of its IPO proceeds to cover the cost of new licenses in the following areas plus processing fees which amounted to P2.2 million: CAMANAVA, Vis-Min Area, Central Luzon and Southern Luzon.

In November 2011, the Monetary Board of BSP approved the request of the Bank to establish 15 branches in selected restricted cities in Metro Manila for a total consideration of P226.5 million which was paid by the Bank to the BSP in January 2012.

In December 2011, the Bank acquired four licenses from Prime Savings Bank, Inc. for a total consideration of P20.0 million.

15.3 Goodwill

Goodwill arose from the following acquisitions:

Rural Bank of Kawit (RBK)	P	59,513,648
Kabalikat Rural Bank, Inc. (KRBI)		49,878,393
Bataan Savings and Loan Bank, Inc. (BLSB)		12,498,367
	P	121,890,408

In September 2014, as part of the Bank's expansion strategy, the BOD approved the acquisition of all the assets and assumption of all the obligation of RBK in exchange for P15.0 million. The approval of the BSP was not obtained until 2016; hence, the acquisition price was temporarily lodged as part of Other investments under Other Resources. Upon approval by the BSP on February 1, 2016, the Bank recognized the assets and liabilities of RBK at their fair values, resulting in the recognition of P59.9 million goodwill.

KRBI, which is located in Sta. Maria Bulacan, Philippines, was acquired in 2010.

In July 2015, the Bank entered into a Sale and Purchase Agreement with BLSB, whereby the Bank shall acquire all the assets of BLSB and assume the payment of all its obligation. The agreed purchase price was P68.8 million which has been fully paid by the Bank in 2015. As of December 31, 2016, the transaction is still subject to BSP approval and, as such, the purchase price was temporarily lodged as part of Other investments under Other Resources in the 2016 statement of financial position. On July 12, 2017, the BSP approved the acquisition. Upon BSP's approval of the transaction, the Bank recognized the assets and liabilities of BLSB at their approximate fair values resulting in the recognition of P12.5 million goodwill.

The Bank acquired the foregoing smaller banks with the objective of availing the branch incentives under the Strengthening Program for Rural Bank Plus; and, its expected future economic benefits and synergies that will result from incorporating the operations of these acquired rural banks with that of the Bank which expands its presence in the small and medium enterprise market. Accordingly, the Bank acquired them at a premium resulting in the recognition of goodwill.

As indicated in Notes 2.19 and 3.2(g), goodwill is tested for impairment annually. In 2018 and 2017, using discount rates of 5.2% and 4.7%, respectively, management estimated the present value of expected future cash flows from each branch where the goodwill originated from. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period using the estimated growth rates of 6.1% and 6.7% in 2018 and 2017, respectively. The growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. As at December 31, 2018 and 2017, the Bank has assessed that the carrying amount of the goodwill is fully recoverable Accordingly, no impairment loss is required to be recognized in the statements of profit or loss in both years.

(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

15.4 Others

Other properties held for sale, which pertain to various personal properties (included under Miscellaneous) amount to P2.3 million and P9.2 million as of December 31, 2018 and 2017, respectively. Additions to other properties held for sale, as a result of foreclosure, amounted to P2.0 million and P5.1 million in 2018 and 2017, respectively. In 2018, 2017 and 2016, certain properties with a book value of P9.0 million, P2.7 million and P14.7 million, respectively, were sold. Gain on the disposal of the assets amounted to P5.9 million and P1.7 million in 2017 and 2016 (nil in 2018), respectively, and was presented as part of Gain on sale of properties under Miscellaneous Income in the statements of profit or loss (see Note 20.1).

16. DEPOSIT LIABILITIES

The maturity profile of the Bank's deposit liabilities follows:

	2018	2017
Within one year	**P 73,502,888,467**	P 71,593,063,292
Beyond one year	**3,748,194,784**	1,928,954,123
	P 77,251,083,251	P 73,522,017,415

The classification of the Bank's deposit liabilities as to currency follows:

	2018	2017
Philippine peso	**P 71,517,822,829**	P 68,058,769,464
Foreign currencies	**5,733,260,422**	5,463,247,951
	P 77,251,083,251	P 73,522,017,415

Annual interest rates on deposit liabilities range from 0.3% to 5.5% in 2018, and from 0.3% to 2.9% in 2017 and 2016.

Deposit liabilities as of December 31, 2018 and 2017 include those that are from DOSRI as of December 31, 2018 and 2017 (see Note 22.1).

Under existing BSP regulations, the Bank is subject to reserve requirement equivalent to 8.0% of non-FCDU deposit liabilities. On April 6, 2012, the BSP issued an amendment to the existing provisions as to the eligibility of cash and deposit accounts with BSP as forms of reserve requirements. As indicated in the recent amendment, cash and other cash items are no longer considered as eligible reserves. The Bank's available reserves as of December 31, 2018 and 2017 amount to P5,964.4 million and P5,475.3 million, respectively, and is in compliance with these regulations with the BSP requirement (see Note 9).

17. BILLS PAYABLE

The bills payables of the Bank are as follows:

	2018	2017
BSP	P 661,907,329	P 933,724,724
Local banks	3,034,598,367	1,000,000,000
	P 3,696,505,696	P 1,933,724,724

Annual interest rates on bills payable range from 4.5% to 6.9% and 3.5% to 3.8% in 2018 and 2017, respectively.

The total interest expense incurred in 2018, 2017 and 2016 amounted to P112.4 million, P14.8 million and P0.01 million, respectively, and these are presented as Interest Expense on Bills Payable in the statements of profit or loss.

Presented below is the reconciliation of the Bank's bills payable as of December 31, 2018.

	2018	2017
Balance at beginning of year	P 1,933,724,724	P -
Proceeds of borrowings	16,646,397,805	6,424,212,200
Repayments	(14,883,616,833)	(4,490,487,476)
Balance at end of year	P 3,696,505,696	P 1,933,724,724

As of December 31, 2018, bills payable are secured with certain Bank's loans and receivables (see Notes 6.2 and 12).

18. ACCRUED EXPENSES AND OTHER LIABILITIES

The breakdown of this account follows:

	Notes	2018	2017
Accounts payable	15.1	P 1,580,375,639	P 452,617,596
Manager's checks		301,645,798	242,451,472
Accrued expenses		298,467,638	239,720,661
Outstanding acceptances		99,601,899	22,183,416
Withholding taxes payable		50,108,220	40,070,165
Due to BSP		19,558,325	18,023,886
Retirement benefit obligation	21.2	16,186,371	-
Allowance for loan commitments		9,563,549	-
Income tax payable		2,366,432	138,803,669
Bills purchased		-	355,563,117
Others		44,972,116	72,440,789
		P 2,422,845,987	P1,581,874,771

(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

The current and non-current portion of this account is shown below.

	2018	2017
Current	**P 2,252,522,052**	P 972,248,647
Non-current	**170,323,935**	609,626,124
	P 2,422,845,987	P 1,581,874,771

Bills purchased pertain to availments of the bills purchase line which are settled on the third day from the transaction date.

Accrued expenses include primarily accruals on Agri-agra penalty, profit sharing of the employees, other employee benefits, utilities, janitorial and security services fees.

Outstanding acceptances pertain to obligations recognized by the Bank in its undertaking arising from letters of credit extended to its borrowers.

19. EQUITY

19.1 Capital Stock

Capital stock consists of:

	Number of Shares		Amount	
	2018	2017	2018	2017
Preferred shares – P10 par value				
Authorized – 130,000,000 shares				
Issued and outstanding	**62,000,000**	62,000,000	**P 620,000,000**	P 620,000,000
Common shares – P10 par value				
Authorized – 870,000,000 shares				
Issued and outstanding				
Balance at beginning of year	**643,750,094**	536,458,437	**P 6,437,500,940**	P 5,364,584,370
Stock dividends (see Note 19.2)	**-**	107,291,657	**-**	1,072,916,570
Balance at end of year	**643,750,094**	643,750,094	**P 6,437,500,940**	P6,437,500,940

The Bank's preferred shares are nonvoting, nonconvertible, and are redeemable at the option of the Bank. These shares are entitled to non-cumulative dividend of 8.0% per annum.

On February 17, 2017, the BOD approved the redemption of all the issued and outstanding preferred shares of the Bank at par value of P620.0 million through staggered redemption. However, as at December 31, 2018 and 2017, none of the preferred shares have been redeemed yet and the Bank is now considering conversion of the preferred shares to common shares instead. Both options require regulatory approvals which remains pending as at December 31, 2018.

