COVER SHEET

AS094002733

S.E.C. Registration Number

EAST WEST BANKING CORPORATION

(Company's Full Name)

THE BEAUFORT, 5TH AVENUE COR.
23RD ST. BONIFACIO GLOBAL CITY,
TAGUIG CITY

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

ATTY. BENEDICTO M. VALERIO, JR	+632 8575-3871
Contact Person	Company Telephone Number

Month Day

SEC Form 17-A

FORM TYPE

Month Day

Secondary License Type, if Available

MSRD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, *AS AMENDED*

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

1. For the fiscal year ended <u>December 31, 2020</u>

2. SEC Identification Number <u>ASO94-002733</u>

3. BIR Tax Identification No. <u>003-921-057</u>

4. Exact name of issuer as specified in its charter <u>EAST WEST BANKING CORPORATION</u>

5. <u>Metro Manila, Philippines</u>
   Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only)
   Industry Classification Code:

7. <u>The Beaufort, 5th Avenue, corner 23rd Street, Fort Bonifacio Global City, Taguig City</u>
   Address of principal office

8. <u>+632 8575-3888</u>
   Issuer's telephone number, including area code

9. Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares	**2,249,975,411**

11. Are any or all of these securities listed on a Stock Exchange.

    Yes [X]   No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    The above common shares are listed in the Philippine Stock Exchange (PSE)

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 25 and 177 of The Revised Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [**X**] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [**X**] No [ ]

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

Shares Held by Non-Affiliates as of March 31, 2021	**Market Value per Share as of March 31, 2021**	**Total Market Value as of March 31, 2021**
451,879,881 shares	₱9.70	₱4,383,234,845.70

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

14. Check whether the issuer has filed all documents and reports required to be filed by Section 16 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Not Applicable

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders;

(b) Any information statement filed pursuant to SRC Rule 20;

(c) Any prospectus filed pursuant to SRC Rule 8.1.

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Overview of the Bank

East West Banking Corporation (the “Bank”, “EW”) is a universal bank in the Philippines that provides a wide array of products and services catering to the financial needs of consumers, middle market corporates, and the mass affluent. Through its vast network of stores nationwide, it offers a wide range of banking products and services, as well as allied financial services: non-life insurance brokerage and bancassurance.

EW was registered with the Securities and Exchange Commission (“SEC”) as a domestic corporation on March 22, 1994 and was granted authority by the Bangko Sentral ng Pilipinas (“BSP”) to operate as a commercial bank under Monetary Board Resolution No. 101 dated July 6, 1994, and commenced operations on July 8, 1994. EastWest was also granted authority by the BSP to operate an expanded foreign currency deposit unit under MB Resolution No. 832 dated August 31, 1994. On July 26, 2012, the Bank received the approval of the BSP to operate as a universal bank under Monetary Board Resolution No. 1696 dated 25 November 2010. EastWest’s ultimate parent company is A.L. Gotianun, Inc. EastWest’s head office is located at The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City. On July 26, 2012, the BSP granted the Bank the authority to operate as a universal bank under Monetary Board Resolution No. 1696 dated November 25, 2010.

EW has been listed on the Philippine Stock Exchange (“PSE”) since May 7, 2012. Its market capitalization as of December 31, 2020, was ₱24.3 billion. EW is approximately 77.9% owned by Filinvest Development Corporation (“FDC”). FDC is the listed holding company of the Filinvest Group, one of the largest conglomerates in the Philippines with interests in banking, real estate, hospitality and tourism, power generation and sugar. EW is a majority-owned subsidiary of FDC, incorporated on April 27, 1973, FDC started out as a consumer finance and banking business established by FDC’s patriarch, Andrew L. Gotianun, Sr.

Mergers and Acquisitions

On 19 August 2011, EastWest entered into a deed of assignment for the purchase of majority of the outstanding shares and control of Green Bank (A Rural Bank), Inc. (“GBI”). Consequently, GBI became a subsidiary of EastWest. The GBI acquisition enabled EastWest to significantly expand its branch network by adding 46 branches.

On 15 June 2012, the BSP Monetary Board approved the application of EastWest to acquire up to 100.0% of the outstanding shares of Finman Rural Bank, Inc. (“FRBI”), subject to certain conditions, a rural bank engaged in the business of extending credit to farmers, tenants, and rural enterprises. EW subsequently increased its ownership in FRBI to 100.0% through additional share acquisitions and capital contributions in 2012 and 2013. In May 2013, FRBI changed its name to East West Rural Bank, Inc. (“EWRB”) and entered into an asset purchase agreement with GBI, effectively consolidating all of the Bank’s rural banking business in EWRB.

In May 2013, EWRB and GBI entered into an asset purchase agreement with assumption of liabilities, in which EWRB will acquire selected loan portfolio, licenses for GBI's branches, and various assets necessary for branch business and operations, as well as assume the deposits and other liabilities incidental to the branch business and operations. The transfer of these assets and liabilities took effect on 31 October 2013.

On 17 February 2014, the SEC approved the application of EastWest to change its registration from a Government Securities Eligible Dealer (with Broker/Dealer of securities functions) to an Underwriter of Securities Engaged in Dealing Government Securities (with Broker/Dealer of securities functions), in accordance with the Securities Regulation Code and its implementing rules, as well as, other pertinent laws, rules and regulations applicable.

On March 28 and June 5, 2014, the BSP and the SEC respectively, approved the proposed merger between EW and GBI. On July 31, 2014, the merger between EW and GBI was completed.

On January 29, 2015, the BOD approved the common shares rights offering, subsequently, the BOD approved the application of the bank to list up to 371,574,000 common shares with par value of ₱10 per share to cover its stock rights offering. On May 8, 2015, a total of 371,574,000 common shares were listed at the PSE with ₱10 par value per share. The total proceeds raised by the Bank from the sale of the said shares amounted to P8.0 billion while the net proceeds (after deduction of direct costs related to equity issuance) amounted to ₱7.9 billion.

On May 18, 2015, the BSP approved EastWest's initial equity investment amounting to ₱30.0 million in East West Brokerage, Inc. ("EWIB"), a proposed wholly-owned insurance Brokerage insurance company of EastWest. EWIB was registered with the SEC on July 6, 2015.

On September 21, 2015, the BSP approved the request of the Bank for initial equity investment amounting to ₱500.0 million in East West Ageas Life Insurance Corporation ("EWAL"), a proposed joint venture with Ageas Insurance International N.V. The joint venture company, EWAL, shall be primarily engaged in life insurance business. EWAL was registered with the SEC on October 20, 2015.

On May 6, 2016, EW entered into an asset and share transfer agreement with Standard Chartered Bank ("SCB") and SCMB Overseas Limited for the acquisition of SCB Philippines' retail banking business (including all of SCB Philippines' three branches) and the transfer of 100.0% ownership of the entities, namely: QMIS and ASIA. The acquisition was approved by the BSP on August 8, 2016. On November 25, 2016, after satisfying all the conditions under the asset and share transfer agreement, the transfer of assets and liabilities was completed.

In 2016, the BSP approved and confirmed the initial equity investment in East West Leasing and Finance Corporation ("EWLF") of ₱100.0 million. It was registered with the SEC in October 2016 with secondary license to operate as a financing company in accordance with the Financing Company Act of 1998 and its implementing rules and regulations. The principal place of business of EWLFC is at East West Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City.

On July 13, 2017, the BOD approved the following: (1) the Bank's increase in authorized capital stock from ₱20.0 billion to ₱50.0 billion and (2) the subsequent declaration of a 50% Stock Dividend or 750,000,000 common shares to cover the minimum required subscription and payment for the said increase in authorized capital stock. On April 16, 2018, a total of 749,991,801 common shares were listed at the PSE.

On June 19, 2019, the Philippine Competition Commission ("PCC") approved the Bank's purchase of the dealer-generated auto-lending portfolio held by Philippine Bank of Communications ("PBCom").

Securities Issuances

Debt Issuances

On July 4, 2014, EW completed its issuance of Basel III-compliant Tier 2 unsecured subordinated notes with a total face value of ₱5.0 billion with a coupon rate of 5.5% and maturing in January 2025, but callable on January 4, 2020. On January 4, 2020 EW exercised its call option. The redemption was approved by EW's Board of Directors on October 31, 2019 and by the BSP on December 13, 2019.

On February 20, 2017, EW's subsidiary, EWRB, issued 5.5% Lower Tier 2 unsecured subordinated notes with par value of ₱1.25 billion maturing on August 20, 2027 but callable on August 20, 2022.

On February 10, 2020, EW issued 4.50% fixed-rate bonds with issue price at 100.00% face value. The bonds will bear interest at the rate of 4.50% per annum from and including February 21, 2020 to but excluding: (a) February 21, 2023, such date being the maturity date (if the pre-termination option is not exercised); or (b) the pre-termination date (if the pre-termination option is exercised), and the interest will be payable quarterly in arrears at the end of each interest period on February 21, August 21 and November 21 of each year commencing on 2020.

Equity Issuances

On January 29, 2015, the Board of Directors approved the common shares rights offering. In March 2015, the Board of Directors approved the application of the Bank to list up to 371,574,000 common shares with par value of ₱10 per share to cover its stock rights offering. On May 8, 2015, a total of 371,574,000 common shares were listed at the PSE with ₱10.00 par value per share. The total proceeds raised by EW from the sale of the said shares amounted to ₱8.00 billion while the net proceeds (after deduction of direct costs related to equity issuance) amounted to ₱7.95 billion. The net proceeds were used to invest in securities allowed under BSP regulation and to fuel growth in loans.

On July 13, 2017 and August 30, 2017, the Board of Directors approved and the stockholders ratified, respectively, the following (i) increase in EW's authorized capital stock from ₱20.00 billion to ₱50.00 billion consisting of 4.50 billion common shares with par value of ₱10.00 per share or a total par value of ₱45.00 billion and 500 million preferred shares with par value of ₱10.00 per share or a total par value of ₱5.00 billion and (ii) declaration of 50.0% stock dividends equivalent to ₱7.50 billion from the Bank's unrestricted retained earnings as of December 31, 2016 to cover the required 25.0% minimum subscription and payment for the increase of authorized capital stock. The increase in the Bank's authorized capital stock and stock dividend declaration was subsequently approved by the BSP and SEC on February 1, 2018 and February 28, 2018, respectively. On April 16, 2018, a total of 749,991,801 common shares were listed on the PSE.

LTNCDs

In 2017, EW issued 4.0% fixed coupon rate unsecured LTNCDs maturing in September 2022. The first tranche of the LTNCD amounting to ₱2.70 billion was issued in March 2017. The second to fifth tranches of the LTNCD aggregating to ₱7.30 billion were issued in April to August 2017.

In June 2018, EW issued fixed coupon rate LTNCDs amounting to ₱2.45 billion. The issued LTNCDs will mature on December 7, 2023 and carries a fixed coupon of 4.625% payable quarterly.

Subsidiaries and Affiliate

The following are the subsidiaries and affiliate of the Bank as of December 31, 2020:

Name	Principal Activities	Effective Percentage of Ownership
East West Rural Bank, Inc. (EWRB)	Consumer banking	100.00%
East West Insurance Brokerage, Inc. (EWIB)	Non-life insurance brokerage	100.00%
East West Leasing and Finance Corporation (EWLFC)*	Finance and leasing	100.00%
Quest Marketing and Integrated Services Inc. (QMIS)	Sales and marketing	100.00%
Assurance Solutions Insurance Agency (ASIA)*	General insurance and marketing	100.00%
East West Ageas Life Insurance Corporation (EWAL)	Life insurance	50.00%

**Non-operational since 2017*

East West Rural Bank, Inc.

East West Rural Bank, Inc. (formerly Finman Rural Bank, Inc.) was incorporated and registered with Philippine Securities and Exchange Commission (SEC) on November 5, 1997 for the purpose of accumulating deposits and granting loans to various individuals and corporate entities as well as government and private employees. The Bank was granted authority by the Bangko Sentral ng Pilipinas (BSP) to operate as a rural bank and commenced operations in March 1998. Its principal office is located at 3rd and 4th Floors, East West Bank Building, J.P. Laurel Avenue corner Iñigo Street, Bajada, Davao City.

East West Insurance Brokerage, Inc.

East West Insurance Brokerage, Inc. (EWIB) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 6, 2015 primarily to act as an insurance broker in soliciting, negotiating, and forwarding applications for fire, marine, engineering, automobiles, trucks and other motor vehicles, aviation and risk management services, mortgage redemption, credit, floater, casualty, accident, health, burglary, rent, disability, life and all other kinds of insurance, and to collect payments of premiums on such policies. On September 23, 2015, EWIB received its license to act as an insurance broker from the Insurance Commission (“IC”). It started its commercial operations in September 24, 2015. Its principal place of business is located at The Beaufort, 5th avenue corner 23rd street, Bonifacio Global City, Taguig City.

East West Leasing and Finance Corporation

East West Leasing and Finance Corporation (EWLF) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 6, 2016, primarily to engage in general financing and investment business, with secondary license to operate as a financing company in accordance with the Financing Company Act of 1998 and its implementing rules and regulations. Its place of business is located at The Beaufort, 5th avenue corner 23rd street, Bonifacio Global City, Taguig City.

Quest Marketing and Integrated Services Inc. (formerly known as Price Solutions Philippines, Inc.)
On November 25, 2016, SCMB Overseas Ltd., a wholly owned subsidiary of Standard Chartered Bank (SCB) Philippines, completed the transfer of its 100% ownership of Quest Marketing and Integrated Services Inc. (QMIS) as part of the asset and share transfer agreement by and between SCB Philippines and SCMB. QMIS was registered with the Philippine Securities and Exchange Commission (SEC) on July 17, 2007 primarily to engage in providing sales and marketing services for financial institutions. The principal place of business is at 7th Floor, Global Trade Center, 1024 EDSA, Quezon City.

Assurance Solutions Insurance Agency, Inc.
On November 25, 2016, SCMB Overseas Ltd., a wholly owned subsidiary of Standard Chartered Bank (SCB) Philippines, completed the transfer of its 100% ownership of Assurance Solutions Insurance Agency (ASIA) as part of the asset and share transfer agreement by and between SCB Philippines and SCMB. ASIA was registered the Philippine Securities and Exchange Commission (SEC) on July 17, 2007 primarily to engage in general insurance agency business. The principal place of business is at 5th Floor, 6788 Sky Plaza Building, Ayala Avenue, Makati City.

East West Ageas Life Insurance Corporation
East West Ageas Life Insurance Corporation (EWAL) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 20, 2015. EWAL's primary purpose is to undertake and write insurance upon the life of individuals, and every insurance appertaining thereto or connected therewith; to make contracts of insurance providing for all risks, hazards, guarantees and contingencies to which life, accident, or health insurance is applicable; to indemnify against legal liability; to compute endowments and grant, purchase or dispose of annuities; to procure re-insurance of its risks; to issue policies stipulated to be with or without participation in profits; and to purchase for its own benefit any policy of insurance or other obligation as well as claims of policyholders. On December 22, 2015, EWAL obtained from the Insurance Commission a license to operate life insurance business. Its principal place of business is located at One World Place, 32nd Street, Bonifacio Global City, Taguig City.

Investment in a Joint Venture

On May 28, 2015, EW and Ageas entered into a joint venture agreement to form EW Ageas Life. EW Ageas Life, which shall primarily engage in the life insurance business, will be incorporated in the Philippines with a capitalization of ₱2.0 billion and with ultimate ownership interest of EW of 50.0% less 1 share. EW's initial investment amounted to ₱500.0 million.

In November 2015, EW Ageas Life and EW entered into a 20-year exclusive distribution agreement. Under the distribution agreement, EW Ageas Life will have exclusive access to the branch network of EW for the distribution of its insurance products (the exclusive bancassurance access).

In 2017, additional capital aggregating to ₱1.33 billion was solely contributed by Ageas to EW Ageas Life. This increased EW's investment in the joint venture by ₱665.00 million in 2017 which was recognized as gain on capital transaction.

Under the joint venture agreement, within a period of seven (7) years from consummation, the joint venture entity may at any time request for additional funding from EW and Ageas. EW and Ageas each infused additional capital to EW Ageas Life amounting to ₱250.00 million in 2020 and ₱350.00 million in 2019.

There were no dividends received from EW Ageas Life as of December 31, 2020. The joint venture has no contingent liabilities or capital commitments as of December 31, 2020 and 2019.

Principal Business Activities

Retail Banking

The retail banking segment mainly covers traditional branch banking products and services such as deposits, back-to-back/emerging market loans and other over-the-counter ("OTC") transactions. It also caters to the needs of high net-worth clients for alternative investment channels and cash management requirements of mid-market corporates. It includes entire transaction processing, service delivery and infrastructure consisting of the Bank's network of branch stores, ATMs, as well as its internet banking platform.

Deposit Products
The Bank offers a comprehensive range of deposit products consisting primarily of Peso demand, savings and time deposits. Offered also are US Dollar and 3rd currency savings and time deposits. The Bank offers varying interest rates on its deposit products depending on prevailing market interest rates, the rate of return on its earning assets and interest rates offered by other commercial banks.

Access to Investment Products
The Bank also offers investors access to investment products such as treasury bills and bonds, fixed rate treasury notes and retail treasury bonds. Customers can also invest in long-term fixed income debt instruments issued by public and private entities.

Cash Management Services
The Bank offers a wide range of cash management solutions to assist mid-market corporates, composed primarily of entrepreneurial and family-owned businesses, including (i) a facility for payroll preparation and crediting, (ii) an interest-earning checking account that provides a customized standalone check-writing facility and a comprehensive accounts payable system, (iii) an end-to-end automated solution for the creation, disbursement and monitoring of checks, (iv) a check depot service whereby the Bank retains a corporate customer's post-dated checks for immediate deposit to the customer's account on the same date indicated on the checks, (v) a bill collection service whereby the Bank acts as a collecting agent and transmits consolidated payments to the customer online or via electronic file transfer and (vi) deposit pickup services, in which the Bank sends an armored vehicle to pick up cash and check deposits at the customer's premises.

Consumer Lending

The Bank offers various types of consumer lending products to individuals, which consist principally of credit cards, auto loans, residential mortgage loans and personal loans. The Bank reviews various factors in evaluating prospective clients, including but not limited to the capacity of the borrower to repay the loan. The Bank also considers various factors in pricing its loans such as but not limited to the delinquency rates of particular market segments, the funding costs of the portfolio, direct and indirect expenses related to granting consumer loans and the target spread of the loan portfolio. Loan terms are differentiated according to factors such as a customer's financial condition, age, loan purpose, collateral and quality of relationship with the Bank. The Bank focuses its core business towards consumer financing where it has a competitive advantage. Several product lines were launched to ascertain that its target market is reached.