On January 9, 2013, the PSE approved the Bank's application for the listing of its common shares. The approval covered the IPO of 101,333,400 unissued common shares of the Bank at P31.50 per share and the listing of those shares in the PSE's main board on February 19, 2013, its day of listing. The Bank offered its 101,333,400 unissued common to the public at the approved P31.50 per share resulting in the recognition of additional paid-in capital of P1,998.4 million, net of transactions costs (see Note 19.4).

As of December 31, 2018 and 2017, the Bank has 71 holders of its listed common stock. The Bank has 643,750,094 common shares traded in the PSE as of December 31, 2018 and 2017 and its share price closed at P11.98 as at the same dates.

19.2 Dividends

On March 15, 2017, the BOD approved the declaration of 20% stock dividend on common shares totaling 107.3 million or P1,072.9 million to stockholders of record as of August 4, 2017 and paid on August 18, 2017. The dividend distribution was approved by the stockholders on May 26, 2017. No dividend declarations were made in 2018.

On December 29, 2016, the Bank's BOD approved the declaration of cash dividends on preferred shares amounting to P79.2 million at P1.28 per share which were fully paid in 2017.

19.3 Appropriated Surplus

In 2018, 2017 and 2016, additional appropriations of surplus amounting to P1.2 million, P1.1 million and P1.2 million, respectively, representing portion of the Bank's income from trust operations were made in compliance with BSP regulations (see Note 25).

On January 1, 2018, as part of its transition to PFRS 9 [(see Note 2.2(a)(ii)h] and in compliance with the requirements of the BSP, under Circular No. 1011, *Guidelines on the Adoption of PFRS 9*, which requires financial institutions to set up GLLP equivalent to 1% of all outstanding 'Stage 1' on-balance sheet loan accounts, the Bank appropriated P449.6 million for GLLP representing the excess of the 1% required allowance of the BSP over the computed allowance for ECL on loans (see Note 2). During 2018, the Bank appropriated an additional P275.8 million of its Unappropriated Surplus which pertains to GLLP.

On August 16, 2003, the BOD approved the establishment of a sinking fund for the exclusive purpose of the redemption of redeemable preferred shares should the Bank opt to redeem the shares. As of December 31, 2018 and 2017, the sinking fund for the redemption of redeemable preferred shares is yet to be established.

19.4 Paid-in Capital from IPO

As mentioned in Note 19.1, the Bank's common shares were listed at the PSE in February 2013. The total proceeds received from the IPO amounted to P3,191.9 million which exceeded par value by P1,998.4 million, net of share issuance cost of P180.2 million. The excess over par value is presented as Additional Paid-in Capital in the statements of financial position.

(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

19.5 Revaluation Reserves

Revaluation reserves pertain to the accumulated actuarial losses of post-employment defined benefit plan (see Note 21.2) and unrealized fair value losses on FVOCI and AFS securities (see Note 11.2).

	Notes	Net Unrealized Fair Value Losses on Securities at FVOCI (2018)/ AFS Securities (2017)	Accumulated Actuarial Losses	Total
Balance at January 1, 2018, as previously stated		**(P 52,250,091)**	**(P 26,469,550)**	**(P 78,719,641)**
Effects of adoption of PFRS 9	2.2(a)	**(9,636,834)**	**-**	**(9,636,834)**
Balance as of January 1, 2018, as restated		**(61,886,925)**	**(26,469,550)**	**(88,356,475)**
Fair value losses on reclassified FVOCI securities	11.2	**(76,544,237)**	**-**	**(76,544,237)**
Fair value gains on FVOCI securities during the year	11.2	**1,484,005**	**-**	**1,484,005**
Credit losses on financial assets at FVOCI	11.2	**4,229,457**	**-**	**4,229,457**
Remeasurements of post-employment defined benefit plan	21.2	**-**	**(24,019,637)**	**(24,019,637)**
Other comprehensive income before tax		**(70,830,775)**	**(24,019,637)**	**(94,850,412)**
Tax income	23	**-**	**7,205,891**	**7,205,891**
Other comprehensive income after tax		**(70,830,775)**	**(16,813,746)**	**(87,644,521)**
Balance at December 31, 2018		**(P 132,717,700)**	**(P 43,283,296)**	**(P 176,000,996)**
Balance at January 1, 2017		(P 82,019,677)	(P 12,757,016)	(P 94,776,693)
Fair value gains on AFS securities during the year	11.2	59,748,950	-	59,748,950
Fair value losses reclassified to profit or loss	11.2	(29,979,364)	-	(29,979,364)
Remeasurements of post-employment defined benefit plan	21.2	-	(19,589,334)	(19,589,334)
Other comprehensive income before tax		(52,250,091)	(32,346,350)	(84,596,441)
Tax expense	23	-	5,876,800	5,876,800
Balance at December 31, 2017		(P 52,250,091)	(P 26,469,550)	(P 78,719,641)

20. MISCELLANEOUS INCOME AND EXPENSES

20.1 Miscellaneous Income

This include the following:

	Notes	2018	2017	2016
Gain on sale of properties – net	14, 15.4	**P 13,457,936**	P 21,104,197	P 14,957,797
Trust fees	25	**12,007,548**	11,182,180	11,901,649
Others		**77,820,865**	25,452,957	44,552,122
		P 103,286,349	P 57,739,234	P 71,411,568

Others include penalty on loans, foreign currency gains or losses, rental of safe/night deposit box.

20.2 Miscellaneous Expenses

This include the following:

	Note	2018	2017	2016
Transportation and travel		**P114,263,243**	P 97,444,635	P 96,504,349
Communication		**48,858,305**	46,063,281	36,024,924
Fines, penalties and other charges		**40,157,731**	91,399,481	39,600,153
Banking fees		**29,655,680**	23,207,790	22,528,788
Information technology		**22,178,590**	12,630,837	10,752,537
Office supplies		**17,981,420**	12,324,174	13,374,619
Litigation on asset acquired	14	**13,237,538**	9,254,859	12,053,842
Donations and contributions		**12,064,237**	6,051,921	2,050,658
Advertising and publicity		**4,534,674**	15,128,405	7,494,481
Freight		**4,233,744**	2,931,697	3,226,217
Amortization of deferred charges		**3,824,567**	6,556,401	2,731,845
Membership dues		**1,872,577**	1,609,507	2,740,285
Others		**23,594,881**	32,265,300	27,541,752
		P336,457,187	P356,868,288	P276,624,450

Others include brokerage fees, commissions, appraisal and processing fees incurred by the Bank.

(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

21. EMPLOYEE BENEFITS

21.1 *Salaries and Other Employee Benefits Expense*

Expenses recognized for salaries and other employee benefits are broken down below.

	Note	2018	2017	2016
Salaries and wages		**P502,459,087**	P443,200,726	P383,868,028
Bonuses		**34,240,510**	29,419,622	23,545,447
Post-employment defined benefit plan	21.2	**27,491,517**	25,930,263	27,422,063
Social security costs		**26,513,191**	24,228,311	22,051,522
Short-term medical benefits		**1,105,982**	613,216	518,914
Other short-term benefits		**225,177,383**	212,420,361	178,117,917
		P816,987,670	P735,812,499	P635,523,891

21.2 *Post-employment Benefit*

(a) Characteristics of the Defined Benefit Plan

The Bank maintains a funded, tax-qualified, noncontributory post-employment benefit plan that is being administered by the Bank's trust department that is legally separated from the Bank. The Bank's Retirement Plan Committee, in coordination with the Bank's trust department, who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60. Normal retirement benefit is an amount equivalent to 100% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2018 and 2017.

The amounts of post-employment defined benefit asset (obligation) (see Notes 15 and 18) recognized in the statements of financial position are determined as follows:

	2018	2017
Fair value of plan assets	**P 209,762,625**	P 205,904,139
Present value of the defined benefit obligation	**(225,948,996)**	(204,633,257)
Effect of the asset ceiling	**-**	(68,534)
	(P 16,186,371)	P 1,202,348

The movements in the present value of the post-employment defined benefit obligation are as follows:

	2018	2017
Balance at beginning of year	**P 204,633,257**	P 172,249,214
Current service cost	**27,491,517**	25,930,263
Interest expense	**11,664,096**	9,267,008
Remeasurements:		
Actuarial losses (gains) arising from changes in:		
Experience adjustments	**36,781,004**	20,013,938
Demographic assumptions	**1,224,194**	(4,173,390)
Financial assumptions	**(22,317,198)**	(2,976,570)
Benefits paid	**(33,527,874)**	(15,677,206)
Balance at end of year	**P 225,948,996**	P 204,633,257

The movements in the fair value of plan assets are presented below.