Credit Cards

In 2004, the Bank began issuing MasterCard credit cards under the name "East West Bank MasterCard" in partnership with AIG. In 2009, the Bank acquired the Philam Savings Bank, which issues Visa credit cards. After the acquisition, the Bank integrated its Visa and MasterCard businesses into a single business unit. From an initial base of 10,000 credit cards issued during 2004, the Bank has since grown to have issued over one million credit cards, comprising 10.9% of the total market share for credit cards in the Philippines as of December 31, 2020 based on data from the Credit Card Association of the Philippines.

Revenues from the credit card operations consist principally of annual fees paid by cardholders, interest on deferred and installment payments, cash advance fees, interchange fees paid by service establishments and late payment charges. Annual cardholder fees range from ₱1,200 to ₱5,000. Interest rate on deferred payments range at 2.0% per month and the interest rate on installment payments range from zero to maximum add-on rate of 1.00% per month. Other relevant fee income includes cash advances fees of ₱200 per availment; late fees accounting for 8.0% of the minimum amount due, and interchange fees ranging from 0.25% to 2.33% of the retail purchase or cash advance amount. Revenues relating to the credit card business are reflected in the Bank's financial statements as interest income and other operating income from service charges, fees and commissions.

The Bank seeks to diversify its distribution channels, form alliances with merchants and manage its product portfolio in order continue to grow its credit card business. The Bank currently markets and sells its credit cards directly to customers, as well as through third party telemarketing agencies. Credit Card customers may participate in a variety of instant and loyalty-based rewards programs that allow them to redeem merchandise or gift certificates at partner establishments. The Bank attempts to identify and capitalize on gaps in the market by offering products tailored to meet the needs of underserved markets. The Bank's credit card products come in different grades, from regular cards to premium class cards at different annual membership fees.

Auto Loans

The Bank's auto loans are offered through car dealerships (including second-hand car dealers), independent sales agents and the Bank's stores. The Bank provides incentives to car dealerships and independent sales agents based on each booked auto loan amount. A key competitive factor in the automotive loan business is the speed by which a bank can process an automotive loan, as dealers will offer a loan to multiple banks and the Bank offers a three-hour auto loan approval process, which the Bank believes is an important aspect to its success in growing its auto loan portfolio. The Bank's auto loan business also engages in strategic partnerships with major car brands to develop exclusive programs. Additionally, the Bank cross-sells its auto loans with the products of other units and offers special plans for existing and repeat customers.

All of the Bank's auto loans are secured by a chattel mortgage over the car being purchased. In addition to being subject to the Bank's internal credit checks, the Bank generally requires the borrower to make a minimum down payment of 20.0% - 30.0% of the purchase price. Depending on whether the car being purchased is new or second-hand, the interest rate of the Bank's auto loans can range from 8.5% to 18.0%, with an average maturity of 55 months. Generally, when an installment payment falls 90 days past due, the

Bank may commence foreclosure proceedings. Foreclosed cars are generally sold by the Bank through public auction.

Residential Home Mortgage Loans

The large majority of EW's residential mortgage loans are extended to property buyers in the Philippines who intend to occupy residential units in the form of house and lot, townhouse or condominiums, with a small proportion being extended to individuals purchasing lots for investment purposes or for future dwelling via house construction loans. All of EW's home mortgage loans are secured by a first mortgage on the property and each applicant undergoes a stringent credit evaluation process. EW requires its borrowers to make a minimum down payment of 20% of the total contract price, or appraised value for the various loan purposes. EW also refinances existing housing loans. EW offers loans at fixed interest rates. EW uses its store network as a key distribution channel and maintains marketing campaigns to attract property buyers independently from real estate developers, which serve as distribution channels for mortgage loan providers. The average maturity of EW's home mortgage loans is fifteen years. In line with industry practice in the Philippines, interest rate on EW's home mortgage loan portfolio is set at a fixed rate applicable for an initial period of between one and five years, depending on the maturity of the loan. Upon expiry of the initial period, the interest rate is reset at a fixed annual rate.

When a borrower falls in arrears with its mortgage payments, the buyer can either agree to a voluntary disposition of the property to EW, or EW may commence foreclosure proceedings. EW sells mortgaged collateral that has been foreclosed, primarily in public auctions or by brokers on behalf of EW. Foreclosure of the mortgaged collateral generally takes between six and 24 months.

EW currently offers various home financing products with differentiating features, which include a mix of competitive interest rates and what the Bank believes to be the longest payment term in the market of up to 30 years. As most residential mortgage loans available in the market only allow up to a maximum payment term of 20 years, EW's longer payment term means lower and consequently lighter amortization payments for the borrower. EW also gives the borrowers the option to adopt a fixed-term pricing scheme to protect borrowers against the risk of fluctuating interest rates.

Personal Loans

The Bank's personal loans business provides unsecured, uncollateralized consumer loans to qualified individuals for multi-purpose personal use. The primary distribution channel for personal loans is the Bank's stores and third-party sales agencies. The Bank offers personal loans to employed and self-employed individuals with gross (basic) monthly income of at least ₱15,000 or basic annual income of not less than ₱180,000. The monthly nominal interest rates for a personal loan ranges from 1.49% to 1.89% and is payable in fixed equal monthly installments from 12 to 36 months.

Corporate Banking

The Corporate Banking Group is responsible for the overall management and development of the Bank's corporate relationships. Although the activities of the EW group are primarily focused on the working capital, term funding and project finance requirements of its core mid-market customer base, which is predominantly comprised of entrepreneurial or family-owned businesses, it also has relationships with large corporate accounts. The Corporate Banking Group also offers the entire array of the Bank's products and services which includes cash management services, foreign exchange and deposit and investment products to its corporate customers. The Bank believes that successfully identifying and offering holistic solutions to the banking needs of its corporate client base is essential to placing EW at the top of its clients' minds in their choice of a banking relationship.

Credit Products

The Bank provides a wide range of loan products and services to its corporate customers, including revolving credit lines, domestic and foreign bills purchase, acceptances, trade finance facilities, bank guarantees and term loans. In line with its strategy to create a balanced and diversified portfolio, the Bank's corporate customers are engaged in various industries and located in key geographical areas in the Philippines. Credit facilities offered to corporate customers include both secured and unsecured loan products, depending on the credit risks associated with the customer and its business.

The Bank intends to continue to expand its corporate banking portfolio by increasing its share of its existing customers' working capital requirements as well as supporting their expansion projects. The Bank also aims to continue to enlarge its client base by targeting new corporate customers through the Bank's expanded combined customer network.

Rural Banking

To extend its reach to underserved segments of the market that have the potential for growth, the Bank has established a rural bank arm. Backed by the strong track record of its predecessor entities, EWRB is capable of catering to the banking needs of customers outside the urban areas in the country and provide wider access to innovative products and delivery channels. In addition to DepEd teachers' loans, EWRB currently offers small business loans, which are intended for small to medium enterprises, with a maximum loan limit of ₱5.0 million, and social security system ("SSS") pensioners' loans, which are intended for all SSS retirees and survivorship pensioners whose SSS pension is directly credited to savings accounts with EWRB and EW.

Treasury and Trust

Treasury

The Bank's treasury has primary responsibility for managing the Bank's liquidity, interest rate and foreign exchange exposures. The Bank manages its liquidity position by regularly reviewing its cash flow position, debt maturity profiles, availability of credit facilities and overall liquidity position to mitigate the effects of fluctuations in cash flow. The Bank's treasury actively engages in trading for its own proprietary account. It trades local treasury bills and Bonds, foreign-currency denominated Bonds and foreign exchange. The Bank is an accredited Government Securities Eligible Dealer.

Trust

The Bank offers a wide range of trust products and services, including fund management, investment management services, custodianship, administration and collateral agency services and stock and transfer agency services. In addition to offering trust services to corporate and high net-worth individual customers (customers with a total relationship balance of ₱2.5 million), the Bank provides retail customers with alternative investment opportunities through its unit investment trust funds (UITFs), which are available in Peso and U.S. dollar-denominated UITFs. In a UITF, funds of various investors are pooled and invested in a diversified portfolio of liquid securities, term deposits, money market instruments or stocks in accordance with the investment objectives and restrictions stated in the Declaration of Trust.

Principal Products and Services

The Bank offers a comprehensive range of deposit products, consisting primarily of Peso demand, savings and time deposits. The Bank also offers U.S. dollar and other third currency savings and time deposits. The Bank's loan offerings include consumer loans – auto, mortgage and personal as well as corporate loans. The Bank also offers payment facilities such as debit, prepaid and credit cards.

EastWest also offers a suite of electronic channels such as internet banking for individuals and corporates, mobile banking, phone banking and ATMs.

Below lists out the various products and services of EastWest:

<u>Deposit Products and Related Services</u>
Savings Accounts: Passbook Savings Account, Passbook Savings Account with Debit Card, Basic Savings, Cool Savers Kiddie Account, ATM Savings Account, ATM Savings Account for SSS Pensioners, Super Saver.

Checking Accounts: Regular Checking Account, ChequeMax, ChequeMax Rewards, Chequemax Plus, Basic Checking.

Time Deposit Accounts: Peso Time Deposit, 5-year Floating Rate Time Deposit, Online Peso Time Deposit.

USD and 3rd Currency Accounts: US Dollar Savings Account, US Dollar Time Deposit, Online Dollar Time Deposit, Chinese Yuan Savings and Time Deposit Account, Euro Savings and Time Deposit Account, Japanese Yen Savings and Time Deposit Account, Singapore Dollar Savings and Time Deposit Account, Australian Dollar Savings and Time Deposit Account, British Pound Savings Account, Hongkong Dollar Savings Account, New Zealand Dollar Savings Account.

Debit and Prepaid Cards: Classic Debit Card, Priority Platinum Debit Card, General Purpose Prepaid Card, Personal Loan Prepaid Card, Gift Card, Travel Money Card.

<u>Consumer Loans and Related Services</u>
Auto Loan: Auto Loan, Fleet Financing, Refinancing
Home Loan: Top-Up Loan, Home Equity, Home Construct, Reimbursement, Home Acquire/ Condo Acquire, Lot Acquire
Personal Loan
Salary Loan

<u>Credit Cards</u>
Elite Credit Cards: Priority Visa Infinite, Platinum Mastercard, Visa Platinum, EveryDay Titanium Mastercard, Dolce Vita Titanium Mastercard
Credit Cards: Gold and Classic Mastercard, Gold and Classic Visa, Practical Mastercard
Co-brand and Affinity Cards: Singapore Airlines KrisFlyer Mastercard, Hyundai Mastercard, DLSAA Mastercard

<u>Investment Banking</u>
Securities Underwriting
Financial Advisory

Corporate Credit Facilities

Working Capital Loans and Facilities: Short Term Loan, Revolving Promissory Note Facility, Revolving Credit Facility, Trade Check Discounting Facility
Inventory Financing: Floor Stock Revolving Facility
Trade Finance: Domestic Letters of Credit with Trust Receipt Facility, Import Letters of Credit with Trust Receipt Facility, Other Types of Documentary Credits with Trust Receipt Facility, Export Financing Facility, Export Bills Purchase Facility
Guarantees: Standby Letters of Credit (SLBC), Domestic SLBC, Foreign SLBC, Bank Guarantees, Committed Credit Line
Bills Purchase Line: Domestic Bills Purchase Line, Foreign Bills Purchase Line
Term Financing: Term Loans, Project Finance

Hedging Products

Foreign Exchange: Spot, Forwards, FX Swaps

Hedging Products

Fixed Income: Peso Government and Corporate Securities, USD-denominated Government and Corporate Securities

Trust Products

Corporate Solutions: Employee Benefit Trust/Retirement Account, Fund Management
Wealth Management: Personal Management Trust, Investment Management Account
Investment Funds: Peso Money Market Fund, Peso Short Term Fund, Peso Intermediate Term Bond Fund, Peso Long Term Bond Fund, Dollar Intermediate Term Bond Fund, PSEi Tracker Fund, PhilEquity Feeder Fund, S&P 500 Index Equity Feeder Fund
Other Fiduciary: Escrow Agency

Cash Management Services

Collection Services: Auto Debit Arrangement, Bills Collect, Check Collect, Check Warehousing
Disbursement Services: Check-writing, Electronic Invoice Payment & Presentment, Bulk Intra Bank and Inter Bank Funds Transfer, Corporate Bills Payment
Liquidity Management Services: Account Sweeping, Reverse Account Sweeping
Payroll Services: Payroll Crediting, Payroll System with HRIS (Human Resource Information System), Payroll Timekeeping
Other Services: Government Payments

Small and Medium Enterprise Banking

Revolving Credit Facility
Trade Check Discounting Line
Revolving Promissory Note Line
Term Loan

Percentage of Sales or Revenues and Net Income Contributed by Foreign Sales

This is not relevant to the operations of the Bank.

Distribution Network

Branch Network

The branch network is focused more on the Philippines' major industrial and commercial regions in Metro Manila and has key locations outside of Metro Manila such as Metro Cebu, Metro Davao, Northern Luzon, South Luzon Industrial Zone, Iloilo, Bacolod and Mindanao. Within these regions, EW has strategically positioned its branches in key business and commercial centers, which are areas that generally boast of higher per capita incomes, and have higher growth and traffic, thereby maximizing the number of transactions and deposits per branch.

A branch's sales function is managed by a branch head. Each branch head reports to a division head, which supervises 9 to 18 branches. The operations function is under an area operations head. Each area operations head supervises 13 to 32 branches and reports to a regional operations head. Branches are grouped geographically and such groups include North Luzon, South Luzon, Southern Metro Manila, Eastern Metro Manila, Northern Metro Manila, Downtown Manila, Visayas and Mindanao.

EastWest's products and services are made available across multiple distribution and delivery channels. As of December 31, 2020, EastWest has a total of 392 branches, with 213 of these branches in Metro Manila. For the rest of the country, the Bank has 100 branches in other parts of Luzon, 40 branches in Visayas, and 39 branches in Mindanao.

The Bank's subsidiary rural bank has a total of 76 branches bringing the group branch store network total to 468.

ATM Network

EW provides 24-hour banking services through its network of 586 ATMs as of December 31, 2020, compared with 584 ATMs as of December 31, 2019. Of these 586 ATMs, 400 are located at EW's branches while 186 are located off-site. Customers are given access to the ATM facilities through ATM cards and debit cards, which are available to checking and savings account holders. Customers may likewise access ATM facilities through prepaid cards which are pre-loaded or reloadable payment cards (not linked to a checking or savings account). Aside from ATMs, customers may likewise use Debit and Prepaid cards on purchases and other transactions done through the internet and Point-of-Sale (POS) terminals.

The Bank also is a member of Bancnet, which is an ATM network that allows its member banks customers to use ATM terminals operated by other Bancnet member banks. Customers of the Bank that use ATMs operated by other banks must pay a service charge for accessing these networks.

Status of Publicly-Announced New Product or Service

All publicly-announced new products or services of the Bank are in commercial distribution.

Competition

The banking industry in the Philippines is composed of universal banks, commercial banks, savings banks, savings and mortgage banks, private development banks, stock savings and loan associations, rural banks cooperative banks and Islamic banks.

As of March 2021, the banking sector consisted of 46 universal and commercial banks (updated as of March 2021 on BSP's Directory of Banks and Non-Banks), of which 21 were universal banks and 25 were commercial banks. Of the 21 universal banks, 12 were private domestic banks, 3 were government banks, and 6 were branches of foreign banks. Of the 25 commercial banks, 5 were private domestic banks, 2 were subsidiaries of foreign banks, and 18 were branches of foreign banks.

Commercial banks have all the general powers incident to corporations and are organized primarily to accept drafts and to issue letters of credit, to discount and negotiate promissory notes, drafts, bills of exchange and other evidences of indebtedness, accept or create demand deposits, receive other types of deposits and deposit substitutes, buy and sell foreign exchange and gold and silver bullion, and extend credit on a secured or unsecured basis. Universal banks are banks that have authority, in addition to commercial banking powers, to exercise the powers of investment houses, to invest in the equity of businesses not related to banking, and to own up to 100.0% of the equity in a thrift bank, a rural bank, or a financial allied or non-allied enterprise. A publicly listed universal or commercial bank may own up to 100.0% of the voting stock of only one other universal or commercial bank.

Thrift banks primarily accumulate the savings of depositors and invest them, together with their capital, in loans secured by Bonds, mortgages in real estate and insured improvements thereon, chattel mortgage, Bonds and other forms of security or in loans for personal and household finance, secured or unsecured, or in financing for home building and home development; in readily marketable debt securities; in commercial papers and accounts receivables, drafts, bills of exchange, acceptances or notes arising out of commercial transactions. Thrift banks also provide short-term working capital and medium-and long-term financing for businesses engaged in agriculture, services, industry, housing and other financial and allied services for its chosen market and constituencies, especially for mid-market corporates and individuals. As of March 2021, there were 48 thrift banks (updated as of March 2021 on BSP's Directory of Banks and Non-Banks).

Rural and cooperative banks are organized primarily to make credit available and readily accessible in the rural areas on reasonable terms. Loans and advances extended by rural banks are primarily for the purpose of meeting the normal credit needs of farmers and fishermen, as well as the normal credit needs of cooperatives and merchants. Rural banks are privately owned and managed while cooperative banks are owned by cooperatives or federation of cooperatives. As of March 2021, there were 434 rural and cooperative banks (updated as of March 2021 on BSP's Directory of Banks and Non-Banks).

Specialized government banks are organized to serve a particular purpose. The existing specialized banks are the Development Bank of the Philippines ("DBP"), Land Bank of the Philippines ("LBP"), and Al-Amanah Islamic Investment Bank of the Philippines ("AAIIB"). DBP was organized primarily to provide banking services catering to the medium and long-term needs of agricultural and industrial enterprises, particularly in rural areas and preferably for mid-market corporates. LBP primarily provides financial support in all phases of the Philippines' agrarian reform program. In addition to their special functions, DBP and LBP are allowed to operate as universal banks. AAIIB was organized to promote and accelerate the socio-economic development of the Autonomous Region in Muslim Mindanao through banking, financing and investment operations and to establish and participate in agricultural, commercial and industrial ventures based on Islamic banking principles and rulings.

During the past fifteen years, the Philippine banking industry has been marked by two major trends – the liberalization of the industry, and mergers and consolidation.