	2018	2017
Balance at beginning of year	**P 205,904,139**	P 181,260,159
Contributions to the plan	**34,039,326**	37,133,819
Interest income	**11,751,112**	10,328,979
Return on plan assets (excluding amounts included in net interest)	**(8,404,078)**	(7,141,612)
Benefits paid	**(33,527,874)**	(15,677,206)
Balance at end of year	**P 209,762,625**	P 205,904,139

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	2018	2017
Cash and cash equivalents	**P 27,206,212**	P 43,514,685
Government bonds	**5,453,828**	123,655,184
Corporate bonds	**169,131,605**	23,659,300
Equity instruments	**14,284,835**	14,376,000
Accrued expense	**(6,313,855)**	698,970
	P 209,762,625	P 205,904,139

The fair values of the above equity instruments, government and corporate bonds are determined based on quoted market prices in active markets.

The plan assets earned actual return of P3.3 million and P3.2 million in 2018 and 2017, respectively.

Plan assets include certain financial instruments of the Bank (see Note 22.3).

(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	2018	2017	2016
Reported in profit or loss:			
Current service cost	**P 27,491,517**	P 25,930,263	P 27,422,063
Net interest expense (income)	**(83,110)**	(1,037,221)	385,402
	P 27,408,407	P 24,893,042	P 27,807,465
Reported in other comprehensive income:			
Actuarial losses (gains) arising from changes in:			
Experience adjustments	**P 36,781,004**	P 20,013,938	P 3,502,031
Demographic assumptions	**1,224,194**	(4,173,390)	(43,677,175)
Financial assumptions	**(22,317,198)**	(2,976,570)	10,267,235
Return on plan assets (excluding amounts included in net interest expense)	**8,404,078**	7,141,612	6,834,885
Effect of the asset ceiling	**(72,441)**	(416,256)	460,039
	P 24,019,637	P 19,589,334	(P 22,612,985)

Current service cost is presented as part of Salaries and Other Employee Benefits (see Note 21.1) under the caption Other Expenses while net interest income in 2018 and 2017 and net interest expense in 2016 is presented as Interest Income and Interest Expense in the statements of profit or loss.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2018	2017	2016
Discount rates	**7.53%**	5.70%	5.38%
Expected rate of salary increases	**8.0%**	8.0%	8.0%
Employee turnover	**13.86%**	14.0%	19.0%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 32 years for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon bond government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Bank to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents and debt securities. Due to the long-term nature of the plan obligation, a level of continuing debt investments is an appropriate element of the Bank's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Bank's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described as follows.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit asset as of December 31, 2018 and 2017:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2018			
Discount rate	**+5.2%/-4.7%**	**P 10,647,157**	**(P 11,703,028)**
Salary rate	**+5.1%/-4.7%**	**(11,537,601)**	**10,697,461**
Increase in DBO if no attrition rate	**+36.5%**	**82,570,806**	**-**
December 31, 2017			
Discount rate	+4.7%/-4.3%	P 8,725,892	(P 9,624,779)
Salary rate	+3.7%/-3.4%	(7,551,671)	6,992,089
Increase in DBO if no attrition rate	+70.7%	144,574,435	-

The sensitivity analysis discussed in the preceding page is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Bank through its Retirement Plan Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Bank actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

As of December 31, 2018 and 2017, the plan is heavily invested in cash and cash equivalents and debt securities. The Bank believes that cash and cash equivalents and debt securities offer the best returns over the long term with an acceptable level of risk.

There has been no change in the Bank's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

The plan currently is underfunded by P16.2 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the Bank is funding its plan assets to manage the cash flow risk in about 32 years' time when a significant number of employees is expected to retire.

The Bank expects to pay P34.0 million as contribution to retirement benefit plan in 2019.

The maturity profile of undiscounted expected benefit payments from the plan for the next ten years follows:

	2018	2017
Within one year	**P 79,034,893**	P 72,974,848
More than one year to five years	**32,368,467**	24,128,488
More than five years to ten years	**222,715,583**	139,517,012
	P 334,118,943	P 236,620,348

The weighted average duration of the defined benefit obligation at the end of the reporting period is 5.0 years.

22. RELATED PARTY TRANSACTIONS

A summary of the Bank's transactions with related parties; i.e., with DOSRI, key management and retirement fund, is presented below.

Related Party Category	Note	Amount of Transaction			Outstanding Balance	
		2018	2017	2016	**2018**	2017
DOSRI:						
Deposit liabilities	22.1	**(P2,305,623,210)**	P 914,160,412	P6,891,205,514	**P5,080,503,897**	P7,386,127,107
Interest expense	22.1	**101,498,910**	66,106,681	64,390,172	**-**	-
Loans	22.2	**257,708,642**	527,860,985	1,217,879,975	**927,636,924**	767,983,251
Interest income	22.2	**37,866,916**	29,782,815	44,013,008	**1,081,314**	969,508
Retirement Fund:						
Contribution	22.3	**34,039,326**	37,133,819	37,133,819	**-**	-
Plan assets	22.3	**6,858,486**	163,694,753	83,356	**209,762,625**	202,904,139
Key management compensation	22.4	**158,028,243**	113,530,990	101,934,057	**-**	-

Based on management's assessment as at December 31, 2018 and 2017, no impairment is required to be recognized on the Bank's receivable from related parties. Details of the foregoing transactions follow:

22.1 DOSRI Deposits

The total balance of DOSRI deposits are inclusive of the corresponding accrued interest as of December 31, 2018 and 2017.

Deposit liabilities transactions with related parties have similar terms with other counterparties (see Note 16). Annual interest rates on deposit liabilities range from 0.3% to 5.5% in 2018, and from 0.3% to 2.9% in 2017 and 2016.

22.2 DOSRI Loans

The Bank has loan transactions with its DOSRI. Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks and are normally settled in cash.

(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

The General Banking Act of the BSP provides that in aggregate, loans to DOSRI generally should not exceed the Bank's total equity or 15% of the Bank's total loan portfolio, whichever is lower. In addition, the amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of their deposits and the book value of their investments in the Bank. However, non-risk loans, which include those that are secured by assets, are excluded in both individual and aggregate ceiling computation. As of December 31, 2018 and 2017, the Bank has satisfactorily complied with the BSP requirement on DOSRI limits.

The following table shows the other information relating to the loans, other credit accommodations and guarantees granted to DOSRI in accordance with BSP reporting guidelines:

	2018	2017
Total outstanding DOSRI loans	**P 927,636,924**	P 767,983,251
Unsecured DOSRI loans	**33,929,983**	29,210,591
Past due DOSRI loans	**-**	-
% to total loan portfolio	**0.0%**	0.0%
% of unsecured DOSRI loans to total DOSRI loans	**3.7%**	3.9%
% of past due DOSRI loans to total DOSRI loans	**0.0%**	0.0%

Secured DOSRI loans are collateralized by hold-out on deposits and are payable within three months to five years.

As of December 31, 2018 and 2017, the Bank has an approved line of credit to certain related parties totaling P955.9 million and P694.0 million, respectively, and all were used to guarantee the obligation of the respective related parties to other creditors up to the extent of the unused line of credit.

22.3 Transactions with Retirement Fund

The Bank's transactions with its retirement fund as of December 31, 2018 and 2017 relate only to its contributions to the plan and certain placements made by the plan to the Bank.

The following retirement plan assets are placed with the Bank comprise cash in bank, short-term placements, and equity shares of the Bank as disclosed in Note 21.2:

	2018	2017
Cash and cash equivalents	**P 27,206,212**	P 40,518,233
Equity and debt instruments	**188,870,268**	161,690,485
Accrued interest	**(6,313,855)**	695,421
	P 209,762,625	P 202,904,139

The retirement fund neither provides any guarantee or surety for any obligation of the Bank nor its investments by any restrictions or liens.

22.4 Key Management Personnel Compensation

Salaries and short-term benefits received by key management personnel are summarized below.

	2018	2017	2016
Short-term benefits	**P124,500,369**	P104,997,794	P 92,909,936
Post-employment benefits	**33,527,874**	8,533,196	9,024,121
	P158,028,243	P113,530,990	P101,934,057

The composition of the Bank's short-term benefits are as follows:

	2018	2017	2016
Salaries and wages	**P 96,765,374**	P 81,600,760	P 72,088,807
Bonuses	**24,276,370**	20,562,459	17,987,189
Social security costs	**1,524,668**	1,550,625	1,508,717
Other short-term benefits	**1,933,957**	1,283,950	1,325,223
	P124,500,369	P104,997,794	P 92,909,936

23. TAXES

The components of tax expense for the years ended December 31, 2018, 2017 and 2016 follow:

	2018	2017	2016
Reported in profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%			
Regular Banking Unit (RBU)	**P332,722,041**	P303,401,295	P183,050,792
FCDU	**3,297,583**	48,534	669,447
Final tax at 20%, 10% and 7.5%	**24,518,622**	43,428,072	99,688,898
	360,538,246	346,877,901	283,409,137
Deferred tax expense (income) relating to origination and reversal of temporary differences	**22,884,758**	(73,630,507)	(77,570,687)
	P383,423,004	P273,247,394	P205,838,450
Reported in other comprehensive income			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(P 7,205,891)**	(P 5,876,800)	P 6,783,896

(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of profit or loss is presented below.

	2018	2017	2016
Tax on pretax profit at 30%	**P372,426,376**	P274,000,048	P262,338,797
Adjustment for income subjected to lower tax rates	**(17,509,476)**	(10,238,755)	(39,204,162)
Tax effects of:			
Non-deductible expenses	**64,590,710**	98,883,937	158,214,458
Non-taxable income	**(36,084,606)**	(89,397,836)	(175,510,643)
Tax expense	**P383,423,004**	P273,247,394	P205,838,450

The Bank is subject to minimum corporate income tax (MCIT) computed at 2% of gross income, as defined under the tax regulations or RCIT, whichever is higher.

The net deferred tax assets, which included as part of the Other Resources account, (see Note 15) as of December 31, 2018 and 2017 relate to the following:

	2018	2017
Deferred tax assets:		
Allowance for impairment	**P 338,519,460**	P439,084,724
Accumulated depreciation of Investment properties	**24,607,433**	27,303,025
Provision for bonus and accrued leave conversion	**23,698,424**	23,698,424
Unamortized past service cost	**12,528,405**	12,876,327
Post-employment benefit liability	**4,855,911**	-
	404,209,633	502,962,500
Deferred tax liabilities:		
Accrued interest receivable	**(95,972,874)**	-
Unamortized payments on documentary stamp tax	**(20,703,799)**	(9,258,135)
Post-employment benefit assets	**-**	(360,704)
	(116,676,673)	(9,618,839)
Net deferred tax assets	**P287,532,960**	P493,343,661

Movements in net deferred tax assets for the years ended December 31 follow:

	Statements of Profit or Loss			Statements of Comprehensive Income		
	2018	2017	2016	**2018**	2017	2016
Accrued interest income	**P 26,227,434**	P -	-	**P -**	P -	P -
Impairment losses	**(19,821,130)**	(70,377,418)	(P 43,783,790)	**-**	-	-
Unamortized payments on documentary stamp tax	**11,445,664**	9,258,135	-	**-**	-	
Post-employment benefit obligation	**1,989,276**	3,672,232	2,797,906	**(7,205,891)**	(5,876,800)	6,783,896
Depreciation expense of investment properties	**2,695,592**	(6,251,286)	(3,209,679)	**-**	-	-
Unamortized past service cost	**347,922**	(1,752,050)	(1,133,804)	**-**	-	-
Gain on initial exchange of investment properties	**-**	(3,253,633)	(23,166,773)	**-**	-	-
Provision for bonus and accrued leave conversion	**-**	(4,926,487)	(9,074,547)	**-**	-	-
Deferred tax expense (income)	**P 22,884,758**	(P 73,630,507)	(P 77,570,687)	**(P 7,205,891)**	(P 5,876,800)	P 6,783,896

Following the adoption of PFRS 9 in 2018, the Bank reduced the opening balance of deferred tax assets due to remeasurement of financial assets and recognition of accrued interest income amounting to P120.4 million and P69.7 million, respectively, with corresponding charge to the Unappropriated Surplus [see Note 2.2(a)(ii)h]. As of December 31, 2018 and 2017, the Bank has unrecognized deferred tax assets amounting to P8.3 million and P10.5 million, respectively.

For the years ended December 31, 2018 and 2017, the Bank opted to claim itemized deductions.

24. COMMITMENTS AND CONTINGENT LIABILITIES

The following are the significant commitments and contingencies involving the Bank:

(a) The Bank leases the premises occupied by its branch offices for periods ranging from 5 to 20 years, renewable upon mutual agreement between the Bank and the lessors. The rent expense amounting to P150.7 million, P138.1 million and P130.8 million in 2018, 2017 and 2016, respectively, are included as part of Occupancy under Other Expenses in the statements of profit or loss.

As of December 31, 2018, 2017 and 2016, future minimum rental payments required by the lease contracts are as follows:

	2018	2017	2016
Within one year	**P 108,264,290**	P 128,930,621	P 120,003,028
After one year but not more than five years	**195,711,242**	297,601,525	403,712,835
More than five years	**3,398,736**	9,772,744	30,754,149
	P 307,374,268	P 436,304,890	P 554,470,012

(b) In the normal course of the Bank's operations, the Bank has various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, etc., which are not reflected in the financial statements.

(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

(c) The Bank recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable.

(d) The following is a summary of the Bank's commitments and contingent accounts as of December 31:

	2018	2017
Outstanding letters of credit	**P 3,134,027,226**	P 626,860,238
Investment management accounts	**2,565,027,140**	2,352,423,750
Trust and other fiduciary accounts	**825,233,891**	753,922,571
Unit investment trust fund	**29,090,261**	31,562,003
Late payment/deposits received	**3,432,354**	14,996,909
Outward bills for collection	**2,631,626**	4,358,349
Items held for safekeeping	**106,563**	93,083
Items held as collateral	**11,487**	11,066
Other contingent accounts	**635,759,087**	239,479,318

As of December 31, 2018 and 2017, the Bank's management believes that losses, if any, from the above commitments and contingencies will not have a material effect on the Bank's financial statements.

(e) There are other commitments, guarantees and contingent liabilities that arise in the normal course of the Bank's operations that are not reflected in the financial statements. As of December 31, 2018 and 2017, management is of the opinion that losses, if any, from these items will not have a material effect on the Bank's financial statements.

25. TRUST OPERATIONS

The following securities and other properties held by the Bank in fiduciary or agency capacity (for a fee) for its customers are not included in the statements of financial position since these are not resources of the Bank:

	2018	2017
Loans and other receivables	**P 902,588,483**	P 928,978,473
Due from banks	**613,193,295**	551,824,158
Investment securities	**1,883,273,948**	1,640,703,015
Investment property – net	**7,569,224**	-
	P 3,406,624,950	P 3,121,505,646

In compliance with the requirements of the General Banking Act relative to the Bank's trust functions:

(a) Government bonds owned by the Bank with face value of P40.0 million and P35.0 million as of December 31, 2018 and 2017, respectively, are deposited with the BSP (see Note 11.2); and

(b) 10% of the trust income is transferred to appropriated surplus. This transfer is required until the surplus reserve for trust function is equivalent to 20% of the Bank's authorized capital stock (see Note 19.3). Additional reserve for trust functions amounted to P1.2 million, P1.1 million and P1.2 million in 2018, 2017 and 2016, respectively, and are presented as Appropriated Surplus in the Bank's statements of changes in equity.

Income from trust operations, shown as part of Miscellaneous Income, amounted to P12.0 million, P11.2 million and P11.9 million for the years ended December 31, 2018, 2017 and 2016, respectively, in the statements of profit or loss (see Note 20.1).

26. ALLOWANCE FOR IMPAIRMENT

Changes in the allowance for impairment are summarized below.

	Notes	**2018**	2017
Balance at beginning of year:			
Loans and other receivables	12	**P 1,456,448,168**	P 1,233,668,289
Investment properties	14	**28,744,855**	28,744,855
Other resources	15	**15,038,424**	15,038,424
Balance before adoption of PFRS 9		**1,500,231,447**	1,277,451,568
Effect of adoption of PFRS 9:	2.2(a)(ii)		
Investment securities at amortized cost		**2,165,927**	-
Loans and other receivables	12	**(324,103,199)**	1,233,668,289
		(321,937,272)	-
Balance as restated		**1,178,294,175**	1,277,451,568
Impairment losses – net	11, 12, 14	**290,502,451**	260,519,609
Write-offs	12, 15	**(361,615,096)**	-
Reversals	11.3	**(16,581,717)**	(37,739,730)
		(P 87,694,362)	P 222,779,879
Balance at end of year:			
Investment securities at amortized cost	11.3	**P 1,617,940**	P -
Loans and other receivables	12	**1,044,821,662**	1,456,448,168
Investment properties	14	**42,505,474**	28,744,855
Other resources	15	**1,654,737**	15,038,424
		P 1,090,599,813	P 1,500,231,447

In 2018, the Bank provided impairment loss on debt securities measured as FVOCI amounting to P4.2 million. The impairment losses on debt securities classified as FVOCI are recognized as part of items that are or will be reclassified subsequently to profit or loss in the statement of comprehensive income (see Note 11.2). Moreover, in 2018, the Bank provided impairment loss on loan commitments and other contingent accounts amounting to P3.5 million which is recognized as Allowance for loan commitments under Accrued expenses and Other Liabilities in the statement of financial position (see Note 18).