Foreign bank entry was liberalized in 1994, enabling foreign banks to invest in up to 60.0% of the voting stock of an existing bank or a new banking subsidiary, or to establish branches with full banking authority. This led to the establishment of 10 new foreign bank branches in 1995. The General Banking Law enacted in 2000 further liberalized the industry by providing that the Monetary Board may authorize foreign banks to acquire up to 100.0% of the voting stock of one domestic bank. Under the General Banking Law, any foreign bank, which prior to the effectiveness of the said law availed itself of the privilege to acquire up to 60.0% of the voting stock of a domestic bank, may further acquire voting shares of such bank to the extent necessary for it to own 100.0% of the voting stock thereof.

The Bank faces competition from both domestic and foreign banks, in part, as a result of the liberalization of the banking industry by the Government. Since 1994, a number of foreign banks, which have greater financial resources than the Bank, have been granted licenses to operate in the Philippines. Such foreign banks have generally focused their operations on the larger corporations and selected consumer finance products, such as credit cards. The foreign banks have not only increased competition in the corporate market, but have as a result caused more domestic banks to focus on the commercial middle-market, placing pressure on margins in both markets.

Since September 1998, the BSP has been encouraging consolidation among banks in order to strengthen the Philippine banking system. Mergers and consolidation result in greater competition, as a smaller group of “top tier” banks compete for business.

As of December 31, 2020, the ten largest universal and commercial banks account for approximately 83.4% of total assets and 84.0% of total deposits of the universal and commercial banking system based on published statements of condition.

Certain factors arising from the 1997 Asian crisis and the 2008 global financial crisis also resulted in greater competition and exert downward pressure on margins. Banks instituted more restrictive lending policies as they focused on asset quality and reduction of their NPLs, which resulted in increasing liquidity. As Philippine economic growth further accelerates and banks apply such liquidity in the lending market, greater competition for corporate, commercial and consumer loans is expected.

As of December 31, 2020, the ten largest universal and commercial banks account for approximately 84.8% of the net customer loan portfolio of the universal and commercial banking system, based on published statements of condition.

Sources and Availability of Raw Materials and Names of Principal Suppliers

This is not relevant to the operations of the Bank.

Customer Concentration
The Bank has a diversified customer base and there is no concentration of business in major customer groups. As such, the Bank is not dependent upon a single customer or a few customers

Transactions with and/or Dependence on Related Parties
In the ordinary course of business, the Bank has loan transactions with some subsidiaries and with certain directors, officers, stockholders and related interests. Under the Bank's policies, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks. Refer to Note 28 of the attached Audited Financial Statements of EastWest for the details of related party transactions.

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements Held
In 1994, EW obtained a Certificate of Registration and bank license from the Philippine SEC to operate under the corporate name "East West Banking Corporation."

EW uses a variety of names and marks, including the name "East West Banking Corporation" and EW's logo, in connection with its business. The Bank has registered such names and marks with the Intellectual Property Office of the Philippines.

On January 25, 2012, the Bank obtained a certification from the BSP on a US-based bank using a similar name. As certified by BSP, the US-based bank has not been issued a license to operate as a banking institution in the Philippines. The BSP also certified that the Bank is among the commercial banks it supervises. On October 10, 2013, the Intellectual Property Office of the Philippines issued a decision in favor of the Bank, cancelling the mark "EAST WEST BANK & COMPASS LOGO" previously registered in the name of a US-based bank.

Need for Government Approval of Principal Products or Services
The Bank's principal products and services are offered to customers only upon receipt of the necessary regulatory approvals or clearances. The Bank strictly complies with the related regulatory requirements such as reserves, liquidity position, loan exposure limits, cap on foreign exchange holdings, provision for losses, anti-money laundering provisions and other reportorial requirements.

Effect of Existing or Probable Governmental Regulations on the Business
The Bank strictly complies with the Bangko Sentral ng Pilipinas (BSP) requirements in terms of capitalization reserves, liquidity position, limits on loan exposure, cap on foreign exchange holdings, provision for losses, anti-money laundering provisions and other reportorial requirements as well as other regulatory agencies such as the Securities and Exchange Commission, Philippine Stock Exchange, Philippine Deposit Insurance Corporation and the Bureau of Internal Revenues, among others.

Amount Spent on Research and Development Activities
The Bank's research and development activities are mainly driven towards market research and technology-related projects and initiatives. EastWest's businesses are heavily dependent on the ability to timely and accurately collect and process a large amount of financial and other information across numerous and diverse markets and products at its various branches, at a time when transaction processes have become increasingly complex with increasing volume.

The amount spent on research and development activities (in million pesos) and its percentage to revenues for the last three years has been as follows:

Year	Amount	% of Revenue
2020	₱3.24	0.01%
2019	₱3.44	0.01%
2018	₱18.52	0.07%

Costs and Effects of Compliance with Environmental Laws
This is not relevant to the operations of the Bank.

Employees
As at December 31, 2020, EastWest had 6,317 full-time employees compared to 6,431 in 2018. The following table categorizes EastWest's full-time employees rank, as of December 31, 2020 and 2019:

	2020	2019
Executives	239	243
Managers	2,554	2,589
Rank and File	3,366	3,485
Total	**6,159**	**6,317**

The subsidiaries have 1,359 officers/staff, bringing the combined manpower of 7,518.

There is no existing collective bargaining agreement between EastWest and any of its employees, and EastWest's employees are not part of any labor union.

Financial Risk Management Objectives and Policies

<u>Risk Management</u>
To ensure that corporate goals and objectives, and business and risk strategies are achieved, the Bank utilizes a risk management process that is applied throughout the organization in executing all business activities. Employees' functions and roles fall into one of the three categories where risk must be managed: business units, operating units and governance units.

The Bank's activities are principally related to the use of financial instruments and are exposed to credit risk, liquidity risk, operational risk and market risk, the latter being subdivided into trading and non-trading risks. Forming part of a coherent risk management system are the risk concepts, control tools, analytical models, statistical methodologies, historical researches and market analysis, which are being employed by the Bank. These tools support the key risk process that involves identifying, measuring, controlling and monitoring risks.

<u>Risk Management Structure</u>
a. Board of Directors (the Board or BOD)
   The Bank's risk culture is practiced and observed across the Bank, putting the prime responsibility on the BOD. It establishes the risk culture and the risk management organization and incorporates the risk process as an essential part of the strategic plan of the Bank. The BOD approves the Bank's articulation

of risk appetite which is used internally to help management understand the tolerance for risk in each of the major risk categories, its measurement and key controls available that influence the Bank's level of risk taking. All risk management policies and policy amendments, risk-taking limits such as but not limited to credit and trade transactions, market risk limits, counterparty limits, trader's limits and activities are based on the Bank's established approving authorities which are approved by the Bank's BOD. At a high level, the BOD also approves the Bank's framework for managing risk.

b. Executive Committee
This is a BOD level committee, which reviews the bankwide credit strategy, profile and performance. It approves the credit risk-taking activities based on the Bank's established approving authorities and likewise reviews and endorses credit-granting activities, including the Internal Credit Risk Rating System.

c. Loan and Investments Committee
This committee is headed by the Chairman of the Bank whose primary responsibility is to oversee the Bank's credit risk-taking activities and overall adherence to the credit risk management framework, review business/credit risk strategies, quality and profitability of the Bank's credit portfolio and recommend changes to the credit evaluation process, credit risk acceptance criteria and the minimum and target return per credit or investment transaction. All credit risk-taking activities based on the Bank's established approving authorities are evaluated and approved by this committee. It establishes an infrastructure by ensuring business units have the right systems and, adequate and competent manpower support to effectively manage its credit risk.

d. Asset-Liability Management Committee (ALCO)
ALCO, a management level committee, meets on a weekly basis and is responsible for the over-all management of the Bank's market, liquidity, and financial position related risks. It monitors the Bank's liquidity position and reviews the impact of strategic decisions on liquidity. It is responsible for managing liquidity risks and ensuring exposures remain within established tolerance levels. The ALCO's primary responsibilities include, among others, (a) ensuring that the Bank and each business unit holds sufficient liquid assets of appropriate quality and in appropriate currencies to meet short-term funding and regulatory requirements, (b) managing financial position and ensuring that business strategies are consistent with its liquidity, capital and funding strategies, (c) establishing asset and/or liability pricing policies that are consistent with the financial position objectives, (d) recommending market and liquidity risk limits to the Risk Management Committee and BOD, and (e) approving the assumptions used in contingency and funding plans. It also reviews cash flow forecasts, stress testing scenarios and results, and implements liquidity limits and guidelines.

e. Risk Management Committee (RMC)
RMC is a BOD level committee that convenes monthly and is primarily responsible in assisting the BOD in managing the Bank's risk-taking activities. This is performed by the committee by institutionalizing risk policies and overseeing the Bank's risk management system. It develops and recommends risk appetite and tolerances for the Bank's major risk exposures to the BOD. Risk management principles, strategies, framework, policies, processes, and initiatives and any modifications and amendments thereto are reviewed and approved by RMC. It oversees and reports to the BOD the effectiveness of the risk management system, overall risk profile, and compliance with the risk appetite and tolerances that the BOD approved.

f. Risk Management Subcommittee (RMSC)

RMSC is a management level committee that convenes, at least four times in a year, and is responsible to assist RMC in fulfilling its responsibilities in managing the Bank's risk-taking activities. This is performed by the committee through the implementation of risk management principles, strategies, framework, policies, processes, and initiatives across the Bank. It leads the effective conduct of risk and capital management. It oversees and directs the management of the Bank's overall risk profile. The committee likewise oversees risk incidents, control gaps, and control deficiencies and management actions in implementing the corresponding corrective actions.

g. Audit Committee (Audit Com)

The Audit Com assists the BOD in fulfilling its responsibilities for overseeing senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide reasonable assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets. It is tasked to discuss with management the Bank's major risk exposures and ensures accountability on the part of management to monitor and control such exposures including the Bank's risk assessment and risk management policies. The Audit Com oversees the internal audit function and is responsible for monitoring and reviewing its effectiveness while ensuring its independence.

h. Corporate Governance and Compliance Committee (CGCC)

The CGCC leads the Bank in defining and fulfilling the corporate governance policies and attaining best practices while overseeing the implementation of the Bank's compliance program, money laundering and terrorist financing prevention program and ensuring that regulatory compliance issues are resolved expeditiously. In addition to its governance role, the CGCC also assumes the nomination function whereby it reviews and evaluates the qualifications of all persons nominated to the BOD, all direct reports of the President and Chief Executive Officer (CEO), Heads of Governance Units regardless of rank, and other positions of the Bank requiring appointment by the BOD. The committee oversees the annual performance evaluation of the BOD, its committees, and individual directors and conducts an annual self-evaluation of its performance as prescribed under and in accordance with the Corporate Governance Manual and Securities and Exchange Commission (SEC) Code of Corporate Governance for Publicly Listed Companies.

i. Related Party Transactions (RPT) Committee

The RPT Committee assists the BOD in ensuring that the transactions with related parties of the Bank are handled in a sound and prudent manner, with integrity and in compliance with the applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders. It also ensures that related party transactions are conducted on an arm's length basis and that no stakeholder is unduly disadvantaged by such transactions.

j. Asset Impairment Committee (AIC)

AIC is a management level committee that convenes at least two times in a year and shall officially represent the Bank's source of experienced credit judgement insofar as the asset impairment exercise is concerned. This experienced credit judgment is tapped to provide guidance under the conditions that include, but are not limited to,the following: 1) The result of the calculation is assessed to be unreasonable such that it is considered as not fairly representative of the Bank's historical experience, current, and prospective credit condition or other conditions deemed relevant in reasonably determining the Bank's assets' recoverable value; 2) There is an adverse change in the prevailing or foreseen prospective economic condition relative to the embedded presumption in the existing impairment framework; and 3) The data set in the calculation parameters is not available or insufficient to complete the calculation.

k. Risk Management Division (RMD)
RMD performs an independent risk governance function within the Bank. RMD is tasked with identifying, measuring, controlling and monitoring existing and emerging risks inherent in the Bank's overall portfolio (on- or off-balance sheet). RMD develops and employs risk assessment tools to facilitate risk identification, analysis and measurement. It is responsible for developing and implementing the framework for policies and practices to assess and manage enterprise-wide market, credit, operational, and all other risks of the Bank.

It also develops and endorses risk tolerance limits for BOD approval, as endorsed by the RMC, and monitors compliance with approved risk tolerance limits. Finally, it regularly apprises the BOD, through the RMC, the results of its risk monitoring.

l. Internal Audit (IA)
IA provides an independent assessment of the adequacy of the Bank's internal controls, risk management, governance framework and execution/operational practices. Internal audit activities are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA) and the Code of Ethics. IA has adopted a risk assessment methodology, which provides a sound basis in the selection of areas of coverage and frequency of audit for the preparation of the annual audit plan. IA employs a risk-based audit approach that examines both the adequacy of the policies and the Bank's compliance with the procedures while assuring audit coverage of the areas identified as representing the greatest current risk. It discusses the results of assessments with management, and reports its findings and recommendations to the Audit Com. IA's activities are suitably designed to provide the BOD with reasonable assurance that significant financial and operating information is materially complete, reliable and accurate; internal resources are adequately protected; and employee performance is in compliance with the Bank's policies, standards, procedures and applicable laws and regulations.

m. Compliance Division
Compliance Division is vested with the responsibility of overseeing the design of the Bank's Compliance Program and coordinating its effective implementation towards the sound management of Business and Compliance Risks. It also manages the implementation of the Money Laundering and Terrorist Financing Program. Its mandate is to ensure that the Bank is compliant with relevant and applicable laws, rules, regulations, codes of conduct and standards of good practice while avoiding an overly risk-averse environment that inhibits business growth. It serves as the Bank's central point of contact with banking regulators.

<u>Credit Risk</u>
Credit risk refers to the potential loss of earnings or capital arising from an obligor/s, customer/s or counterparty's failure to perform and/or to meet the terms of any contract with the Bank. Credit risk may

last for the entire tenor of the exposure, may be set at the full amount of the transaction and in some cases, may exceed the original principal exposure. The risk may arise from lending, trade financing, trading, investments and other activities undertaken by the Bank. To identify and assess this risk, the Bank has: 1) approval process per borrower, business and/or product segment; and 2) structured and standardized credit rating for corporate, credit cards, auto and mortgage loans, and risk acceptance criteria for other consumer loans. For large corporate credit transactions, the Bank has a comprehensive procedure for credit evaluation, risk assessment, and well-defined concentration limits that are established for each borrower. The Bank's credit risk is managed at the portfolio level, which may be on an overall perspective or according to product type.

Credit concentration
Excessive concentration of lending plays a significant role in the weakening of asset quality. The Bank reduces this risk by diversifying its loan portfolios across various sectors and borrowers. The Bank believes that good diversification across economic sectors and geographic areas, among others, will enable it to ride through business cycles without causing undue harm to its asset quality.

The Bank's loan portfolio is in line with the Bank's policy of not having significant concentrations of exposure to specific industries or Bank of borrowers. Management of risk concentration is by client/counterparty, by industry sector, and by geographical location. For risk concentration monitoring purposes, the financial assets are broadly categorized into loans and receivables, loans and advances to banks, and investment securities. The Bank ensures compliance with BSP's limit on exposure to any single person or group of connected persons by closely monitoring large exposures and top 20 borrowers for both single and Bank accounts.

Aside from ensuring compliance with BSP's limit on exposures to any single person or Bank of connected persons, it is the Bank's policy to keep the expected loss (determined based on the credit risk rating of the account) of large exposure accounts to, at most, one percent (1.00%) of their aggregate outstanding balance. This is to maintain the quality of the large exposures within the Bank's risk appetite. This is to maintain the quality of the Bank's large exposures. With this, accounts with better risk grades are given priority in terms of being granted a bigger share in the Bank's loan facilities.

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Aligned with the Manual of Regulations for Banks definition, the Bank considers its loan portfolio concentrated if it has exposures of more than thirty percent (30.00%) to an industry.

Collateral and other credit enhancements
Collaterals are taken into consideration during the loan application process as they offer an alternative way of collecting from the client should a default occur. The percentage of loan value attached to the collateral offered is part of the Bank's lending guidelines. Such percentages take into account safety margins for foreign exchange rate exposure/fluctuations, interest rate exposure, and price volatility.

Collaterals are valued according to existing credit policy standards and, following the latest appraisal report, serve as the basis for the amount of the secured loan facility. Premium security items are collaterals that have the effect of reducing the estimated credit risk for a facility. The primary consideration for enhancements falling under such category is the ease of converting them to cash.
The Bank is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. It is the Bank's policy to dispose foreclosed assets in an orderly fashion. The proceeds of the sale of the foreclosed assets, included under 'Investment Properties', are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

As part of the Bank's risk control on security/collateral documentation, standard documents are made for each security type and deviation from the pro-forma documents are subject to legal review prior to implementation.

<u>Internal Credit Risk Rating System</u>
The Bank's employs a credit scoring system for borrowers to assess risks relating to the borrower and the loan exposure. Borrower risk is evaluated by considering (a) quantitative factors, such as financial condition and (b) qualitative factors, such as management quality and industry outlook.

Prior to the 2nd quarter of 2020
For corporate loans, the Bank's rating system assesses default risk based on financial profile, management capacity, industry performance, and other factors deemed relevant. Credit rating that exceeds the defined threshold, thus signaling significant risk, among other account-level profile and performance factors, define whether the accounts are classified in either Stage 1, Stage 2, or Stage 3 per PFRS 9 loan impairment standards.

Beginning the 2nd quarter of 2020
For corporate loans, the financial condition assessment focuses on profitability, liquidity, working capital management, and leverage. Management quality determination is based on the borrower's strategies, management competence and skills, and management of banking relationship while industry outlook is evaluated based on its importance to the economy, growth, industry structure and relevant government policies. Based on these factors, each borrower is assigned a Borrower Risk Rating (BRR), that ranges from 1 to 6. A borrower may be downgraded when it exhibits the characteristics of a classified account described below, in which case it will be assigned a risk rating ranging from 7 to 10.
Consideration is also given to security arrangements in computing for the final BRR. Depending on certain requisites, an account secured by real estate mortgages and hold-out on deposits or guarantees may be upgraded to better risk classifications.

The BRR for each borrower is reviewed annually. A more frequent review is warranted in cases where the borrower has a higher risk profile or when there are extraordinary or adverse developments affecting the borrower, the industry and/or the Philippine economy.