(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

27. SELECTED FINANCIAL PERFORMANCE INDICATORS

a. The following are some of the financial performance indicators of the Bank:

	2018	2017	2016
Return on average capital			
Net profit / Average total capital accounts	**7.9%**	6.5%	7.4%
Return on average resources			
Net profit / Average total resources	**1.0%**	1.0%	1.0%
Net interest margin			
Net interest income / Average interest earning resources	**4.3%**	4.3%	3.9%
Capital to risk assets ratio			
Total capital / Risk resources	**15.0%**	14.0%	17.0%
Liquidity ratio			
Current assets / Current liabilities	**1.2**	1.1	1.5
Debt-to-equity ratio			
Liabilities / Equity	**7.3**	7.5	6.3
Asset-to-equity ratio			
Asset / Equity	**8.3**	8.5	7.3
Interest rate coverage ratio			
Earnings before interests and taxes / Interest expense	**1.7**	1.1	2.2

b. Secured Liabilities and Resources Pledged as Security

As of December 31, 2018 and 2017, bills payable are the only secured liabilities (see Note 17).

28. EARNINGS PER SHARE

Basic and diluted earnings per share are computed as follows:

	2018	2017	2016
Net profit	**P 857,998,254**	P 640,086,100	P 668,624,205
Dividends on preferred shares	**-**	-	(79,200,000)
Net profit attributable to common shareholders	**857,998,254**	640,086,100	589,424,205
Divided by the weighted average number of outstanding common shares	**643,750,094**	643,750,094	643,750,094
Basic earnings per share	**P 1.33**	P 0.99	P 0.92

The 2016 earnings per share of the Bank was restated to account for the stock dividends declared in 2017 which is considered as a bonus issue under PAS 33, *Earnings per Share*. PAS 33 requires stock dividends issued to be recognized at the beginning of the earliest period presented for earnings per share computation.

As of December 31, 2018, 2017 and 2016, the Bank has no outstanding potentially dilutive securities; hence, basic earnings per share is equal to diluted earnings per share.

29. EVENT AFTER THE REPORTING PERIOD

On February 20, 2019, Republic Act No. 11232, *An Act Providing for the Revised Corporation Code of the Philippines* (the Revised Corporation Code), was signed into law. Among the provisions of the Revised Corporation Code, the following would impact the Bank's financial statements:

- removal of the 50-year maximum corporate term, hence, stock corporation may have unlimited life unless otherwise provided in the articles of incorporation; and,

- removal of the subscription requirement of 25% of authorized capital stock and paid-up capital requirement of 25% of subscribed capital stock.

The management deems further that other amendments and new provisions contained in the Revise Corporation Code is not material to the Bank.

30. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Following is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year which is required by the BIR under Revenue Regulation No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

(a) *Gross Receipts Tax*

In lieu of the value-added tax, the Bank is subject to the Gross Receipts Tax (GRT), pursuant to Sections 121 and 122 of the Tax Code which is imposed on banks, non-banks financial intermediaries and finance companies.

In 2018, the Bank reported total GRT amounting to P219,787,914 shown as part of Taxes and licenses in the 2018 statement of profit or loss [see Note 30 (c)].

GRT is levied on the Bank's lending income, which includes interest, commission and discounts arising from instruments with maturity of five years or less and other income. The tax is computed at the prescribed rates of either 5% or 1% of the related income.

(AMOUNTS IN PHILIPPINE PESOS OR AS OTHERWISE INDICATED)

(b) *Documentary Stamp Tax*

The Bank is enrolled under the Electronic Documentary Stamp Tax (e-DST) System starting July 2010. In 2018, DST remittance thru e-DST amounted to P746,847,784, while DST on deposits for remittance amounted to P785,000,009. In general, the Bank's DST transactions arise from the execution of debt instruments, lease contracts and deposit liabilities.

DST on loan documents and letters of credit in 2018 amounting to P1,652,838 were charged to borrowers and these were properly remitted by the Bank.

DST accruing to the Bank amounted to P311,677,255 and is presented as part of the Taxes and licenses in the 2018 statement of profit or loss [see Note 30 (c)].

(c) *Taxes and Licenses*

Details of taxes and licenses for the year ended December 31, 2018 follow:

	Note		
DST	30 (b)	P	311,677,255
Gross receipts tax	30 (a)		219,787,914
Business tax			12,913,224
Real property tax			1,122,415
Miscellaneous			6,800,065
		P	**552,300,873**

Taxes and licenses allocated to tax exempt income and FCDU totaling P19,879,002 were excluded from the itemized deductions for purposes of income tax computation (see Note 23). DST includes unamortized amount of P30.9 million recognized as deductible in full for income tax purposes (see Note 23).

(d) *Withholding Taxes*

Details of total withholding taxes for the year ended December 31, 2018 are shown below.

Final	P	301,145,242
Compensation and benefits		58,068,198
Expanded		38,262,381
	P	**397,475,821**

(e) *Deficiency Tax Assessments and Tax Cases*

As of December 31, 2018, the Bank does not have any outstanding final deficiency tax assessments from the BIR nor does it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR in any open taxable year.

(f) *Other Required Tax Information*

The Bank did not have any transactions in 2018 which are subject to excise tax, customs duties and tariff fees.

ANNEX

SEC MEMORANDUM CIRCULAR NO. 10
Series of 2019

SUMMARY REPORT ON
MATERIAL RELATED PARTY TRANSACTIONS

Reporting PLC: PHILIPPINE BUSINESS BANK

SEC Identification Number: A199701584
Covering Period: January 1 to December 31, 2018