The following is a brief explanation of the Bank's risk grades:

Rating	Description	Account/Borrower Characteristics
1	Excellent	• low probability of going into default within the coming year; very high debt service capacity and balance sheets show no sign of any weakness • has ready access to adequate funding sources • high degree of stability, substance and diversity • of the highest quality under virtual economic conditions
2	Strong	• low probability of going into default in the coming year • access to money markets is relatively good • business remains viable under normal market conditions • strong market position with a history of successful financial performance • financials show adequate cash flows for debt servicing and generally conservative balance sheets
3	Good	• sound but may be susceptible, to a limited extent, to cyclical changes in the markets in which they operate • financial performance is good and capacity to service debt remains comfortable • cash flows remain healthy and critical balance sheet ratios are at par with industry norms • reported profits in the past three years and expected to sustain profitability in the coming year
4	Satisfactory	• clear risk elements exist and probability of going into default is somewhat greater, as reflected in the volatility of earnings and overall performance • normally have limited access to public financial markets • able to withstand normal business cycles, but expected to deteriorate beyond acceptable levels under prolonged unfavorable economic period • combination of reasonably sound asset and cash flow protection
5	Acceptable	• risk elements for the Bank are sufficiently pronounced, but would still be able to withstand normal business cycles • immediate deterioration beyond acceptable levels is expected given prolonged unfavorable economic period • there is sufficient cash flow either historically or expected in the future in spite of economic downturn combined with asset protection
5B	Acceptable	• financial condition hard to ascertain due to weak validation of financial statements coupled by funding leakages to other business interests whose financial condition is generally unknown • continuous decline in revenues and margins due to competition • substantial or unexplained build-up in borrowings with banks financing bulk of working capital and capex requirements coupled by substantial dividends pay-outs • chronically tight cash flows with operating income negative or barely enough for debt servicing • with past record of past due loans with other banks, cancelled credit cards and court cases
6	Watchlist	• with identified disruptions that may negatively affect performance but are likely to be resolved within the year • deteriorating revenue, net income, margins, leverage which may lead to loss on credit exposure if trends are not reversed • thin margin business with high debt burden with increase in debt level not commensurate to growth in revenues and funding requirements

Rating	Description	Account/Borrower Characteristics
7	Special Mention	• not meeting expectations on business projections and/or repayment schedule • experienced sudden and unexpected adverse event which is likely to affect business operations and eventually loan repayment • maxed out lines with banks and availments evergreen with minimal payments made over time • some payment defaults but with probability to revert to current • loan has been restructured but conditions that fully met • litigation is being contemplated
8	Substandard	• net loss for the last 2 years that have eroded capital substantially with no clear prospects of a turnaround or capital infusion from owners • evergreen for 2 years with lines with all creditors maxed-out and no clear source of repayment due to chronic tightness in cashflows • recurring past due status due to cashflow problems with no definite commitment to pay or restructure • restructured but not complied • with serious flaws in Type A documentation that have surfaced after loan release • collection case filed
9	Doubtful	• continuing losses that have totally wiped out equity • business viability uncertain due to adverse business conditions such as substantial loss of market share, unsalable products due to obsolescence, competition, and influx of cheap substitutes • business is bankrupt but may have pending recovery plans such as merger or acquisition, capital infusion and refinancing plans that classification to loss is deferred • with assets for liquidation but full recovery of principal uncertain due to marketability and outstanding claims
10	Loss	• business is non-operational and loans are considered absolutely uncollectible due to presence of fraud and major build-up of claims and litigation • borrower's whereabouts unknown or insolvent or earning power-impaired and guarantors are insolvent or guarantee not financially supported

It is the Bank’s policy to maintain accurate and consistent risk ratings across the corporate credit portfolio. This facilitates a focused management of the applicable risk and the comparison of credit exposures across all lines of businesses, geographic regions, and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank’s rating policy. The risk ratings are assessed and updated regularly.

The consumer loan portfolio of the Bank is composed of the following product lines: credit cards, auto, mortgage, salary, personal and branch loans. Each of these products has established credit risk guidelines and systems for managing credit risk across all businesses. For credit cards, auto and mortgage loans, application and behavioral scoring models are in place that primarily consider demographic variables and payment behavior, respectively, for the assessment of the likelihood of default by the borrower. For the other consumer loans, minimum risk acceptance criteria were set for each portfolio according to the nature of the product and the target market and is used for the evaluation of the credit quality of borrowers at origination.

For purposes of comparison of different exposure types, the credit portfolios (corporate and consumer) of the Bank are benchmarked against marketable corporate debt securities (using the Standard & Poor's (S&P) global study on corporate exposures) based on credit risk rating and corresponding PDs.

The Bank assigns credit risk using the following credit score master scale:

Credit quality	Description	Credit rating
Investment Grade	These accounts are of the highest quality and are likely to meet financial obligations.	AAA to AA+ AA AA- A+ A A- BBB+ BBB
Standard Grade	These accounts may be vulnerable to adverse business, financial and economic conditions but are expected to meet financial obligations.	BBB- BB+ BB BB- B+ B B-
Substandard Grade	These accounts are vulnerable to non-payment but for which default has not yet occurred.	CCC+ to C-
Non-Performing	These refer to accounts which are in default or those that demonstrate objective evidence of impairment.	Default

Liquidity Risk

Liquidity risk is the risk that sufficient funds are unavailable to adequately meet all maturing liabilities, including demand deposits and off-balance sheet commitments. The main responsibility of daily asset liability management lies with the Bank's Treasury Bank, specifically the Liquidity Desk, which are tasked to manage the balance sheet and have thorough understanding of the risk elements involved in the respective businesses. Only the Bank and EWRB are potentially exposed to liquidity risk exposures, where their liquidity risk management are monitored by their respective ALCOs. Resulting analysis of the balance sheet along with the recommendation is presented during the weekly ALCO meeting where deliberations, formulation of actions and decisions are made to minimize risk and maximize returns. Discussions include actions taken in the previous ALCO meeting, economic and market status and outlook, liquidity risk, pricing and interest rate structure, limit status and utilization. To ensure that both the Bank and EWRB have sufficient liquidity at all times, the respective ALCO formulates a contingency funding plan which sets out the amount and the sources of funds (such as unutilized credit facilities) available to both entities and the circumstances under which such funds will be used.

By way of the Maximum Cumulative Outflow (MCO) limit, the Bank is able to manage its long-term liquidity risks by placing a cap on the outflow of cash on a cumulative basis. The Bank takes a multi-tiered approach to maintaining liquid assets. The Bank's principal source of liquidity is comprised of Cash and other cash items, Due from BSP, Due from other banks and IBLR with maturities of less than one year. In addition to regulatory reserves, the Bank maintains a sufficient level of secondary reserves in the form of liquid assets such as short-term trading and investment securities that can be realized quickly.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Bank treats exposures to market risk as either for trading or accrual or balance sheet exposure. The market risk for the trading portfolio is measured using Value at Risk (VaR). Interest rate risk of accrual portfolios in the Banking Book are measured using Earnings at Risk (EaR).

Market risk in the trading book

The BOD has set limits on the level of market risk that may be accepted. VaR limits are applied at the instrument level and approved by the BOD based on, among other things, a business unit's capacity to manage price risks, the size and distribution of the aggregate exposure to price risks and the expected return relative to price risks.

The Bank applies the VaR methodology to assess the market sensitive positions held for trading and to estimate the potential economic loss based on parameters and assumptions. VaR is a method used in measuring market risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon.

Objectives and limitations of the VaR Methodology

The Bank uses the VaR model of Bloomberg Portfolio Analytics using one-year historical data set to assess possible changes in the market value of the fixed income, equities, and foreign exchange trading portfolio. VaR for the US treasury futures is measured using Historical Simulation using an internally developed Excel spreadsheet. The interest rate swaps (IRS) and foreign exchange (FX) forwards (outright and forward leg of FX Swaps) trading portfolio's interest rate risk is measured using Monte Carlo VaR using OPICS Risk Plus System.

The VaR models are designed to measure market risk in a normal market environment. The use of VaR has limitations because correlations and volatilities in market prices are based on historical data and VaR assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated.

VaR may also be under or overestimated due to assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, VaR only represents the risk of the portfolio at the close of each business day, and it does not account for any losses that may occur beyond the specified confidence level.

In practice, actual trading results will differ from the VaR calculation and the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR model, actual outcomes are monitored through hypothetical and actual backtesting to test the accuracy of the VaR model.

Stress testing provides a means of complementing VaR by simulating the potential loss impact on market risk positions from extreme market conditions, such as risk factor movements based on historical financial market stress conditions and scenarios adopted from the uniform stress testing framework of the BSP.

VaR assumptions
The VaR that the Bank uses majority of its trading exposures is at 99% confidence level, while FX uses a confidence level of 90% with a premise that this potential loss estimate is not expected to be exceeded if the current market risk positions were to be held unchanged for a given holding period. Foreign exchange and US Treasury Futures VaR is measured using one (1) day holding period while fixed income VaR has a holding period of five (5) days. Furthermore, the Bank's equity and IRS trading positions are assumed to be closed out in ten (10) days. The use of a 99% confidence level means that within the set time horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days.

VaR is an integral part of the Bank's market risk management and encompasses investment positions held for trading. VaR exposures form part of the market risk monitoring which is reviewed daily against the limit approved by the BOD. The trading activities are controlled through the Market Risk Limit (MRL), which is a dynamic risk limit anchored on the principle of risk and return which is adjusted by net trading gains (added in half) or losses subtracted in whole. RMD reports compliance to the MRL and trader's VaR limits daily. If the MRL or individual trader's limit is exceeded, such occurrence is promptly reported to the Treasurer, President, Chief Risk Officer and the Chief Executive Officer, and further to the BOD through the RMC.

<u>Foreign Currency Risk</u>
The Bank holds foreign currency denominated assets and liabilities, thus, foreign exchange rate fluctuations can affect the financials and cash flows of the Bank. Managing the foreign exchange exposure is important for banks with exposures in foreign currencies. For the Bank, this includes purchase or sell of foreign currency to control the impact of changes in exchange rates on its financial position.

The Bank's foreign currency exposures emanate from its net open spot and forward FX purchase and sell transactions and net foreign currency income accumulated over the years of its operations. Foreign currency-denominated deposits are generally used to fund the Bank's foreign currency-denominated loan and investment portfolios in the FCDU.

In the FCDU books, BSP requires banks to match the foreign currency assets with the foreign currency liabilities. Thus, banks are required to maintain at all times a 100.00% cover for their foreign currency liabilities held through FCDU.

Total foreign currency position is monitored through the daily BSP FX position reports, which are subject to the overbought and oversold limits set by the BSP at 20.00% of unimpaired capital or US$50.00 million, whichever is lower. Internal limits regarding the intraday trading and end-of-day trading positions in FX, which consider the trading desk and the branch FX transactions, are also monitored.

The analysis calculates the effect of a reasonably possible movement of the foreign currency rate against Peso, with all other variables held constant, on the statement of income. A negative amount reflects a potential net reduction in statement of income while a positive amount reflects a net potential increase. There is no other impact on the Bank's equity other than those already affecting the statements of income.

Market Risk in the Banking Book

Interest rate risk

Interest rate risk in the banking book (IRRBB) is inherent in the Banks' traditional banking activities that include taking deposits to invest or grant loans. The future cash flows from these activities are exposed to variations in interest rates, largely from mismatch in tenors and prices, IRRBB is measured with Earnings-at-Risk (EaR) which is a measure of the net interest income movement due to changes in prevailing interest rates and the balance sheet re-pricing profile of the Bank. The EaR limit is set as a function of the Bank's net interest margin (NIM). The EaR limit preserves the Bank's capital and competitive position by restricting the impact of interest rate sensitivities to NIM within the corridor of above average and within the first quartile of its peer banks. In measuring EaR, the Bank's interest re-pricing assets and liabilities are matched by re-pricing (or maturity if non-repricing) buckets covering tenors within a one-year horizon, and corresponding gaps determined. If positive gap is noted, it implies that an increase in interest rates will positively affect the net interest income. Conversely, a negative gap implies that an increase in interest rates will negatively affect the net interest income. The estimated nominal impact to the Bank's earnings is derived by multiplying the volatility of benchmark yields for each tenor bucket to the repricing gap profile. The result is compared vs EaR limit to monitor the compliance with the limit and is reported to the RMC on a monthly basis. Additionally, EaR limit is reviewed and updated annually to ensure its continued relevance and alignment with the Bank's financial targets, strategies, and overall risk appetite.

To complement EaR and provide Management a more holistic view, the Bank performs forward looking scenario and sensitivity analysis as well as stress testing activities to identify any vulnerabilities. The Bank employs three (3) methodologies in the conduct of stress testing a) economic/historical stress test which assumes a parallel shift in interest yield curves of 660.00 basis points for PhP-denominated assets and liabilities and 270.00 basis points for USD-denominated, b) uniform stress test, a regulatory-prescribed stress test, has three (3) scenarios with assumed parallel shift in interest rates for both PhP (from 300.00 bps to 500.00 bps) and USD (from 100.00 bps to 300.00 bps), c) reverse stress test, which primarily measures the highest swing in interest rates that can potentially wipe out the Banks targeted net income and net interest income.

All IRRBB reports are also presented to the ALCO. The ALCO deliberates on matters pertaining to the management of the Bank's assets and liabilities, such as achieving optimum asset and liability mix, pricing, liquidity levels, repricing gap positions, and asset quality. The Bank's ALCO meets on a weekly basis.

The Bank manages its IRRBB through effective diversification of funding sources. By offering various deposit, investment and loan products with differing maturities, the Bank is able to meet its short, medium and long-term obligations, optimize returns, and provide options that cater to differing preferences of its target market. The Bank's target funding mix is aligned with the Bank's overall growth plans. While the Bank mainly manages IRRBB through careful planning of its cashflows, it also has access to various derivative products that provide flexibility in responding to more abrupt market developments.

The Bank also monitors its exposure to fluctuations in interest rates by using scenario analysis to estimate the impact of interest rate movements on its interest income. This is done by modeling the impact to the Bank's interest income and interest expenses of different parallel changes in the interest rate curve, assuming the parallel change only occurs once and the interest rate curve after the parallel change does not change again for the next twelve months.

Operational Risk

Operational risk is the loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal, compliance and reputational risks but excludes strategic risk.

Other Risk Exposures

Bank risk exposures other than credit, market, liquidity and operational, while existent, are deemed insignificant relative to the mentioned risks and if taken in isolation. Hence, management of these risks are instead collectively performed and made an integral part of the Bank's internal capital adequacy assessment process (ICAAP) and enterprise risk management initiatives.

Item 2. Properties

EastWest's head office is located at East West Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City, Philippines.

The list of branch premises owned and leased, including the name of lessors, is filed as part of this Form 17-A as Annex A.

The Bank believes all its facilities and properties are currently in good condition. As of date of this report, there are no liens or encumbrances on any of the properties of EastWest. The Bank may consider encumbering some of its properties as part of its normal supplementary funding operations. The Bank will continue to reconfigure the mix of its branches and adjusts to the needs of its customers.

For the years ended December 31, 2020 and 2019, the total rentals of the Group charged to operations amounted to ₱90.8 million and ₱107.1 million, respectively.

Item 3. Legal Proceedings

To the best of the Bank's knowledge and belief and after due inquiry, none of the Bank's directors, nominees for election as director, or executive officer have in the five-year period prior to the date of this Report:

1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time;
2) convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses;
3) subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or
4) found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or

self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

The Bank has been, and may in the future be, implicated in lawsuits in connection with the ordinary course of its business. However, neither the Bank nor any of its subsidiaries have been subject to any order, judgment, or decree, or violated any securities or commodities law for the last five years, or are involved in any litigation or arbitration proceedings that may have, or have had, a material adverse effect on it or its subsidiaries' financial condition, nor, so far as any of them is aware, is any such proceeding pending or threatened.

All legal proceedings involving the Bank are efficiently and competently attended to and managed by a group of eleven (11) in-house counsels who are graduates of reputable law schools in the country. As its external counsels, the Bank retains or engages the services on case to case basis the following respected law firms: Sycip Salazar Hernandez & Gatmaitan Law Office, Angara Abello Concepcion Regala & Cruz, Sobreviñas Hayudini Navarro and San Juan Law Offices, Diaz Del Rosario and Associates, Valerio and Associates, Vera Law Office, Rosete and Associates, Alvarez Nuez Galang and Espina Lopez, Law Firm of Tagamolila Bellones & Margarico, Nietes-Gengos Laborte-Ildesa Panigbatan-Nafarrete Law Offices, Cantago and Partners, Rosal Law Office, Quitain Law Office, Divina Law Offices, Atty. Remie Calatrava, Atty. Filmore Gomos among others.

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

There were no matters submitted during 2021 to a vote of security holders, through the solicitation of proxies or otherwise.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

The common shares of EastWest have been listed on the PSE on May 7, 2012 under the ticker "EW". The table below shows the high and low prices of EastWest shares transacted at the PSE since 2018:

Year Ended December 31, 2020	High	Low
1st Quarter – 2020	7.97	7.53
2nd Quarter – 2020	7.36	7.17
3rd Quarter – 2020	8.64	8.36
4th Quarter – 2020	10.86	10.64

Year Ended December 31, 2019	High	Low
1st Quarter – 2019	12.28	12.16
2nd Quarter – 2019	11.68	11.60
3rd Quarter – 2019	12.10	11.94
4th Quarter – 2019	12.18	11.90

Year Ended December 31, 2018	High	Low
1st Quarter – 2018	18.54	17.98
2nd Quarter – 2018	15.22	14.58
3rd Quarter – 2018	12.92	12.64
4th Quarter – 2018	12.40	11.70

High and Low price of the Registrant's shares as of April 13, 2021 (last practicable trading day) were ₱9.85 and ₱9.71, respectively.

EastWest's top 20 shareholders as of March 31, 2021 are as follows:

Name of Stockholder	Number of Shares	Percent
1. Filinvest Development Corporation	900,136,017	40.01%
2. FDC Forex Corporation	851,517,164	37.85%
3. PCD Nominee Corporation (Filipino)	415,736,397	18.48%
4. PCD Nominee Corporation (Non-Filipino)	49,596,050	2.20%
5. F. Yap Securities Inc.	22,905,600	1.02%
6. La Filipina Uy Gongco Corporation	1,830,000	0.08%
7. Jonathan D. Co	1,200,000	0.05%
8. Berit Holdings Corporation	1,048,410	0.05%
9. Albarracin Trinidad M. Or Albarracin Mario M.	1,000,000	0.04%
10. Alfredo B. Catapang &/or Carmina P. Catapang	1,000,000	0.04%
11. Teh Alfonso S.	750,000	0.03%
12. Team Gladiola Inc.	745,930	0.03%
13. Susmerano Gerardo	480,000	0.02%

14. Manuel A. Santiago &/Or Ella C. Santiago	330,600	0.01%
15. Sycip Anna Y.	301,875	0.01%
16. Cheng Joshua	150,000	0.01%
17. Miriam Cheng Bona Itf Mark Jericho C. Bona	150,000	0.01%
18. Gotauco Quirino Cheong	131,598	0.01%
19. Uy Ivy B.	112,500	0.01%
20. Tan Catherine L	90,000	0.00%
TOTAL	**2,249,212,141**	**99.97%**

Total number of shareholders as of March 31, 2021 is 107, of which 89 are owning at least 100 shares.