Parent Bank/QB and Subsidiary/Affiliate	Related Counterparty	Relationship Between the Parties	Transaction Date	Financial or Non-Financial Interest of the Related Parties	Type/Nature of Transaction and Description of Assets Involved	Total Assets of Reporting PLC	Amount/Contract Price	Percentage of the Contract Price to the Total Assets of the Reporting PLC	Carrying amount of Collateral, if any	Terms	Conditions	Collateral	O/S Balance	Rationale for Entering into the Transaction	Approving Authority
A. Bank/QB															
	ALFREDO M. YAO	Stockholder	03/01/18	Financial	Back to Back Loan	Php 94,729,491,971.00	PHP 150,000,000.00	0.16%	PHP 150,000,000.00	90 days Extension	Extendable for another 90 days upon maturity	Against Deposit Hold-out	Php -	Regular Loan Under Arms-length Transaction	80.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Benjamin R. Sta. Catalina, Jr.,Danilo A. Alcoseba, Roberto A. Atendido, Paterno H. Dizon, Amador T. Vallejos Jr.
	ALFREDO M. YAO	Stockholder	14/02/18	Financial	Back to Back Loan	Php 94,729,491,971.00	PHP 48,000,000.00	0.05%	PHP 48,000,000.00	90 days Extension	Extendable for another 90 days upon maturity	Against Deposit Hold-out	Php -	Regular Loan Under Arms-length Transaction	70.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Benjamin R. Sta. Catalina, Jr.,Danilo A. Alcoseba, Roberto A. Atendido, Paterno H. Dizon
	ALFREDO M. YAO	Stockholder	03/04/18	Financial	Back to Back Loan	Php 94,729,491,971.00	PHP 150,000,000.00	0.16%	PHP 150,000,000.00	90 days Extension	Extendable for another 90 days upon maturity	Against Deposit Hold-out	Php -	Regular Loan Under Arms-length Transaction	70.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Benjamin R. Sta. Catalina, Jr.,Danilo A. Alcoseba, Roberto A. Atendido, Paterno H. Dizon
	ALFREDO M. YAO	Stockholder	28/05/18	Financial	Back to Back Loan	Php 94,729,491,971.00	PHP 500,000,000.00	0.53%	PHP 500,000,000.00	88 days Extension	Extendable for another 90 days upon maturity	Against Deposit Hold-out	Php -	Regular Loan Under Arms-length Transaction	70.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Benjamin R. Sta. Catalina, Jr.,Danilo A. Alcoseba, Roberto A. Atendido, Paterno H. Dizon
	ALFREDO M. YAO	Stockholder	24/08/18	Financial	Back to Back Loan	Php 94,729,491,971.00	PHP 500,000,000.00	0.53%	PHP 500,000,000.00	90 days Extension	Extendable for another 90 days upon maturity	Against Deposit Hold-out	Php -	Regular Loan Under Arms-length Transaction	80.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Danilo A. Alcoseba, Roberto A. Atendido, Paterno H. Dizon
	ALFREDO M. YAO	Stockholder	28/09/18	Financial	Back to Back Loan	Php 94,729,491,971.00	PHP 150,000,000.00	0.16%	PHP 150,000,000.00	90 days Extension	Extendable for another 90 days upon maturity	Against Deposit Hold-out	Php -	Regular Loan Under Arms-length Transaction	80.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Danilo A. Alcoseba, Roberto A. Atendido, Paterno H. Dizon
	ALFREDO M. YAO	Stockholder	22/11/18	Financial	Back to Back Loan	Php 94,729,491,971.00	PHP 500,000,000.00	0.53%	PHP 500,000,000.00	90 days Extension	Extendable for another 90 days upon maturity	Against Deposit Hold-out	Php 500,000,000.00	Regular Loan Under Arms-length Transaction	80.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Danilo A. Alcoseba, Roberto A. Atendido, Paterno H. Dizon
	ALFREDO M. YAO	Stockholder	27/12/18	Financial	Back to Back Loan	Php 94,729,491,971.00	PHP 150,000,000.00	0.16%	PHP 150,000,000.00	90 days Extension	Extendable for another 90 days upon maturity	Against Deposit Hold-out	Php 150,000,000.00	Regular Loan Under Arms-length Transaction	80.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Danilo A. Alcoseba, Roberto A. Atendido, Paterno H. Dizon
													Php 650,000,000.00		
	ARC REFRESHMENTS CORPORATION	Related Interest	02/07/18	Financial	Credit Line Certificate	Php 94,729,491,971.00	PHP 17,000,000.00	0.02%	PHP 17,000,000.00	363 days	1/32 of 1% per annum	Against Deposit Hold-out	Php 17,000,000.00	Regular Loan Under Arms-length Transaction	70.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Danilo A. Alcoseba, Paterno H. Dizon
													Php 17,000,000.00		
	SMI DEVELOPMENT CORPORATION	Related Interest	27/09/18	Financial	Back to Back Loan	Php 94,729,491,971.00	PHP 200,000,000.00	0.21%	PHP 200,000,000.00	120 days	Bullet payment at the end of the term	Against Deposit Hold-out	Php 200,000,000.00	Regular Loan Under Arms-length Transaction	80.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Danilo A. Alcoseba, Roberto A. Atendido, Paterno H. Dizon
													Php 200,000,000.00		
	PHARMA-REX INCORPORATED	Related Interest	03/01/18	Financial	CLUA-RBU	PHP 94,729,491,971.00	PHP 738,748.01	0.00%	PHP 738,748.01	70 days	Bullet payment at the end of the term	Against Deposit Hold-out	**Php** -	Regular Loan Under Arms-Length Transaction	90.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Roberto A. Atendido, Paterno H. Dizon, Dr. Leticia M. Yao, Danilo A. Alcoseba
	PHARMA-REX INCORPORATED	Related Interest	02/02/18	Financial	Domestic Usance LC	PHP 94,729,491,971.00	PHP 750,000.00	0.00%	PHP 750,000.00	89 days	Bullet payment at the end of the term	Against Deposit Hold-out	**Php** -	Regular Loan Under Arms-Length Transaction	90.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Roberto A. Atendido, Paterno H. Dizon, Dr. Leticia M. Yao, Danilo A. Alcoseba
	PHARMA-REX INCORPORATED	Related Interest	12/04/18	Financial	ILC-18-0085	PHP 94,729,491,971.00	PHP 800,048.52	0.00%	PHP 800,048.52	70 days	Bullet payment at the end of the term	Against Deposit Hold-out	**Php** -	Regular Loan Under Arms-Length Transaction	90.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Roberto A. Atendido, Paterno H. Dizon, Dr. Leticia M. Yao, Danilo A. Alcoseba
	PHARMA-REX INCORPORATED	Related Interest	17/05/18	Financial	Domestic Usance LC	PHP 94,729,491,971.00	PHP 750,000.00	0.00%	PHP 750,000.00	70 days	Bullet payment at the end of the term	Against Deposit Hold-out	**Php** -	Regular Loan Under Arms-Length Transaction	90.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Roberto A. Atendido, Paterno H. Dizon, Dr. Leticia M. Yao, Danilo A. Alcoseba
	PHARMA-REX INCORPORATED	Related Interest	14/03/18	Financial	Domestic Bills Under TR-Arrears	PHP 94,729,491,971.00	PHP 771,220.45	0.00%	PHP 771,220.45	469 days	Bullet payment at the end of the term	Against Deposit Hold-out	Php 660,000.00	Regular Loan Under Arms-Length Transaction	90.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Roberto A. Atendido, Paterno H. Dizon, Dr. Leticia M. Yao, Danilo A. Alcoseba
	PHARMA-REX INCORPORATED	Related Interest	21/03/18	Financial	Time Loan-arrears	PHP 94,729,491,971.00	PHP 200,000.00	0.00%	PHP 200,000.00	300 days	Bullet payment at the end of the term	Against Deposit Hold-out	Php 150,000.00	Regular Loan Under Arms-Length Transaction	90.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Roberto A. Atendido, Paterno H. Dizon, Dr. Leticia M. Yao, Danilo A. Alcoseba
	PHARMA-REX INCORPORATED	Related Interest	13/04/18	Financial	Time Loan-arrears	PHP 94,729,491,971.00	PHP 1,300,000.00	0.00%	PHP 1,300,000.00	295 days	Bullet payment at the end of the term	Against Deposit Hold-out	Php 1,260,000.00	Regular Loan Under Arms-Length Transaction	90.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Roberto A. Atendido, Paterno H. Dizon, Dr. Leticia M. Yao, Danilo A. Alcoseba
	PHARMA-REX INCORPORATED	Related Interest	20/04/18	Financial	Time Loan-arrears	PHP 94,729,491,971.00	PHP 900,000.00	0.00%	PHP 900,000.00	364 days	Bullet payment at the end of the term	Against Deposit Hold-out	Php 850,000.00	Regular Loan Under Arms-Length Transaction	90.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Roberto A. Atendido, Paterno H. Dizon, Dr. Leticia M. Yao, Danilo A. Alcoseba
	PHARMA-REX INCORPORATED	Related Interest	10/05/18	Financial	Time Loan-arrears	PHP 94,729,491,971.00	PHP 450,000.00	0.00%	PHP 450,000.00	382 days	Bullet payment at the end of the term	Against Deposit Hold-out	Php 410,000.00	Regular Loan Under Arms-Length Transaction	90.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Roberto A. Atendido, Paterno H. Dizon, Dr. Leticia M. Yao, Danilo A. Alcoseba
	PHARMA-REX INCORPORATED	Related Interest	17/05/18	Financial	Time Loan-arrears	PHP 94,729,491,971.00	PHP 380,000.00	0.00%	PHP 380,000.00	358 days	Bullet payment at the end of the term	Against Deposit Hold-out	Php 340,000.00	Regular Loan Under Arms-Length Transaction	90.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Roberto A. Atendido, Paterno H. Dizon, Dr. Leticia M. Yao, Danilo A. Alcoseba

ANNEX

SEC MEMORANDUM CIRCULAR NO. 10
Series of 2019

SUMMARY REPORT ON
MATERIAL RELATED PARTY TRANSACTIONS

Reporting PLC: PHILIPPINE BUSINESS BANK

SEC Identification Number: A199701584
Covering Period: January 1 to December 31, 2018

Parent Bank/QB and Subsidiary/Affiliate	Related Counterparty	Relationship Between the Parties	Transaction Date	Financial or Non-Financial Interest of the Related Parties	Type/Nature of Transaction and Description of Assets Involved	Total Assets of Reporting PLC	Amount/Contract Price	Percentage of the Contract Price to the Total Assets of the Reporting PLC	Carrying amount of Collateral, if any	Terms	Conditions	Collateral	O/S Balance	Rationale for Entering into the Transaction	Approving Authority
	PHARMA-REX INCORPORATED	Related Interest	05/06/18	Financial	Domestic Bills Under TR-Arrears	PHP 94,729,491,971.00	PHP 750,000.00	0.00%	PHP 750,000.00	357 days	Bullet payment at the end of the term	Against Deposit Hold-out	Php 700,000.00	Regular Loan Under Arms-Length Transaction	90.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Roberto A. Atendido, Paterno H. Dizon, Dr. Leticia M. Yao, Danilo A. Alcoseba
	PHARMA-REX INCORPORATED	Related Interest	14/06/18	Financial	Time Loan-arrears	PHP 94,729,491,971.00	PHP 1,190,000.00	0.00%	PHP 1,190,000.00	358 days	Bullet payment at the end of the term	Against Deposit Hold-out	Php 1,150,000.00	Regular Loan Under Arms-Length Transaction	90.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Roberto A. Atendido, Paterno H. Dizon, Dr. Leticia M. Yao, Danilo A. Alcoseba
	PHARMA-REX INCORPORATED	Related Interest	21/06/18	Financial	Domestic Bills Under TR-Arrears	PHP 94,729,491,971.00	PHP 820,739.43	0.00%	PHP 820,739.43	365 days	Bullet payment at the end of the term	Against Deposit Hold-out	Php 700,000.00	Regular Loan Under Arms-Length Transaction	90.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Roberto A. Atendido, Paterno H. Dizon, Dr. Leticia M. Yao, Danilo A. Alcoseba
	PHARMA-REX INCORPORATED	Related Interest	27/06/18	Financial	Time Loan-arrears	PHP 94,729,491,971.00	PHP 2,300,000.00	0.00%	PHP 2,300,000.00	300 days	Bullet payment at the end of the term	Against Deposit Hold-out	Php 2,240,000.00	Regular Loan Under Arms-Length Transaction	90.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Roberto A. Atendido, Paterno H. Dizon, Dr. Leticia M. Yao, Danilo A. Alcoseba
	PHARMA-REX INCORPORATED	Related Interest	25/09/18	Financial	Time Loan-arrears	PHP 94,729,491,971.00	PHP 1,930,000.00	0.00%	PHP 1,930,000.00	390 days	Bullet payment at the end of the term	Against Deposit Hold-out	Php 1,910,000.00	Regular Loan Under Arms-Length Transaction	90.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Roberto A. Atendido, Paterno H. Dizon, Dr. Leticia M. Yao, Danilo A. Alcoseba
	PHARMA-REX INCORPORATED	Related Interest	23/10/18	Financial	Domestic Bills Under TR-Arrears	PHP 94,729,491,971.00	PHP 736,650.00	0.00%	PHP 736,650.00	409 days	Bullet payment at the end of the term	Against Deposit Hold-out	Php 726,650.00	Regular Loan Under Arms-Length Transaction	90.00% Board of Directors: Francis T. Lee, Rolando R. Avante, Honorio O. Reyes-Lao, Narciso DL Eraña, Benjamin R. Sta. Catalina, Jr.,Roberto A. Atendido, Paterno H. Dizon, Dr. Leticia M. Yao, Danilo A. Alcoseba
													Php 11,096,650.00		
	DIAMOND PACKAGING INDUSTRIAL CORP.	Related Interest	15/08/18	Non-Financial	Restructured Loan-Discounted	Php 94,729,491,971.00	PHP 23,350,000.00	0.02%	Not Applicable	180 days	Lumpsum upon maturity unless renewed by the bank	REM-Partially Secured	Php 23,350,000.00	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Narciso DL Eraña, Danilo A. Alcoseba, Benjamin R. Sta. Catalina Jr., Roberto A. Atendido
													Php 23,350,000.00		
	TOYOTA ALABANG INC.	Affiliated Company	24/01/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 18,675,500.00	0.02%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	09/02/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 26,645,500.00	0.03%	Not Applicable	119 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	12/02/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 43,762,000.00	0.05%	Not Applicable	119 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	19/02/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 50,198,000.00	0.05%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	22/02/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 12,405,500.00	0.01%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	26/02/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 36,712,000.00	0.04%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	01/03/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 29,503,000.00	0.03%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	05/03/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 41,404,500.00	0.04%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	09/03/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 23,058,500.00	0.02%	Not Applicable	119 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	12/03/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 102,847,500.00	0.11%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	16/03/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 113,334,000.00	0.12%	Not Applicable	119 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	15/05/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 104,235,000.00	0.11%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	21/05/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 151,681,000.00	0.16%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	28/05/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 50,563,500.00	0.05%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	01/06/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 65,456,500.00	0.07%	Not Applicable	119 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	04/06/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 31,155,500.00	0.03%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	05/06/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 38,397,000.00	0.04%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	11/06/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 34,863,000.00	0.04%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	20/06/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 56,863,500.00	0.06%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	25/06/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 34,223,000.00	0.04%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	29/06/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 21,317,000.00	0.02%	Not Applicable	119 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	23/07/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 10,055,500.00	0.01%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	08/08/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 31,183,500.00	0.03%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao

ANNEX

SEC MEMORANDUM CIRCULAR NO. 10
Series of 2019

SUMMARY REPORT ON
MATERIAL RELATED PARTY TRANSACTIONS

Reporting PLC: PHILIPPINE BUSINESS BANK

SEC Identification Number: A199701584
Covering Period: January 1 to December 31, 2018

Parent Bank/QB and Subsidiary/Affiliate	Related Counterparty	Relationship Between the Parties	Transaction Date	Financial or Non-Financial Interest of the Related Parties	Type/Nature of Transaction and Description of Assets Involved	Total Assets of Reporting PLC	Amount/Contract Price	Percentage of the Contract Price to the Total Assets of the Reporting PLC	Carrying amount of Collateral, if any	Terms	Conditions	Collateral	O/S Balance	Rationale for Entering into the Transaction	Approving Authority
	TOYOTA ALABANG INC.	Affiliated Company	15/08/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 26,244,500.00	0.03%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	17/08/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 70,630,500.00	0.07%	Not Applicable	119 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	23/08/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 40,966,000.00	0.04%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	24/08/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 30,259,500.00	0.03%	Not Applicable	119 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	28/08/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 36,013,000.00	0.04%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	29/08/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 35,507,500.00	0.04%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	30/08/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 8,056,500.00	0.01%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	03/09/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 35,969,000.00	0.04%	Not Applicable	116 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	04/09/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 14,071,000.00	0.01%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	05/09/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 15,079,000.00	0.02%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	12/09/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 16,287,680.00	0.02%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	13/09/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 14,274,730.00	0.02%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	17/09/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 19,830,000.00	0.02%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php -	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	14/09/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 30,756,000.00	0.03%	Not Applicable	119 days	Balloon payment at the end of the term	Clean-unsecured	Php 2,000,000.00	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	20/09/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 27,228,000.00	0.03%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php 1,200,000.00	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	04/10/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 47,732,500.00	0.05%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php 35,732,500.00	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	05/10/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 16,036,000.00	0.02%	Not Applicable	119 days	Balloon payment at the end of the term	Clean-unsecured	Php 16,036,000.00	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	18/10/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 35,742,000.00	0.04%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php 35,742,000.00	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	22/10/18	Non-Financial	Floor Stock	PHP 94,729,491,971.00	PHP 9,564,000.00	0.01%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php 9,564,000.00	Regular Loan Under Arms-Length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	23/10/18	Non-Financial	Floor Stock	PHP 94,729,491,971.00	PHP 7,910,000.00	0.01%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php 7,910,000.00	Regular Loan Under Arms-Length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	24/10/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 13,797,500.00	0.01%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php 13,797,500.00	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	30/10/18	Non-Financial	Floor Stock	PHP 94,729,491,971.00	PHP 6,338,500.00	0.01%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php 6,338,500.00	Regular Loan Under Arms-Length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	07/11/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 14,658,500.00	0.02%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php 14,658,500.00	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao

ANNEX

SEC MEMORANDUM CIRCULAR NO. 10
Series of 2019

SUMMARY REPORT ON MATERIAL RELATED PARTY TRANSACTIONS

Reporting PLC: PHILIPPINE BUSINESS BANK

SEC Identification Number: A199701584
Covering Period: January 1 to December 31, 2018