Equity Ownership of Foreigners on Common Shares as of March 31, 2021 is as follows:

Nationality	Number of Stockholders	Number of Shares	%
Filipino	102	2,200,007,885	97.78%
Foreign	3	49,604,901	2.20%
American	1	301,875	0.01%
Indian	1	60,750	0.00%
Total	**107**	**2,249,975,411**	**100.00%**

Free Float Level

Based on the Public Ownership Report of the Bank as of March 31, 2021, 20.08% of the total outstanding shares are owned by the public.

Recent Sale of Unregistered Securities

There were no recent sales of unregistered or exempt securities, including issuance of securities constituting an exempt transaction.

Declaration of Dividends

East West Banking Corporation did not declare any cash dividend for fiscal year 2019 and 2020.

Dividends may be declared from the surplus profits arising from the business of the Bank at such time and in such percentage as the Board of Directors may deem proper. No dividends may be declared that will impair the Bank's capital below regulatory prescriptions. Stock dividends shall be declared in accordance with the law. The Board in principle, has set 20% to 30% of earnings will be declared as dividends. This policy has been put on hold in the meantime that the Bank is in a 'full speed' growth plan. The decision was made in lieu of making a capital call.

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

December 31, 2020 vs. December 31, 2019

Financial Performance Highlights

EastWest (the Bank or EW) ended the year with a net income of ₱6.5 billion, 4% higher than last year's ₱6.2 billion. Return on Equity (ROE) was at 12.3%. Total Assets marginally grew by 0.5% at ₱408.2 billion from ₱406.3 billion in 2019.

The pandemic defined the Bank's operating results in 2020. Lockdowns, social distancing, and limited mobility resulted to the economy contracting by 9.5% and appropriately prompted the monetary authorities to loosen financial conditions.

For the Bank, this meant lower growth as the uncertainties put resiliency at the top of its agenda. It also resulted in lower volume of new business, lower transactions across all businesses, and higher provisions for loan losses. On the other hand, lower rates and the consequent lower funding costs resulted in higher net interest margins and higher trading gains. These offsetting tendencies drove the flattish operating results of the Bank. Below are the highlights of these trends.

1. Net Interest Income (NII) increased by 23% or by ₱5.0 billion to ₱26.5 billion as net interest margins increased to 8.1% from 6.9% even as loan volumes were lower.
    a. Total loans were lower by 9%, with business loans down 18% and consumer loans down 6%. On the other hand, loan yields generally held at 11.6% from 11.1% in 2019 as consumer loans which account for 76% of total loans carry fixed rates.
    b. Total interest costs on deposits and other borrowings were lower by 49% or by ₱4.1 billion ending at ₱4.2 billion from ₱8.3 billion in 2019, even as deposit volume were higher by ₱24.3 billion or 8% ending at ₱329.1 billion,
2. Securities trading gains was at ₱5.1 billion from ₱965.7 million in 2019. The Bank sold off part of its fixed income securities booked as Hold To Collect to build capital buffers for the challenges of the pandemic.
3. Fees and Commissions were lower by 29% or by ₱1.5 billion from lower business volumes and the impact of regulations, particularly, Bayanihan 1 and 2. The Bank also incurred modification losses of ₱ 2.7 billion largely as a result of the said Bayanihan programs.
4. Provisions for losses were at ₱9.8 billion or 2.4x higher than the ₱4.0 billion booked in 2019. This represents 4% of total loans.
5. Operating expenses, excluding provisions for losses, decreased by 1% or ₱174.8 million to ₱16.2 billion.

Overall, net revenues of the Bank stood at ₱33.4 billion, higher by 16% or ₱4.7 billion from the ₱28.7 billion in 2019. Core income, excluding securities trading and foreign exchange gains, increased by 2% to ₱27.9 billion from ₱27.3 billion the previous year.

With net income at ₱6.5 billion and lower risk assets, the Bank's capital buffers improved, with CET1 ratio at 12.6% from 10.4% in 2019. This puts the Bank at a better position to face the continuing challenges of the pandemic.

The pandemic imposed a heavy toll on the economy. With banking tied to the fortunes of the economy, it cannot be helped that it was adversely affected. The lower asset growth in 2020 will have future consequences as lower loan volumes mean lower interest income.

For 2021, the Bank expects the challenges to shift. The interest rate cap on credit cards will have significant impact on earnings. There is also a non-trivial probability that the road to normalization may come with some upward adjustments in interest rates. Hefty trading gains are not likely to happen in 2021. On the other hand, the Bank expects provisions for loan losses to be lower due to the preemptive provisions booked in 2020 and with the vaccines coming. While the Bank has been among the top 3 most profitable banks in the last four (4) years, the prospect of a five-peat is uncertain for 2021. The shifting contours of the coronavirus make it difficult to pin down a 2021 income guidance. Fortunately, the Bank with its higher capital buffers, puts it in a good position to face the remaining pandemic challenges and the rebuilding that will follow the vaccines.

Financial Position

Loans

Total gross loans declined by 9% to ₱245.5 billion, mainly due to maturities, changes to credit policies resulting from its pandemic response and lower demand as businesses and households held off borrowing. Business loans accounted for a bigger share of the decline, attributable mainly to contractual maturities and pay-offs.

Securities

The Bank's total securities portfolio decreased by 18% to ₱57.9 billion. Hold-To-Collect (HTC) securities portfolio decreased by 58% to ₱20.9 billion as the Bank sold a portion of the portfolio to build capital buffers for the challenges of the pandemic.

Deposits

Deposits stood at ₱329.1 billion as of December 31, 2020, up by 8% from the same period last year. CASA deposits increased by 22% or ₱42.0 billion to ₱228.8 billion while term deposits went down by 15% or ₱17.7 billion to ₱100.3 billion as the growth in CASA coupled with less need for incremental funding, allowed maturities to be paid-off.

Capital

The Bank's Capital Adequacy Ratio (CAR) under Basel III, remains adequate at 13.8% as of December 31, 2020 while CET-1 ratio stood at 12.6%. The Bank's Tier 1 capital is composed entirely of common equity. Capital ratios have remained within BSP standards.

Credit Quality

The Bank's total non-performing loans (NPL) to total gross loans stood at 8.4% on December 31, 2020, higher from last year's 4.6% due to the impact of the pandemic to borrowers in meeting their obligations. Despite the fact that a big portion of the loan portfolio is secured, the Bank's NPL cover improved to 56% from 50% last year owing to more prudence in its pandemic response. Through its credit and impairment policy, the Bank ensures that the expected credit losses of its loan portfolio are adequately provisioned for and aligned with regulatory standards.

Result of Operations

Revenues

Revenues rose by 16% to ₱33.4 billion from ₱28.7 billion in the same period last year. Securities and foreign exchange trading gains were at ₱5.5 billion compared to ₱1.4 billion the previous year. Fees and other income, excluding trading gains, decreased by 76% to ₱1.4 billion. Net interest income stood at ₱26.5 billion, growing by 23% from last year's ₱21.5 billion. The 3% growth in interest income from earning assets was complemented with the 49% drop in interest expenses as cost of funding decreased sharply, reversing the challenges in 2019.

Fees and Other Income ex. Trading Income

Fees and other income, excluding trading gains, was at ₱1.4 billion which was 76% lower than the ₱5.8 billion posted in the same period last year. The decrease primarily came from lower fees and commissions brought about by lower transactions from its loan portfolio. Other non-interest income, meanwhile, was lower as the impact of losses from the modified payment schemes brought about by Bayanihan Acts 1 and 2 were reflected in December 2020. This is in compliance with PFRS9 to reflect the new contractual obligation of the modified loan.

Trading Income/(Loss)

Securities trading and foreign exchange gains were at ₱5.5 billion compared to ₱1.4 billion last year. Securities trading gains ended at ₱5.1 billion, higher by ₱4.2 billion from ₱965.7 million last year. Foreign Exchange gains ended at ₱346.1 million, lower by 19% or ₱80.9 million from ₱427.1 million last year.

Operating Expenses ex. Provisions for Losses

Total operating expenses, excluding provisions for losses, decreased by 1% to ₱16.2 billion during the period. Compensation-related expenses increased by 2% to ₱5.7 billion, while other operating expenses were down 2% to ₱10.5 billion resulting from lower consumer loans-related expenses and regulatory expenses.

Provisions for Losses

Provisions for losses increased to ₱9.8 billion, 2.4x or ₱5.8 billion higher than the previous year as the Bank continues to be prudent on account of the uncertainties brought by the COVID-19 pandemic. Provisions as a percentage of gross loans (credit cost) amounted to 3.8%, one of the highest in the industry.

Summary of Key Financials and Ratios

Balance Sheet (in Php billions)	**December 31, 2020**	**December 31, 2019**	**YoY Growth %**
Assets	408.2	406.3	0%
Consumer Loans	186.7	197.8	-6%
Corporate Loans	58.8	71.3	-18%
Low Cost Deposits (CASA)	228.8	186.8	22%
High Cost Deposits	100.3	117.9	-15%
Capital	55.5	49.1	13%

Profitability (in ₱ millions)	**December 31, 2020**	**December 31, 2019**	**YoY Growth %**
Net Interest Income	26,503.2	21,466.9	23%
Trading Income	5,485.3	1,392.8	294%
Fees & Other Income	1,394.8	5,838.0	-76%
Net Revenues	33,383.4	28,697.7	16%
Operating Expenses	16,230.3	16,405.1	-1%
Provision for Losses	9,834.4	4,042.5	143%
Provision for Taxes	510.2	1,668.6	-69%

Net Income After Tax	6,507.8	6,241.9	4%

Key Financial Ratios	December 31, 2020	December 31, 2019	Variance b/(w)
Return on Equity[1]	12.3%	13.7%	(1.4%)
Return on Assets[2]	1.6%	1.6%	0.0%
Net Interest Margin[3]	8.1%	6.9%	1.2%
Cost-to-Income Ratio[4]	48.6%	57.2%	8.5%
Capital Adequacy Ratio[5]	13.8%	13.0%	0.9%

[1] *Net Income divided by average total equity*
[2] *Net Income divided by average total assets*
[3] *Net Interest Income divided by average interest-earning assets*
[4] *Operating expenses divided by net revenues*
[5] *Total qualifying capital divided by total risk-weighted assets*

Business Segment Performance

The Bank's recurring income base continues to expand from its Consumer Lending/Retail Banking segments. Net interest margin (NIM) remains at an industry leading 8.1% as of reporting period. This recurring income is largely attributable to the customer base and market share of the Bank.

Consumer Lending was down by 6% to ₱186.7 billion from last year as run-offs out-paced loan releases due to weak demand. Corporate Banking, similarly, posted a decline of 18% to ₱58.8 billion as some long-term (wholesale) loans matured and business loans were paid off coupled with the generally weak demand.

December 31, 2019 vs. December 31, 2018

Financial Performance Highlights

In 2019, EastWest (the Bank or EW) registered a net income of ₱6.2 billion and a Return on Equity (ROE) of 14%. This was higher by 38% from the previous year's net income of ₱4.5 billion, driven mainly by growth of its core assets, improved margins and higher trading gains.

Net Interest Income (NII) increased by 11% or ₱2.2 billion to ₱21.5 billion as the impact of the higher asset base coupled with improvement in margins became more pronounced during the last quarter of 2019. Net Interest Margin (NIM) ended at 6.9%, compared to the start of the year at 6.4%. During the first nine months of 2019, liquidity was much tighter compared to 2018 which led to funding costs increasing significantly faster than loan yields. While interest income grew by 22% or ₱5.4 billion in the first 9 months of the year, interest expense on the other hand increased by 63% or ₱3.2 billion.

Apart from loans, the Bank grew its investment securities portfolio. The Bank found it appropriate to start building its Fixed Income securities book starting in Q4 2018 when interest rates were relatively high. As the impact of the monetary policy action started to manifest, gains from fixed-income securities increased by ₱1.2 billion, compared to 2018's loss of ₱235.9 million.

Overall, net revenues of the Bank stood at ₱28.7 billion, higher by 13% or ₱3.2 billion. Core income, excluding the volatile trading gains and foreign exchange gains, increased by 9% to ₱27.3 billion from 2018's ₱25.0 billion.

Operating expenses, excluding provisions for losses increased by 8% or ₱1.2 billion to ₱16.4 billion. The biggest increase came mostly from related increase in business - gross receipts tax (GRT), documentary stamp taxes (DST) and Marketing related expenses. Together, they account for ₱430 million of the increase. Compensation expenses also increased by ₱637.2 million or by 13%, mainly from increases in salaries and wages and higher bonus provisions.

The Bank's productivity continued to improve. In the last five years, the Bank's core income has grown at a compounded rate of 14.5%, while operating expenses have grown by a lesser 12.9%, with cost to income ratio in 2019 at 57.2% from 60.0% in 2014. A significant part of the expenses were due to structural increase in taxes.

Total Assets stood at ₱406.3 billion as of end-2019, 11% or ₱39.0 billion higher than last year. Total Deposits grew by 6% or ₱16.5 billion to ₱304.7 billion. CASA increased by ₱41.3 billion or by 28% to ₱ 186.8 billion while Time deposits dropped by 17% or ₱24.8 billion to ₱117.9 billion. The Bank lowered its interest rates on time deposits as CASA increased and as it tapped lower costing alternative sources of funding. Non-deposit based funding increased 72% to₱30.9 billion from ₱18.0 billion in 2018.

All told, net funding increased by ₱29.5 billion (i.e. total liabilities less other liabilities). These funds were deployed mostly in fixed income securities - ₱29.8 billion and loans - ₱21.8 billion which increased by 72% and 9% respectively. These movements account for a significant increase in Net Interest Income and positions the Bank for potential trading revenues as rates are expected to come off as a result of the successful monetary policy adjustments of the BSP to tame inflation.

Starting in May 2018, the BSP started a rate hike cycle that significantly affected the Bank's net interest income until the third quarter of 2019. Most or 73% of EW's loan portfolio, are in consumer loans that are fixed rate. With rates normalizing, and with the improvement in its funding profile, the Bank expects to recover from the margin squeeze and to sustain improvement in net interest margins.

Financial Position

Loans

Total gross loans increased by 9% to ₱269.1 billion, sustaining its growth in consumer loans. Consumer loans, went up by 14% to ₱197.8 billion, expanding across all segments of auto, credit cards, mortgage and personal loans. Excluding DepEd loans, consumer loans grew by 18%. Meanwhile, corporate or middle-market business loans decreased by 3% to ₱71.3 billion as some businesses decided to pay off their loans or hold-off their expansion plans amidst the higher interest rates in 2019.

Securities

The Bank's total securities portfolio registered a significant increase of 72% to ₱70.9 billion as the build-up of the Hold-To-Collect (HTC) securities portfolio continued. This complemented the accrual income earning profile and funding capabilities of the Bank since securities purchased are also used as collateral for its borrowings (repo borrowings). The Bank has remained cautious in securities trading given the volatility in the market, with its trading portfolio accounting only for 24% of the total securities portfolio and only 4% of the Bank's total assets.

Deposits

Deposits stood at ₱304.7 billion as of December 31, 2019, up by 6% from the same period last year. CASA deposits increased by 28% or ₱41.3 billion to ₱186.8 billion while high-cost deposits went down by 17% or ₱24.8 billion to ₱117.9 billion. The growth in CASA and alternative funding sources did not require the acquisition of more term deposits. Further, cost optimization led to more borrowings that off-set the need for higher costing term deposits.

Capital

The Bank's Capital Adequacy Ratio (CAR) under Basel III, remains adequate at 13.0% as of December 31, 2019 while CET-1 ratio stood at 10.4%. The Bank's Tier 1 capital is composed entirely of common equity.

Capital ratios remain virtually unchanged compared to previous year as EW's internal capital generation is sustaining the balance sheet growth. This is despite the shift to the new accounting standards under PFRS16 that effectively added an extra ₱3.3 billion in risk assets for outstanding Lease contracts.

Credit Quality

The Bank's total non-performing loans (NPL) to total gross loans, net of specific allowances stood at 2.9% on December 31, 2019. Through its credit and impairment policy, the Bank ensures that the expected credit losses of its loan portfolio are adequately provisioned for and aligned with regulatory standards.

Result of Operations

Revenues

Revenues rose by 13% to ₱28.7 billion from ₱25.5 billion in the same period last year. Securities and foreign exchange trading gains were at ₱1.4 billion compared to the ₱502.7 million the previous year. Fees and other income, excluding trading gains, increased by 2% to ₱5.8 billion. Net interest income stood at ₱21.5 billion, growing by 11% from last year's ₱19.3 billion. The 22% growth in interest income from earning assets was outpaced by the 63% growth in interest expenses as cost of funding increased sharply driven by the tight liquidity that has since normalized.

Fees and Other Income ex. Trading Income

Fees and other income, excluding trading gains, was at ₱5.8 billion which is 2% higher than the ₱5.7 billion posted in the same period last year. The increase primarily came from higher fees and commissions, growing by 7% or ₱347.9 million to ₱5.2 billion driven by the growth of consumer lending. Other non-interest income, meanwhile, was lower by 27% or ₱227.1 million to ₱601.5 million, mostly due to lower miscellaneous income.

Trading Income/(Loss)

Securities trading and foreign exchange gains were at ₱1.4 billion compared to ₱502.7 million last year. Securities trading gains ended at ₱965.7 million, higher by ₱1.2 billion from losses of ₱235.9 million last year. Foreign Exchange gains ended at ₱427.1 million, lower by ₱311.5 million from ₱738.6 million last year.

Operating Expenses ex. Provisions for Losses

Total operating expenses, excluding provisions for losses, increased by 8% to ₱16.4 billion during the period. Compensation related expenses increased by 13% to ₱5.6 billion, while other operating expenses increased by 5% to ₱10.8 billion in the same period last year driven mainly by higher costs of doing business including gross receipts tax (GRT), documentary stamp taxes (DST) and intensified marketing acquisition campaigns to generate more loans and retail deposits.

Provisions for Losses

Provisions for losses, on the other hand, grew marginally by 3% or by ₱136.5 million to ₱4.0 billion. While loan growth continued to be robust, EW's loan portfolio now has a bigger proportion of seasoned consumer loans. Consumer loans' credit costs tend to occur on the early part of its loan lifecycle. Thus, as the portfolio matures, a good part of the bad loans has been weeded out, resulting in lower provisions. The Bank has been compliant with the Philippine Financial Reporting Standards 9 (PFRS 9) since 2018 and constantly monitors and assesses its provisioning requirements.

Summary of Key Financials and Ratios

Balance Sheet (in Php billions)	**December 31, 2019**	**December 31, 2018**	**YoY Growth %**
Assets	406.3	367.3	11%
Consumer Loans	197.8	173.3	14%
Corporate Loans	71.3	73.5	-3%
Low Cost Deposits (CASA)	186.8	145.5	28%
High Cost Deposits	117.9	142.7	-17%
Capital	49.1	42.7	15%

Profitability (in ₱ millions)	**December 31, 2019**	**December 31, 2018**	**YoY Growth %**
Net Interest Income	21,466.9	19,277.5	11%
Trading Income	1,392.8	502.7	177%
Fees & Other Income	5,838.0	5,717.1	2%
Net Revenues	28,698	25,497	13%
Operating Expenses	16,405.1	15,219.2	8%
Provision for Losses	4,042.5	3,905.9	3%
Provision for Taxes	1,668.6	1,468.2	14%
Net Income After Tax	6,241.9	4,508.1	38%

Key Financial Ratios	**December 31, 2019**	**December 31, 2018**	**Variance b/(w)**
Return on Equity[1]	13.7%	11.0%	2.7%
Return on Assets[2]	1.6%	1.4%	0.2%
Net Interest Margin[3]	6.9%	7.4%	(0.5%)
Cost-to-Income Ratio[4]	57.2%	59.7%	2.5%
Capital Adequacy Ratio[5]	13.0%	12.8%	0.2%

[1] *Net Income divided by average total equity*
[2] *Net Income divided by average total assets*
[3] *Net Interest Income divided by average interest-earning assets*
[4] *Operating expenses divided by net revenues*
[5] *Total qualifying capital divided by total risk-weighted assets*

Business Segment Performance
The Bank's recurring income base continues to expand from its focus on the high margin Consumer Lending/Retail Banking segments. Net interest margin (NIM) remains at an industry leading 6.9% as of reporting period. Fee-based income, likewise, recorded a growth of 7%. This recurring income is largely attributable to the growing customer base and market share of the Bank.

Consumer Lending grew by 14%, driven mainly by auto, mortgage and personal loans. Credit cards, which is the highest contributor to consumer lending's bottom-line, also grew by 14% to end at ₱35.3 billion.

Corporate Banking however, posted a decline of 3% to ₱71.3 billion as higher rates dampened demand for business loans. Unlike Consumer lending, business loans have narrower spreads and are priced according to the prevailing incremental cost of funding. The tight liquidity experienced during the year meant higher repricing rates and consequently deferred borrowing plans or pre-terminations.

December 31, 2018 vs. December 31, 2017

Financial Performance Highlights
The Bank registered a consolidated net income of ₱4.5 billion and an ROE of 11.0% for the period ending December 31, 2018. While ROE remains to be among the highest in the industry, Net income was 11% or ₱542.6 million lower. The lower income was due to several one-off items in 2018, the biggest of which was the reduced income from its wholly-owned subsidiary EW Rural Bank (EWRB), securities trading losses and expenses related to the increase in capital stock and stock dividends. Meanwhile in 2017, we had a gain on capital transaction from our bancassurance joint venture, East West Ageas Life (EWAL). Total after tax impact of all these were at least ₱650 million.

EWRB is primarily into salary loans to public school teachers. Until early June this year, lending to teachers was suspended pending renewal of the agreement with the Department of Education (Dep Ed) on the Automatic Payroll Deduction arrangement. Beginning mid-June, EWRB resumed its lending program to school teachers. While some minor issues on the new rules remain, EWRB expects them to be resolved soon.

Taking out the one-off items, the Bank made substantial progress on its core operating income as it continued to improve its operating leverage. The Bank built a portfolio of Auto, Credit Cards, and Personal Loans that are now on good economic scale. Consumer loans, excluding Dep Ed loans, grew by 16%. This growth on higher yielding assets allowed the Bank to withstand the margin squeeze as deposit costs repriced higher and faster than loans and absorbed the higher transaction taxes and securities trading losses. The industry is having a challenging trading environment this year as both the US and PH interest rates have gone up significantly.

The Bank managed to increase its Net Interest Income by 4% to ₱19.3 billion. Interest expenses increased by 42%, due to higher deposit rates and the generally tighter liquidity. As mentioned, these were more than offset by the growth of its higher-yielding consumer loans. We see margins to eventually normalize the following year. EW continues to strengthen its Business Lending as it prepares for a more significant expansion in order to balance the Bank's economic risk-profile.

Fees and commissions were down by 9% to ₱4.9 billion, largely due to the EWRB's issue mentioned above. Foreign Exchange Trading income was higher by 95% or by ₱359.9 million. This was mainly comprised of income from swaps as we realized gains from our swaps that all matured in December 2018. When the swap opportunities disappear, these would be directed towards investments and money market placements.

Operating Income decreased by only 1% to ₱25.5 billion, mainly on account of the one-off items mentioned above. Core operating income, i.e. without the one-offs, would have increased by 5% or by ₱1.6 billion.

Operating expenses increased by 9% to ₱15.2 billion, mainly due to higher Documentary Stamp Taxes (DST), advertising and training. The estimated impact of the change in DST arising from the TRAIN law amounted to ₱280 million.

The Bank also continued to invest in learning & development projects for its employees to deepen competencies and enhance productivity. It also invested in a major marketing communication campaign as part of its efforts to generate more retail deposits. These two items increased 2018 expenses from the previous year by around ₱370 million.

On the other hand, Provisions for impairment and credit losses was lower by 13% or by ₱558.3 million from the previous year, to end at ₱3.9 billion. This is the result of the natural maturation of the Bank's loan portfolio, where a substantial proportion of loans have a lower probability of default. The Bank has already adopted the Philippine Financial Reporting Standards 9 (PFRS9) effective January 1, 2018.

Total Assets stood at ₱367.3 billion as of December 31, 2018, 16% higher than December 31, 2017. The significantly higher deposit costs pushed the Bank to be more circumspect on its rate sensitive business borrowers. Consumer loans continue to account for 70% of total loans, while business loans are at 30%.

Financial Position

Loans

The Bank sustained its growth in consumer loans, up 8% YoY, driven by the auto, credit cards, mortgage and personal loans. Excluding Dep Ed loans, consumer loans went up by 16%. Business loans also registered a growth of 16% YoY.

Securities

The Bank's Securities portfolio likewise registered a significant increase of 198% YoY as the build-up of the Hold-To-Collect (HTC) portfolio continued. This complemented the accrual income earning profile and funding capabilities since securities purchased were qualified as collateral for its borrowings (Repo Borrowings). The Bank continued to be cautious in Securities Trading given the volatility in the market. The Bank's FVPL securities portfolio was down by 41% YoY to ₱4.3 billion while its HTC portfolio was almost 6x its 2017 level at ₱36.5 billion.

Deposits

Deposits stood at ₱288.2 billion as of December 31, 2018, up by 11% from the same period last year. CASA ratio was lower at 50% as higher interest rates made some customers shift towards higher yielding time deposits. Notwithstanding the marginal growth in deposits, the structural mix of deposits improved as the Bank's customer base gained more retail depositors.

Capital

The Bank's Capital Adequacy Ratio (CAR) under Basel III, remained more than adequate at 12.8% as of December 31, 2018 while Tier-1 ratio stood at 10.3%. The Bank's Tier 1 capital is composed entirely of common equity.

Credit Quality

The Bank's total NPL to total customer loans, net of specific allowances stood at 2.2% on December 31, 2018.

Result of Operations

Revenues

Net Revenues or Operating Income were lower by 1% to ₱25.5 billion from ₱25.7 billion during the same period last year. Trading income was at ₱502.7 million or 34% lower than the ₱760.1 million booked last year. Most of these are foreign exchange gains as securities trading ended the year with losses. Other operating income, exclusive of trading gains decreased by 11% to ₱5.7 billion.

Net Interest Income stood at ₱19.3 billion, 4% or ₱826.9 million higher than the ₱18.5 billion last year due mainly to the increase in consumer loans. The increase was subdued due to higher costs of deposits and lower Dep Ed volume.

Fees & Other Income ex. Trading Income

Other operating income, exclusive of trading gains, was at ₱5.7 billion which is 11% lower than the ₱6.4 billion posted in the same period last year. The decrease primarily came from reduced service fees from Dep Ed loans and new regulations that reduced late payment charges for credit cards. Other non-interest income meanwhile decreased by 25% or ₱271.4 million lower to ₱828.6 million, driven by a one-off gain on capital transaction last year.

Trading Income/(Loss)

Fixed-income securities and foreign exchange trading gains were at ₱502.7 million as compared to the ₱760.1 million booked last year. Securities trading losses amounted to ₱235.9 million from realized losses in the first half of the year when prices were volatile and yields were uncertain. Foreign exchange gains amounted to ₱738.6 million. The sharp increase in foreign exchange gains YoY were driven mainly by third currency swap transactions and increased volume and transactions in Stores.

Operating Expenses

Total Operating Expenses, excluding Provision for impairment and credit losses increased by 9% to ₱15.2 billion during the period. Compensation related expenses increased by 8% to ₱5.0 billion, while Other operating expenses increased by 11% to ₱10.4 billion from ₱9.4 billion in the same period last year driven mainly by increased investments in learning and development, advertising campaign, and one-off expenses related to the increase in authorized capital stock and subsequent listing of the Bank's stock dividends that were used to fund the increase in capital stock.

Summary of Key Financials and Ratios

Balance Sheet (in ₱ billions)	December 31, 2018	December 31, 2017	YoY Growth %
Assets	367.3	317.6	16%
Consumer Loans	173.3	160.0	8%
Corporate Loans	73.5	63.4	16%
Low Cost Deposits (CASA)	145.5	143.4	1%
High Cost Deposits	142.7	115.3	24%
Capital	42.7	39.0	9%

Profitability (in ₱ millions)	December 31, 2018	December 31, 2017	YoY Growth %
Net Interest Income	19,277	18,451	4%
Trading Income	503	760	(34%)
Fees & Other Income	5,717	6,443	(11%)
Net Revenues	25,497	25,654	(1%)
Operating Expenses	15,219	13,982	9%
Provision for Losses	3,906	4,464	(13%)
Provision for Taxes	1,468	1,707	(14%)
Net Income After Tax	4,508	5,051	(11%)

Key Financial Ratios	December 31, 2018	December 31, 2017	Variance b/(w)
Return on Equity	11.0%	13.8%	(2.8%)
Return on Assets	1.4%	1.7%	(0.3%)
Net Interest Margin	7.4%	7.8%	(0.4%)
Cost-to-Income Ratio	60.6%	55.5%	(5.1%)
Capital Adequacy Ratio	12.8%	14.0%	(1.3%)

[1] *Net Income divided by average total equity*
[2] *Net Income divided by average total assets*
[3] *Net Interest Income divided by average interest-earning assets*
[4] *Operating expenses divided by net revenues*
[5] *Total qualifying capital divided by total risk-weighted assets*

Business Segment Performance

The Bank's recurring income base continues to be focused on the high margin Consumer Lending and Retail Banking segments. Net interest margin (NIM) remained to be at an industry leading 7.4% as of December 31, 2018.

Consumer Loans grew by 8% YoY to end at ₱173.3 billion as of December 31, 2018, driven mainly by consumer loan segments of auto, credit cards, mortgage and personal loans even as Dep Ed loans declined by ₱6.5 billion.

Corporate Banking posted an increase of 16% growth to end at ₱73.5 billion as of December 31, 2018. The Bank continues to improve its business lending activities to balance its economic risk profile in light of economic conditions and increasing interest rates by increasing its middle-market business loans.

Other Information:
As of December 31, 2020, EastWest Bank has a total of 392 stores, with 213 of these stores in Metro Manila. For the rest of the country, the Bank has 100 stores in other parts of Luzon, 40 branches in Visayas, and 39 stores in Mindanao. The total ATM network is 586, composed of 400 on-site ATMs and 186 off-site ATMs. Total headcount of EastWest is 6,159.

The Bank's subsidiaries have a total of 76 stores and 1,359 officers/staff, bringing the group store network total to 467 with 586 ATMs and a combined manpower complement of 7,518.

Known trends, demands, commitments, events or uncertainties
There are no known demands, commitments, events or uncertainties that will have a material impact on the Bank's liquidity within the next twelve (12) months.

Events that will trigger direct or contingent financial obligation
There are no events that will trigger direct or contingent financial obligation that is material to the Bank, including any default or acceleration of an obligation.

Material off-balance sheet transactions, arrangements or obligations
There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Bank with unsolicited entities or other persons created during the reporting period other than those disclosed in the financial statements.

Capital Expenditures
The Bank has commitments for capital expenditures mainly for bank's implementation of IT projects.

Significant Elements of Income or Loss
Significant elements of the consolidated net income of the Group for the 12 months ended December 31, 2020 and 2019 came from its continuing operations.

Seasonal Aspects
There are no seasonal aspects that had a material effect on the Bank's financial condition and results of operations.

Vertical and Horizontal Analysis of Material Changes for the Period
The term "material" in this section shall refer to changes or items amounting to five percent (5%) of the relevant accounts or such lower amount, which the Bank deems material on the basis of other factors.

I. **Statements of Financial Position – December 31, 2020 vs. December 31, 2019**
   - Cash and cash equivalents increased by 9% to ₱8.1 billion due to the liquidity build-up given the timing of the year-end holidays.
   - Due from BSP went up by 43% to ₱48.9 billion due to required reserves on the higher deposit volume and placement of excess funds for liquidity management, in the BSP's Overnight Deposit Facility (ODF).
   - Due from other banks increased to ₱11.4 billion due to higher level of placements and working balances with counterparty banks.

- Interbank loans receivable increased to ₱17.1 billion as excess funds for liquidity management, were lent to BSP under reverse repo.
- Financial assets at fair value through profit and loss decreased by 55% to ₱7.5 billion due to movements in the Bank's proprietary trading portfolio.
- Financial Assets at Fair Value through Other Comprehensive Income increased to ₱29.5 billion due to movements in the Bank's proprietary trading portfolio.
- Investment Securities at Amortized Cost decreased by 58% to ₱20.9 billion due to the sale of Investment Securities at Amortized Cost to build capital buffers for the challenges of the pandemic.
- Property and equipment decreased by 6% to ₱5.1 billion primarily due to depreciation.
- Deferred tax assets increased by 83% to ₱5.2 billion on account of provisions set-up, net of write-offs during the period.
- Other assets decreased by 26% to ₱2.3 billion on account of loan related settlements.
- Bills and acceptances payables decreased by 89% to ₱3.6 billion mainly from lower volume of interbank borrowings and repo borrowings.
- Unsecured subordinated debt decreased by 80% to ₱1.2 billion due to redemption.
- Cashier's checks and demand draft payable decreased by 49% to ₱678.8 million on account of lower level of outstanding manager's check issued.
- Income tax payable decreased by 32% to ₱402.3 million due to lower income before tax.
- Lease liability increased by 5% to ₱3.5 billion due to contract renewals.

II. Statements of Financial Position – December 31, 2019 vs. December 31, 2018

- Due from BSP went down by 15% to ₱34.3 billion due to lower reserve requirements on outstanding deposits as BSP reduced reserve requirements to 14% by year-end from the 18% in the previous year.
- Due from other banks decreased by 67% to ₱3.4 billion due to lower level of placements and working balances with counterparty banks.
- Interbank loans receivable decreased by 54% to ₱2.7 billion as more funds were placed in higher-yielding liquid assets.
- Financial Assets at Fair Value through Profit and Loss increased by 288% to ₱16.8 billion due to movements in the Bank's proprietary trading portfolio.
- Financial Assets at Fair Value through Other Comprehensive Income increased to ₱4.7 billion due to movements in the Bank's proprietary trading portfolio.
- Investment Securities at Amortized Cost increased by 35% to ₱49.4 billion in line with the Bank's strategic direction of improving liquidity profile and accrual income.
- Property and Equipment increased by 105% to ₱5.4 billion due to the adoption of PFRS 16 which resulted in the recognition of right-of-use asset amounting to ₱3.5 billion at the start of the year.
- Deferred Tax Assets increased by 25% to ₱2.8 billion on account of provisions set-up, net of write-offs during the period.
- Bills and acceptance payables increased by 72% to ₱30.9 billion mainly from higher volume of interbank borrowings (including borrowings from BSP OLF) and repo borrowings.
- Accrued Taxes, Interest and Other Expenses increased by 6% to ₱3.0 billion due to accrual of regulatory expenses given higher asset base.

- Cashier's Checks and Demand Draft Payable increased by 47% to ₱1.3 billion on account of higher level of outstanding manager's check issued in line with increased volume of business and payment transactions.
- Income tax payable increased by 168% to ₱595.9 million due to higher taxable income for 2019.
- Other Liabilities decreased by 14% to ₱7.1 billion due to normal timing differences on settlement of various miscellaneous liability accounts.

III. Statements of Financial Position – December 31, 2018 vs. December 31, 2017

- Cash and cash equivalents increased by 7% to ₱7.2 billion due to the usual year-end deposit build-up.
- Due from Other Banks increased by 9% to ₱10.2 billion due to increased levels of placements and balances from counterparty banks.
- Interbank loans receivable decreased by 53% to ₱5.9 billion as more funds were placed in higher-yielding liquid assets.
- Financial Assets at Fair Value through Profit and Loss decreased by 41% to ₱4.3 billion due to movements in the Bank's proprietary trading portfolio.
- Investment Securities at Amortized Cost increased by 464% to ₱36.5 billion in line with the Bank's business models.
- Loans and Receivables increased by 12% to ₱245.9 billion driven mainly by consumer loans.
- Investment in a Joint Venture decreased by 17% to ₱689.5 billion. The decrease represents the proportionate share of the Bank in the net loss of the Joint Venture with Ageas.
- Property and Equipment decreased by 13% to ₱2.7 billion primarily due to depreciation.
- Investment Properties increased by 11% to ₱921.2 million on account of repossessed assets.
- Deferred tax assets increased by 16% to ₱2.3 billion on account of provisions booked during the year.
- Other assets increased by 36% to ₱3.2 billion on account of loan related settlements.
- Deposit liabilities increased by 11% to ₱288.2 billion, largely coming from high-cost deposits.
- Bills and acceptance payables increased three-fold to ₱18.0 billion mainly from higher volume of interbank borrowings (repo).
- Accrued Taxes, Interest and Other Expenses increased by 13% to ₱2.9 billion due to higher level of store transactions.
- Cashier's Checks and Demand Draft Payable decreased by 14% to ₱895.7 million due to the shift to credit-to-account payments
- Income Tax Payable decreased by 5% to ₱222.4 million due to lower taxable income for the period, to be remitted during 2019.
- Other Liabilities increased by 44% to ₱8.3 billion due to higher deferred credits.