Parent Bank/QB and Subsidiary/Affiliate	Related Counterparty	Relationship Between the Parties	Transaction Date	Financial or Non-Financial Interest of the Related Parties	Type/Nature of Transaction and Description of Assets Involved	Total Assets of Reporting PLC	Amount/Contract Price	Percentage of the Contract Price to the Total Assets of the Reporting PLC	Carrying amount of Collateral, if any	Terms	Conditions	Collateral	O/S Balance	Rationale for Entering into the Transaction	Approving Authority
	TOYOTA ALABANG INC.	Affiliated Company	14/11/18	Non-Financial	Floor Stock	PHP 94,729,491,971.00	PHP 7,902,000.00	0.01%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php 7,902,000.00	Regular Loan Under Arms-Length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	15/11/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 16,060,000.00	0.02%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php 16,060,000.00	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	19/11/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 59,670,000.00	0.06%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php 59,670,000.00	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	21/11/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 11,139,500.00	0.01%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php 11,139,500.00	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	11/12/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 20,713,500.00	0.02%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php 20,713,500.00	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	12/12/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 19,251,500.00	0.02%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php 19,251,500.00	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	17/12/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 49,512,000.00	0.05%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php 49,512,000.00	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	18/12/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 25,263,000.00	0.03%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php 25,263,000.00	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	21/12/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 39,086,000.00	0.04%	Not Applicable	117 days	Balloon payment at the end of the term	Clean-unsecured	Php 39,086,000.00	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	26/12/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 68,681,000.00	0.07%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php 68,681,000.00	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
	TOYOTA ALABANG INC.	Affiliated Company	27/12/18	Non-Financial	Floor Stock	Php 94,729,491,971.00	PHP 22,152,000.00	0.02%	Not Applicable	120 days	Balloon payment at the end of the term	Clean-unsecured	Php 22,152,000.00	Regular Loan Under Arms-length Transaction	100.00% RPT Committee: Paterno H. Dizon, Danilo Alcoseba, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Honorio O. Reyes-Lao
													Php 482,409,500.00		
	FIRST GLOBAL PACKAGING CORPORATION	Related Interest	26/02/18	Non-Financial	Bills discounted	PHP 94,729,491,971.00	PHP 3,599,262.54	0.00%	Not Applicable	179 days	Full payment upon maturity unless renewed by the bank	Clean-unsecured	**Php** -	Regular Loan Under Arms-Length Transaction	100.00% RPT Committee: Paterno H. Dizon, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Danilo A. Alcoseba, Narciso DL. Eraña
	FIRST GLOBAL PACKAGING CORPORATION	Related Interest	22/03/18	Non-Financial	Bills discounted	PHP 94,729,491,971.00	PHP 4,319,192.57	0.00%	Not Applicable	180 days	Full payment upon maturity unless renewed by the bank	Clean-unsecured	**Php** -	Regular Loan Under Arms-Length Transaction	100.00% RPT Committee: Paterno H. Dizon, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Danilo A. Alcoseba, Narciso DL. Eraña
	FIRST GLOBAL PACKAGING CORPORATION	Related Interest	23/04/18	Non-Financial	Bills discounted	PHP 94,729,491,971.00	PHP 3,601,643.00	0.00%	Not Applicable	179 days	Full payment upon maturity unless renewed by the bank	Clean-unsecured	**Php** -	Regular Loan Under Arms-Length Transaction	100.00% RPT Committee: Paterno H. Dizon, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Danilo A. Alcoseba, Narciso DL. Eraña
	FIRST GLOBAL PACKAGING CORPORATION	Related Interest	25/04/18	Non-Financial	Bills discounted	PHP 94,729,491,971.00	PHP 3,060,247.23	0.00%	Not Applicable	180 days	Full payment upon maturity unless renewed by the bank	Clean-unsecured	**Php** -	Regular Loan Under Arms-Length Transaction	100.00% RPT Committee: Paterno H. Dizon, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Danilo A. Alcoseba, Narciso DL. Eraña
	FIRST GLOBAL PACKAGING CORPORATION	Related Interest	25/05/18	Non-Financial	Bills discounted	PHP 94,729,491,971.00	PHP 3,359,952.50	0.00%	Not Applicable	180 days	Full payment upon maturity unless renewed by the bank	Clean-unsecured	**Php** -	Regular Loan Under Arms-Length Transaction	100.00% RPT Committee: Paterno H. Dizon, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Danilo A. Alcoseba, Narciso DL. Eraña
	FIRST GLOBAL PACKAGING CORPORATION	Related Interest	24/07/18	Non-Financial	Bills discounted	PHP 94,729,491,971.00	PHP 3,958,394.67	0.00%	Not Applicable	178 days	Full payment upon maturity unless renewed by the bank	Clean-unsecured	**Php** -	Regular Loan Under Arms-Length Transaction	100.00% RPT Committee: Paterno H. Dizon, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Danilo A. Alcoseba, Narciso DL. Eraña
	FIRST GLOBAL PACKAGING CORPORATION	Related Interest	23/08/18	Non-Financial	Bills discounted	PHP 94,729,491,971.00	PHP 3,957,386.22	0.00%	Not Applicable	180 days	Full payment upon maturity unless renewed by the bank	Clean-unsecured	**Php** -	Regular Loan Under Arms-Length Transaction	100.00% RPT Committee: Paterno H. Dizon, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Danilo A. Alcoseba, Narciso DL. Eraña
	FIRST GLOBAL PACKAGING CORPORATION	Related Interest	26/09/18	Non-Financial	Bills discounted	PHP 94,729,491,971.00	PHP 3,470,210.10	0.00%	Not Applicable	177 days	Full payment upon maturity unless renewed by the bank	Clean-unsecured	Php 2,993,420.15	Regular Loan Under Arms-Length Transaction	100.00% RPT Committee: Paterno H. Dizon, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Danilo A. Alcoseba, Narciso DL. Eraña
	FIRST GLOBAL PACKAGING CORPORATION	Related Interest	19/10/18	Non-Financial	Bills discounted	PHP 94,729,491,971.00	PHP 2,450,545.46	0.00%	Not Applicable	159 days	Full payment upon maturity unless renewed by the bank	Clean-unsecured	Php 2,450,545.46	Regular Loan Under Arms-Length Transaction	100.00% RPT Committee: Paterno H. Dizon, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Danilo A. Alcoseba, Narciso DL. Eraña
	FIRST GLOBAL PACKAGING CORPORATION	Related Interest	22/10/18	Non-Financial	Bills discounted	PHP 94,729,491,971.00	PHP 3,060,247.23	0.00%	Not Applicable	156 days	Full payment upon maturity unless renewed by the bank	Clean-unsecured	Php 3,060,247.23	Regular Loan Under Arms-Length Transaction	100.00% RPT Committee: Paterno H. Dizon, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Danilo A. Alcoseba, Narciso DL. Eraña
	FIRST GLOBAL PACKAGING CORPORATION	Related Interest	24/10/18	Non-Financial	Bills discounted	PHP 94,729,491,971.00	PHP 2,518,601.36	0.00%	Not Applicable	154 days	Full payment upon maturity unless renewed by the bank	Clean-unsecured	Php 2,518,601.36	Regular Loan Under Arms-Length Transaction	100.00% RPT Committee: Paterno H. Dizon, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Danilo A. Alcoseba, Narciso DL. Eraña
	FIRST GLOBAL PACKAGING CORPORATION	Related Interest	16/11/18	Non-Financial	Bills discounted	PHP 94,729,491,971.00	PHP 613,888.91	0.00%	Not Applicable	360 days	Full payment upon maturity unless renewed by the bank	Clean-unsecured	Php 562,731.50	Regular Loan Under Arms-Length Transaction	100.00% RPT Committee: Paterno H. Dizon, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Danilo A. Alcoseba, Narciso DL. Eraña
	FIRST GLOBAL PACKAGING CORPORATION	Related Interest	22/11/18	Non-Financial	Bills discounted	PHP 94,729,491,971.00	PHP 3,237,450.53	0.00%	Not Applicable	180 days	Full payment upon maturity unless renewed by the bank	Clean-unsecured	Php 3,237,450.53	Regular Loan Under Arms-Length Transaction	100.00% RPT Committee: Paterno H. Dizon, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Danilo A. Alcoseba, Narciso DL. Eraña
	FIRST GLOBAL PACKAGING CORPORATION	Related Interest	07/12/18	Non-Financial	Bills discounted	PHP 94,729,491,971.00	PHP 3,177,461.93	0.00%	Not Applicable	180 days	Full payment upon maturity unless renewed by the bank	Clean-unsecured	Php 3,177,461.93	Regular Loan Under Arms-Length Transaction	100.00% RPT Committee: Paterno H. Dizon, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Danilo A. Alcoseba, Narciso DL. Eraña
	FIRST GLOBAL PACKAGING CORPORATION	Related Interest	19/12/18	Non-Financial	Bills discounted	PHP 94,729,491,971.00	PHP 836,037.74	0.00%	Not Applicable	180 days	Full payment upon maturity unless renewed by the bank	Clean-unsecured	Php 836,037.74	Regular Loan Under Arms-Length Transaction	100.00% RPT Committee: Paterno H. Dizon, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Danilo A. Alcoseba, Narciso DL. Eraña
	FIRST GLOBAL PACKAGING CORPORATION	Related Interest	20/12/18	Non-Financial	Bills discounted	PHP 94,729,491,971.00	PHP 4,076,842.59	0.00%	Not Applicable	180 days	Full payment upon maturity unless renewed by the bank	Clean-unsecured	Php 4,076,842.59	Regular Loan Under Arms-Length Transaction	100.00% RPT Committee: Paterno H. Dizon, Roberto A. Atendido, Benjamin R. Sta. Catalina Jr., Danilo A. Alcoseba, Narciso DL. Eraña
													Php 22,913,338.49		
												GRAND TOTAL	**Php 1,406,769,488.49**		

Pursuant to the requirements of the Commission, the company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PHILIPPINE BUSINESS BANK

ATTY. ROBERTO S. SANTOS
Name, Signature of the Corporate Secretary/Authorized Representative

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