IV. Statement of Income – December 31, 2020 vs. December 31, 2019

- Interest expense decreased by 49% to ₱4.2 billion due to decreasing interest rates and growth in low-cost deposits.
- Service charges, fees and commissions decreased by 29% to ₱3.7 billion due to lower loan-related fees and charges.
- Securities trading gains amounted to ₱5.1 billion, higher by ₱4.2 billion from the previous year due to lower interest rates and sale of investment securities.

- Foreign exchange gains decreased by 19% to ₱346.1 million due to gains from third currency swap transactions last year and lower income from transaction flows this year (i.e. spread trading and credit cards fx fees).
- Trust income increased by 12% to ₱79.3 million due to the growth in the Bank's assets under management.
- Loss on sale of assets and foreclosures increased by 25% ending at ₱131.4 million due to more assets sold for the year.
- Miscellaneous loss was at ₱2.3 billion due mainly to the impact of losses from the modified payment schemes brought about by Bayanihan Acts 1 & 2 which were reflected in December 2020.
- Miscellaneous expenses decreased by 5% to ₱5.7 billion due to lower business-related expenses.

V. Statement of Income – December 31, 2019 vs. December 31, 2018

- Interest income increased by 22% to ₱29.7 billion primarily due to an increase in lending activities, largely driven by growth in loans and investment securities.
- Interest expense increased by 63% to ₱8.3 billion primarily due to increasing interest rates and growth in high-cost deposits and other borrowings amidst a tight liquidity environment during the first half of 2019.
- Securities trading gains amounted to ₱965.7 million, higher by ₱1.2 billion from the previous year's losses due to fluctuations in market prices that turned favorable to the Bank's position. Foreign exchange gains, on the other hand, were lower by 42% to ₱427.1 million due to the mark-to-market valuations on outstanding third currency swap transactions last year and revaluation losses on outstanding FX position.
- Trust income increased by 37% to ₱70.5 million due to the growth in the Bank's assets under management.
- Loss on sale of assets and foreclosures higher by 42% ending at ₱105.2 million due to lower assets sold for the year.
- Miscellaneous income lower by 25% to ₱636.1 million due mainly to less recoveries from written off assets.
- Compensation and fringe benefits increased by 13% to ₱5.6 billion on account of normal annual increases to compensate for inflation.
- Taxes and licenses increased by 14% to ₱2.7 billion on account of higher transaction taxes or GRT.
- Miscellaneous expenses increased by 7%, due to management and professional fees, other business-related expenses and intensified marketing acquisition campaigns.

VI. Statement of Income – December 31, 2018 vs. December 31, 2017

- Interest income increased by 11% to ₱24.4 billion primarily due to increase in lending activities, largely driven by growth in consumer loans.
- Interest expense increased by 42% to ₱5.1 billion primarily due to higher interest rates and higher volume of high-cost deposits and other borrowings.
- Service charges, fees and commissions decreased by 9% to ₱4.9 billion due to lower loan-related fees mainly from the EWRB business and lower late payment charges on credit cards.

- Trading and securities losses amounted to ₱235.9 million due to unfavorable market conditions. Foreign exchange gains were higher by 95% to ₱738.6 million due to bigger foreign exchange swap volume and transactions in stores.
- Trust income increased by 10% to ₱51.3 million due to the growth in the Bank's assets under management.
- Loss on sale of assets decreased by 59% to ₱73.8 million as the Bank improved its disposal strategies, thereby minimizing losses.
- Miscellaneous income increased by 50% to ₱851.1 million due to higher referral income earned on insurance premiums charged through credit cards.
- Manpower costs increased by 8% to ₱5.0 billion on account of expanded business and training programs.
- Taxes and licenses increased by 17%, on account of higher transaction taxes.
- Depreciation and amortization expenses decreased by 9% to ₱1.3 billion, as 2017 included catch-up recognition of depreciation/amortization expenses on fixed assets and projects
- Rent increased by 9%, on account of annual escalation of lease contracts.
- Miscellaneous expenses increased by 11% to ₱5.6 billion, mainly from advertising campaigns.

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2020 and 2019:

	2020	2019
Current ratio[(1)]	**66.40%**	55.18%
Solvency ratio[(2)]	**115.73%**	113.73%
Debt-to-equity[(3)]	**6.36**	7.28
Asset-to-equity[(4)]	**7.36**	8.28
Interest rate coverage ratio[(5)]	**166.82%**	195.41%
Profitability ratios		
Return on asset[(6)]	**1.64%**	1.62%
Return on equity[(7)]	**12.25%**	13.66%
Net profit margin[(8)]	**22.85%**	26.58%
Gross profit margin[(9)]	**86.30%**	72.14%

1 Current assets divided by current liabilities
2 Total assets divided by total liabilities
3 Total liabilities divided by total equity
4 Total assets divided by total equity
5 Income before interest and taxes divided by interest expense
6 Net income divided by average total assets. Average total assets is based on average monthly balances
7 Net income attributable to equity holders of the Parent Company divided by average total equity attributable to equity holders of the Parent Company. Average total equity is based on average monthly balances
8 Income before income tax over total interest income
9 Net interest income over total interest income

Item 7. Financial Statements

The consolidated financial statements of the Bank are filed as part of this Form 17-A as Annex B.

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

Sycip Gorres Velayo & Co. (SGV & Co.), a member firm of Ernst & Young Global Limited has been the Bank's independent accountant for 25 years and is again recommended for appointment at the scheduled annual stockholders' meeting.

None of the Bank's external auditors have resigned during the two most recent fiscal years (2020 and 2019) or any interim period. In compliance with SEC Memorandum Circular No. 8, Series of 2003, and Amendments to SRC Rule 68 on the rotation of external auditors or signing partners of a firm every after five (5) years of engagement, Ms. Veronica Mae A. Arce was assigned as the signing partner in 2019, replacing Ms. Josephine Adrienne Abarca who was assigned since 2013. Representatives of SGV & Co. are expected to be present at the meeting to respond to matters relating to the auditors' report on the 2020 financial statements of the Bank that may be pertinently raised during the meeting. Their representative will be given the opportunity to make a statement if they so desire.

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

Fiscal Year	Audit Fees (Group)	Tax and Other Related Fees
2020	₱3,422,160	₱4,866,297
2019	₱3,340,988	₱17,052,560
2018	₱3,849,000	₱30,824,538

The Bank's Audit Committee approves the audit fees and fees for non-audit services of external auditors, if any, as stated in the Audit Charter.

The Audit Committee is composed of Messrs. Carlos Alindada (Chairman), Paul Aquino, Gregorio U. Kilayko and Jose Maria G. Hofileña.

Per SGV & Co.'s representation during the Audit Committee meeting on February 18, 2021, they confirm that they did not have any disagreement with Management that could be significant to the Bank's financial statements or their auditor's report. Further, there are no matters that in their professional judgment may reasonably be thought to bear on their independence or that they gave consideration to in reaching the conclusion that independence has not been impaired.

There were no disagreements with SGV & Co. on accounting and financial disclosures.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The Corporate Governance and Compliance Committee ("CGCC") serves as the Nomination Committee of the Bank. In its meeting held on March 10, 2021, the CGCC has reviewed and evaluated the qualifications of nominated directors (including independent directors) in accordance with the Bank's By-Laws and Manual on Corporate Governance and relevant rules and regulations. The nominees for the independent directors have no relationship / affiliation with FDC and FDC Forex Corp. The CGCC nominees for election as Directors and Independent Directors are enumerated below:

Name	Citizenship	Nominated as	Nominated by	Relationship with Nominees
Jonathan T. Gotianun	Filipino	Director	FDC	Beneficial Owner
Antonio C. Moncupa, Jr.	Filipino	Director	FDC FOREX CORP	Not Related
L. Josephine G. Yap	Filipino	Director	FDC FOREX CORP	Beneficial Owner
Mercedes T. Gotianun	Filipino	Director	FDC	Beneficial Owner
Isabelle Therese G. Yap	Filipino	Director	FDC	Beneficial Owner
Wilson L. Sy	Filipino	Director	FDC	Not Related
Nelson M. Bona	Filipino	Director	FDC	Not Related
Jose Maria G. Hofileña	Filipino	Independent Director	FDC FOREX CORP	Not Related
Francis H. Jardeleza*	Filipino	Independent Director	FDC	Not Related
Gregorio U. Kilayko	Filipino	Independent Director	FDC FOREX CORP	Not Related
Armando L. Suratos*	Filipino	Independent Director	FDC	Not Related

*New nominees for independent directors are as follows:

Mr. Armando L. Suratos:
Mr. Suratos was elected as an Independent Director of Philippines Trust Company on September 12, 2019. His term will be up to April 16, 2021. He is also an Independent Director of Philippine Payments Management, Inc. (October 6, 2017-present), and Philippine Life Financial Assurance Corp. (October 16, 2018-present). He is also the Chairman of Supervisory Committee of ABF Philippine Bond Index Fund (October 11, 2017-present); Vice Chairman of Kapatiran Kaunlaran Foundation, Inc. (April 17, 2012-present); and Trustee of Mary Johnston College of Nursing Scholarship Foundation Inc. (August 7, 2017-Present). He served as an Independent Director of Manila Bulletin from July 12, 2018 to September 3, 2020 and a former Member of the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) from September 13, 2011 to July 3, 2017 which he was Chairman of BSP Corporate Audit Committee and adviser of various BSP Committees.

Mr. Suratos has 45 years of central banking experience. His career in the Central Bank of the Philipines and Bangko Sentral ng Pilipinas covered monetary policy, banking and international financial law, debt restructuring, debt-to-equity conversion, foreign borrowings, bank supervision and regulation, payments and settlements, human resource management, information technology, procurement, project development and management, currency production and investment management.

Mr. Suratos obtained his Bachelor of Science in Business Administration from the University of the Philippines (1966) and his Bachelor of Laws from the Ateneo de Manila University (1971) where he was in the Dean's list. He placed 8th in the 1971 Bar Examinations. He attended the Investment Negotiation Course at Georgetown University in 1975.

Mr. Francis H. Jardeleza
Mr. Jardeleza is currently a Director of Ginebra San Miguel Inc., San Miguel Food and Beverage, Inc., and Petron Corporation since August 2020 and a Professorial Lecturer in Constitutional, Administrative, Remedial and Corporation Law at the University of the Philippines College of Law since 1993. He served as an Associate Justice at Supreme Court of the Philippines August 19, 2014 to September 25, 2019, a Solicitor General at Office of the Solicitor General of the Philippines, Makati City from February 20, 2012 to August 18, 2014 and a Deputy Ombudsman for Luzon at Office of the Ombudsman of the Philippines from July 7, 2011 to February 19, 2012. He was a former Senior Vice President and General Counsel at San Miguel Corporation from 1996 to 2010 and a Partner to various law firms from 1975 to 1995.

Mr. Jardeleza completed Masters of Law from Harvard Law School, Cambridge, Massachusetts, United States of America in 1977 and Bachelor of Laws from University of the Philippines College of Law, Quezon City in 1974 wherein he ranked 3rd in the 1974 Bar Examinations.

The Committee determined that the 11 nominees qualified in the requirement provided in the Bank's by-laws. It was likewise determined that the above nominees possess none of the disqualifications for directorship (including independent directorship) as defined under Manual on Corporate Governance aligned with the provisions of BSP Manual of Regulations for Banks (MORB) and SEC memorandum circulars. The members of the Committee did not participate in the determination of their own qualification.

The CGCC is composed of Mr. Paul A. Aquino as Chairman, Mr. Jonathan T. Gotianun, Mr. Gregorio Kilayko and Mr. Jose Maria G. Hofileña, as members.

The current list of the Bank's members of the Board is as follows:

Name	Age (as of 2021 ASM)	Citizenship
Jonathan T. Gotianun	68	Filipino
Antonio C. Moncupa, Jr.	62	Filipino
Lourdes Josephine Gotianun-Yap	66	Filipino
Mercedes T. Gotianun	92	Filipino
Isabelle Therese G. Yap	33	Filipino
Wilson L. Sy	68	Filipino
Nelson M. Bona	70	Filipino
Paul A. Aquino*	78	Filipino
Carlos R. Alindada*	84	Filipino
Jose Maria G. Hofileña*	59	Filipino
Gregorio U. Kilayko*	66	Filipino

**Independent Director*

JONATHAN T. GOTIANUN, 68 years old, Filipino
Chairman

Mr. Jonathan Gotianun is concurrently the Chairman of Filinvest Development Corporation, Filinvest Land, Inc., EastWest Rural Bank, Inc., and East West Leasing and Finance Corporation. Prior to his election as Chairman of the Board of EastWest Bank in 2007, he served as Vice-Chairman and director of the Bank since 1994. He is also the Chairman and President of Cotabato Sugar Central Co., Inc., Davao Sugar Central Co., Inc., and High-Yield Sugar Farm Corporation. He is also a director of FDC Utilities, Inc., FDC Misamis Power Corporation, Filinvest Alabang, Inc., FDC Hotels Corp. and East West Ageas Life Insurance Corporation; and a director and President of Pacific Sugar Holdings Corporation. He holds a degree in Commerce from the Santa Clara University in California and a Masters in Management from Northwestern University in Illinois.

ANTONIO C. MONCUPA, JR., 62 years old, Filipino
Vice-Chairman, President and Chief Executive Officer
Mr. Antonio Moncupa, Jr. has been the CEO for EastWest since January 1, 2007. Mr. Moncupa also sits as the Vice-Chairman and director of EastWest Rural Bank, First Vice President and director of the Bankers Association of the Philippines, director of East West Leasing & Finance Corporation, Bancnet, and Philippine Payments Management, Inc. and member of the board of trustees of Philippine Rural Reconstruction Movement and the Polytechnic University of the Philippines. Mr. Moncupa holds a double degree in Economics and Accounting from the De La Salle University, and a Masters in Business Administration from the University of Chicago. He is a certified public accountant. Before joining EastWest, he was EVP and Chief Financial Officer of International Exchange Bank.

LOURDES JOSEPHINE T. GOTIANUN-YAP, 66 years old, Filipino
Director
Mrs. Lourdes Josephine Gotianun-Yap is the President and Chief Executive Officer of Filinvest Development Corporation and Filinvest Asia Corp. She is the Chairman of the Board; President/CEO of Cyberzone Properties, Inc. She is also the President/CEO of Filinvest Land, Inc.; CEO of Filinvest Alabang, Inc. and Chairman of the Board; President/CEO of Festival Supermall, Inc. Mrs. Yap holds a degree in Business Management from the Ateneo de Manila University and a Masters in Business Administration major in Finance from the University of Chicago. She has been a director of EastWest Bank since August 2000.

MERCEDES T. GOTIANUN, 92 years old, Filipino
Director
Mrs. Mercedes Gotianun is a director, Chairman Emeritus of Filinvest Development Corporation and Chairman of Filinvest Alabang, Inc. She is the Chairman of the Board, President/CEO of Andremerc Holdings Corp., Vice Chairman of Pacific Sugar Holdings Corp., and director of Filinvest Land, Inc., President/CEO, Director of A.L. Gotianun, Inc., Davao Sugar Central Company, Inc., Cotabato Sugar Central Company Inc., High Yield Sugar Farm Corp., and FDC Utilities, Inc. Mrs. Gotianun holds a degree in BS Pharmacy (magna cum laude) from the University of the Philippines. She has been serving as a director of EastWest Bank since 1995.

ISABELLE THERESE G. YAP, 33 years old, Filipino
Director
Ms. Isabelle Therese Yap sits as a director of EastWest Bank starting April 22, 2019. She is also the Special Projects Officer of East West Banking Corporation. She served as an associate in McKinsey and Company (2016-2018), strategy intern at Razorfish (2015), and joined the Management Associate Program of Singapore Telecommunications (2011-2014) doing product development and marketing and digital marketing. She graduated cum laude from the Singapore Management University in Bachelor of Business

Management, Double major in Finance and Marketing and earned her Masters in Business Administration in Harvard Business School.

WILSON L. SY, 68 years old, Filipino
Director
Mr. Wilson Sy is the Chairman of Wealth Securities, Inc. He is a director of the Philippine Stock Exchange and served as its Chairman from 1996 to 1998. Currently he is the Chairman of Manila Stock Exchange Foundation. He is the fund manager and director of Philequity Management. He also sits as director for various companies such as Vantage Equities, Vantage Financial Corp., Asian Alliance Holdings Corp. and Xcell Property Ventures. He is also a member of Ateneo de Manila University Board of Trustees. Mr. Sy is a columnist for the business section of The Philippine Star and is the author of the book "Opportunity of a Lifetime." He graduated with a degree in Management Engineering from Ateneo de Manila University. He has been a director of the Bank since April 15, 2016.

NELSON M. BONA, 70 years old, Filipino
Director
Mr. Nelson M. Bona is the Chairman, President and CEO of FDC Forex Corporation. He is a director of Property Maximizer Professional Corporation, Cyberzone Property, Inc., Filinvest Asia Corporation, Timberland Sports and Nature Club, Inc., Filinvest AII Philippines, Inc., Gintong Parisukat Realty & Development, Inc., and Leisurepro, Inc. He serves as the CFO/Treasurer of Filinvest Development Corporation, FCGC Corporation, Home Pro Realty Marketing, Inc., Pacific Sugar Holdings, and Mactan Seascapes Services, Inc. He is also the Compliance Officer of Filinvest Land, Inc. He graduated with a degree in Commerce from University of Santo Tomas, a Masters in Business Administration from De La Salle University and an Advanced Finance Program – Morgan Guaranty from Harvard School of Business. He has been a director of the Bank since February 1, 2020.

PAUL A. AQUINO, 78 years old, Filipino
Independent Director
Mr. Paul Aquino is the President of Keitech Educational Foundation and a Trustee of Tanging Yaman. He is also a director of Sky Cable Inc. and East West Ageas Life Insurance Corporation. Mr. Aquino is formerly the President of Green Core Geothermal, Inc. and Corinthian Securities, Inc and Vice Chairman and CEO of Energy Development Corporation. He is a graduate of BS in Electrical Engineering and holds a Masters in Business Administration from Santa Clara University in California. He was conferred Doctor of Management Science (Honoris Causa) by the Philippine School of Business Administration. He has been a Director of the Bank since October 2009.

CARLOS R. ALINDADA, 84 years old, Filipino
Independent Director
Mr. Carlos Alindada is an independent director of Tanduay Distillers, Inc., Bahay Pari Solidaritas Fund, Datem, Inc. and Home Credit Philippines. He is formerly Chairman and Managing Partner of SGV & Co. He graduated with a degree in Accounting from the University of the East, and a Masters in Business Administration in Corporate Finance from New York University. He also pursued an Advance Management Program at Harvard University. Mr. Alindada has been a director of EastWest Bank since April 2002.

JOSE MARIA G. HOFILEÑA, 59 years old, Filipino
Independent Director

Mr. Jose Maria G. Hofileña, a lawyer, is the Dean of the Ateneo de Manila University School of Law and a member of the Board of Trustees of Advancement for Rural Kids Philippines Inc. and Philippine Association of Law Schools. His independent law practice areas focus on commercial and corporation law, corporate finance, project finance and infrastructure. He was a former partner at Sycip Salazar Hernandez & Gatmaitan (199-2012), connected to company since 1988). He earned both his degree in AB Major in Interdisciplinary Studies (with academic honors) and his Bachelor of Laws (class valedictorian and ranked 10th in the 1987 Philippine Bar Exams) from the Ateneo de Manila University and his Master of Laws from Harvard University Law School.

GREGORIO U. KILAYKO, 66 years old, Filipino
Independent Director
Mr. Gregorio U. Kilayko is an independent director of Belle Corporation, SM Prime Holdings, Inc. and Philequity Fund. He is formerly the Country Representative of James Capel Securities (Philippines), President of ING ING Baring Securities, President of ABN-Amro Securities (Philippines), and Chairman and CEO of ABN-Amro Bank (Philippines). He graduated with a degree in BS Industrial Management Engineering from De La Salle University, Masters in Energy Management and Master in Business Administration from University of Pennsylvania. Mr. Kilayko has been an independent director of the Bank since April 22, 2019.

ATTY. BENEDICTO M. VALERIO, JR., 62 years old, Filipino
Corporate Secretary
Atty. Benedicto M. Valerio, Jr. is actively engaged in the practice of law and specializes in litigation and corporate work. He is currently the Corporate Secretary in Ardent Development Corp., Hospitality Int'l., Inc., Lodging Concepts, Inc., Tribal DDB, Inc., Monserrat Holdings, Inc., Hospitality Innovations,Inc., and East West Ageas Life Insurance Corporation He was Assistant Corporate Secretary of International Exchange Bank from 2001-2006 and also served as its General Counsel. He holds a BS Commerce degree from De La Salle University and Bachelor of Laws from Ateneo de Manila University. He finished his Masters in Business Administration at the Ateneo Graduate School of Business. Atty. Valerio was a Director of EastWest Bank from July 2012 up to April 2017 and its Corporate Secretary since April 2007.

The Bank held its Annual Stockholders Meeting on June 11, 2020.

The Bank held **eleven (11) Regular Board Meetings** from January to December 2020 and **One (1) Organizational Meeting of the Board** held on June 11, 2020 or a **total of twelve (12) Board Meetings**.

Board of Directors	No. of Meetings Attended/Held	Percent Present
Jonathan T. Gotianun	12/12	100 %
Antonio C. Moncupa Jr.	12/12	100 %
L. Josephine T. Gotianun Yap	12/12	100 %
Mercedes T. Gotianun	12/12	100 %
Isabelle Therese G. Yap	12/12	100 %
Nelson M. Bona*	9/12	75 %
Wilson L. Sy	12/12	100 %
Paul A. Aquino	12/12	100 %
Carlos R. Alindada	12/12	100 %
Jose Maria G. Hofileña	12/12	100 %
Gregorio U. Kilayko	12/12	100 %

**joined February 01, 2020*

The following is the list of Key Executive Officers of the Bank as of March 31, 2021:

Name	Rank	Age (as of 2021 ASM)	Citizenship
Antonio C. Moncupa, Jr.	President & CEO	62	Filipino
Jacqueline S. Fernandez	Senior Executive Vice President	58	Filipino
Gerardo Susmerano	Senior Executive Vice President	56	Filipino
Rafael S. Algarra, Jr.	Senior Executive Vice President	52	Filipino
Pierre Leonard C. Monserrate	Executive Vice President	49	Filipino
Cecilio Frederick M. Pusag	Executive Vice President	52	Filipino
Ivy B. Uy	Senior Vice President	48	Filipino
Richard Chester C. Tamayo	Senior Vice President	43	Filipino
Salvador R. Serrano	Senior Vice President	54	Filipino
Eloida F. Oquialda	Senior Vice President	58	Filipino
Eleanor B. Rivera	Senior Vice President	54	Filipino
Grace N. Ang	Senior Vice President	45	Filipino

JACQUELINE S. FERNANDEZ, 58 years old, Filipino
Senior Executive Vice President and Chief Lending Officer
Ms. Fernandez is the Chief Lending Officer and has been with the Bank since March 16, 2006. She holds over 33 years of banking experience, having served as the Country Credit Head for Consumer Loans and, prior that, the Head of Group Special Assets Management - Corporate Banking for Standard Chartered Bank Philippines. She holds a degree in AB Economics from University of the Philippines Diliman with cum laude honors, and a Masters in Business Administration from the same University.

GERARDO SUSMERANO, 56 years old, Filipino
Senior Executive Vice President and Head - Retail Banking
Mr. Susmerano has been Head of Retail Banking and Operations since September 2006. He is also currently a Director of BANCNET, having held the position since 2012. Mr. Susmerano obtained his Bachelor's Degree in Accounting from the University of Santo Tomas and Master's Degree in Business Administration from the Asian Institute of Management.

RAFAEL S. ALGARRA, JR., 52 years old, Filipino
Senior Executive Vice President and Head - Treasury, Markets and Off-Balance Sheet Cluster, Treasurer
Mr. Algarra is the Head of Treasury, Markets and Off-Balance Sheet Cluster and has been with the Bank since August 1, 2017 and has been its Treasurer since September 14, 2017. Mr. Algarra has over 25 years experience in banking from Far East Banking Corporation, Citibank N.A., Standard Chartered Bank, Security Bank and Philippine Commercial Capital, Inc. (PCCI). Notably, he spent 15 of those years as Treasurer/Deputy Treasurer of Security Bank. In 2012, in addition to the Treasury Group of Security Bank, Mr. Algarra also led the Asset Management and Bancassurance Groups. For Asset Management, he oversaw fund management, distribution and product development for Wealth Management. For Bancassurance, whose joint venture with FWD Insurance was led by Mr. Algarra, responsibilities included product development, marketing, and distribution of insurance products. Mr. Algarra was also Managing Director and Chief Financial Officer of PCCI Holdings before joining EastWest. He earned his Master's Degree in Business Administration from the

Asian Institute of Management Philippines and his Bachelor of Science in Management Engineering from the Ateneo de Manila University.

PIERRE LEONARD C. MONSERRATE, 49 years old, Filipino
Executive Vice President and Head – Human Resources Group
Mr. Monserrate has over twenty-five (25) years of human resource and business leadership experience gained in diverse industries and big corporations such as San Miguel Corporation, Jollibee Foods, Marsman Drug Distribution and Philip Morris International Inc. His experience also spans multiple markets across Asia Pacific, Europe, North America and Middle East. Mr. Monserrate completed Bachelor of Arts in Human Resources at De La University.

CECILIO FREDERICK M. PUSAG, 52 years old, Filipino
Executive Vice President and Chief Information Officer and Head – Information Technology
Mr. Pusag is an experienced Information Technology executive with a successful track record in the global financial services industry, business process outsourcing, management consulting, and startup environments. He spent 12 years helping build the business process outsourcing industry in the Philippines and was subsequently hired as an Executive Director/CIO for J.P. Morgan Chase Philippines. Prior to joining EastWest Bank, he was a Senior Vice President and the Chief Information Officer of Security Bank. He holds a Bachelor of Science degree in Business Administration/Computer Information Systems from California Polytechnic University – Pomona.

IVY B. UY, 48 years old, Filipino
Senior Vice President and Head – Deputy Branch Banking
Ms. Uy joined the bank in September 2006 as FVP/Division Head for the Central Metro Manila Division, and in 2008 as Deputy Group Head of Branch Banking. Before joining EastWest, she was a Center Head – Manila Area of International Exchange Bank. Ms. Uy holds a degree in Hotel and Restaurant Management from the University of Sto. Tomas and finished a Management Development Program in Asian Institute of Management.

RICHARD CHESTER C. TAMAYO, 43 years old, Filipino
Senior Vice President and Head – Wealth Management
Mr. Tamayo is the head of EastWest's Wealth Management group. He has over 20 years' experience in banking from Standard Chartered Bank, Hongkong Shanghai Banking Corp. (HSBC) and Unionbank. Prior to joining EastWest, Mr. Tamayo was the Vice President and Head of Ortigas Branch of Standard Chartered Bank. He is a graduate of Ateneo de Manila University, Bachelor of Arts, Major in Economics.

SALVADOR R. SERRANO, 54 years old, Filipino
Senior Vice President and Head – Central Branch Operations
Mr. Serrano is currently the Senior Vice President and Head – Central Branch Operations of EastWest Bank. He is also a Certified Public Accountant with over 33 years of experience, the last three decades of which is centered in the banking industry. Prior to joining EastWest, he was the Senior Vice President and Head of Operations for One Network Bank (ONB), a Rural Bank of Banco de Oro (BDO). He also served stints in Security Bank, Asia Trust Bank, Philam Savings Bank, Federal Savings and Mortgage Bank, GE Money Bank, the Philippine Bank of Communications, and BDO. He finished his Bachelor of Science in Commerce, Major in Accounting degree in the University of Sto. Tomas and completed his Masters in Business Administration from De La Salle University.

ELOIDA F. OQUIALDA, 58 years old, Filipino
Senior Vice President and Chief Audit Executive
Ms. Oquialda has more than 26 years of experience auditing universal banks, having been employed previously at the Bank of the Philippine Islands and Rizal Commercial Banking Corporation. She earned her degree in BS Accountancy from Polytechnic University of the Philippines. She is a Certified Public Accountant (CPA), Certified Information Systems Auditor (CISA), Certified Internal Auditor (CIA) and Certified Risk and Information Systems Control (CRISC).

ELEANOR B. RIVERA, 54 years old, Filipino
Senior Vice President and Chief Compliance Officer
A CPA-lawyer, Ms. Bacungan-Rivera has over 20 years of experience in the financial markets area covering specific areas of securities and banking regulation including rule-making and enforcement, product development including regulatory, taxation, underwriting, and distribution of both fixed income and equity securities, and securities market and banking advocacy. Prior to joining EastWest Bank, she was the Managing Director of the Market Regulatory Services Group of the PDS Group tasked to implement the responsibilities of a Self-Regulatory Organization (SRO). She studied in the University of the Philippines - Diliman from elementary to law, graduating cum laude in her accounting undergraduate course.

GRACE N. ANG, 45 years old, Filipino
Senior Vice President & Chief Risk Officer
Ms. Ang has been the Chief Risk Officer of EastWest since August 1, 2008. Before joining EastWest Bank, she was with International Exchange Bank as Senior Manager. She was also appointed as Director of AIG Philam Savings Bank, Inc. from March 12 to September 03, 2009. Ms. Ang holds a degree in Accounting from the De La Salle University and is a Certified Public Accountant.

Family Relationships

Mrs. Mercedes T. Gotianun is the mother of Jonathan T. Gotianun and Mrs. Josephine G. Yap.

Involvement in Legal Proceedings

To the best of the Bank's knowledge and belief and after due inquiry, none of the Bank's directors, nominees for election as director, or executive officer have in the five-year period prior to the date of this Report:

1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time;
2) convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses;
3) subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or
4) found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or

self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

The Bank has been, and may in the future be, implicated in lawsuits in connection with the ordinary course of its business. However, neither the Bank nor any of its subsidiaries have been subject to any order, judgment, or decree, or violated any securities or commodities law for the last five years, or are involved in any litigation or arbitration proceedings that may have, or have had, a material adverse effect on it or its subsidiaries' financial condition, nor, so far as any of them is aware, is any such proceeding pending or threatened.

Item 10. Executive Compensation

The following table identifies and summarizes the aggregate compensation of EastWest's CEO and the four most highly compensated executive officers of the Bank in 2018, 2019 and 2020:

In million pesos:

<table>
<tr><th>Name</th><th>Year</th><th>Salary</th><th>Bonus</th><th>Others</th><th>Total</th></tr>
<tr><td rowspan="3">Antonio C. Moncupa, Jr.
Jesus Roberto S. Reyes*
Jacqueline Fernandez
Gerardo Susmerano
Rafael S. Algarra, Jr.
Cecilio Frederick M. Pusag**</td><td>2020</td><td>₱75.3</td><td>₱86.1</td><td>₱-</td><td>₱161.4</td></tr>
<tr><td>2019</td><td>₱77.8</td><td>₱76.6</td><td>₱-</td><td>₱154.5</td></tr>
<tr><td>2018</td><td>₱73.1</td><td>₱92.8</td><td>₱-</td><td>₱165.9</td></tr>
</table>

**retired effective December 31, 2019*

***Included in 2020 only as fourth highest compensated executive officer*

<table>
<tr><td rowspan="3">Aggregate compensation paid to all officers and Directors as a group unnamed (in millions)</td><td>2020</td><td>₱1,126.3</td></tr>
<tr><td>2019</td><td>₱1,146.9</td></tr>
<tr><td>2018</td><td>₱860.9</td></tr>
</table>

The growth in aggregate compensation of the CEO and the four most highly compensated executive officers of the Bank for 2021 is estimated to be the same as that of the prior year.

There are no actions to be taken as regards any bonus, profit sharing, pension or retirement plan, granting of extension of any option warrant or right to purchase any securities between the Bank and its directors and officers.

Standard Arrangement

Non-executive directors receive per diem of ₱60,000 per committee and special board meeting and ₱120,000 per regular board meeting.

Executive directors do not receive per diem as the same has been considered in their compensation.

Other Arrangement

The Bank does not have any agreement to pay additional compensation to its directors other than the above but may, without any obligation, grant additional compensation if certain performance driven goals are met.

Each member of the Board of Directors received the following as Directors for the year 2020:

Name of Directors	Amount
Jonathan T. Gotianun	₱ -
Antonio C. Moncupa, Jr. *	-
Lourdes Josephine Gotianun-Yap	-
Mercedes T. Gotianun	-
Isabelle G. Yap*	-
Nelson M. Bona	-
Wilson L. Sy	3,480,000.00
Paul A. Aquino	4,080,000.00
Carlos R. Alindada	3,960,000.00
Jose Maria G. Hofileña	4,080,000.00
Gregorio U. Kilayko	4,260,000.00
Total	**₱ 19,860,000.00**

**Executive directors do not receive per diem as the same has been considered in their compensation*

Item 11. Security Ownership of Certain Beneficial Owners and Management

Record and beneficial owners holding 5% or more of voting securities as of March 31, 2021:

Title of Class	Name, Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	%
Common	Filinvest Development Corporation 6/F The Beaufort, 5th Ave. cor, 23rd St., Fort Bonifacio Global City, Taguig City (Stockholder)	A.L. Gotianun, Inc. (Parent Corporation of FDC)	Filipino	900,136,017	40.0%
Common	FDC Forex Corporation 6/F The Beaufort, 5th Ave. cor, 23rd St., Fort Bonifacio Global City, Taguig City (Stockholder)	Filinvest Development Corporation (Parent Corporation of EW, owns 100% of FDC Forex Corp.)	Filipino	851,517,164	37.8%
Common	PCD Nominee Corporation 37th Floor, Tower I, The Enterprise Center,6766 Ayala Ave. corner Paseo de Roxas, Makati City	Various stockholders/clients	Filipino	415,736,997	18.5%
Common	PCD Nominee Corporation 37th Floor, Tower I, The Enterprise Center, 6766 Ayala Ave. corner Paseo de Roxas, Makati City	Various stockholders/clients	Non-Filipino	49,596,050	2.2%

Based on the list provided by the Philippine Depository and Trust Corp. to the Bank's transfer agent, Stock Transfer Service, Inc., as of March 31, 2021, none among the stockholders under the PCD Nominee Corporation holds 5% or more of the Bank's securities.

Filinvest Development Corporation (FDC) is the record and beneficial owner of 40.0% of the outstanding capital stock of the Bank. It is also the beneficial owner – through registered owner FDC Forex Corporation of 37.8% of the shares of the Bank. FDC is majority owned by A.L. Gotianun, Inc. The Bank and FDC's ultimate parent Corporation is A.L. Gotianun, Inc.

Lourdes Josephine Gotianun-Yap is the proxy holder and authorized to vote on behalf of Filinvest Development Corporation and FDC Forex Corporation with 77.9% shareholding in the Corporation.

Except as stated above, the Bank has no knowledge of any person holding more than 5% of the Bank's outstanding shares under a voting trust or similar agreement. The Bank is likewise not aware of any arrangement which may result in a change in control of the Bank, or of any additional shares which the above-listed beneficial or record owners have the right to acquire within thirty (30) days, from options, warrants, rights, conversion privilege or similar obligation, or otherwise.

Directors and Management as of March 31, 2021:

Title of Class	Name	Position	Citizenship	Beneficial/ Record	Percent of Ownership
Common	Jonathan T. Gotianun	Chairman of the Board	Filipino	18,004,406	0.8002%
Common	Antonio C. Moncupa, Jr.	Vice-Chairman, President & CEO	Filipino	7,333,554	0.3259%
Common	Josephine Gotianun-Yap	Director	Filipino	17,520,626	0.7787%
Common	Mercedes T. Gotianun	Director	Filipino	1,320,996	0.0587%
Common	Isabelle Therese G. Yap	Director	Filipino	50,005	0.0022%
Common	Wilson L. Sy	Director	Filipino	712,365	0.0317%
Common	Nelson M. Bona	Director	Filipino	5	0.0000%
Common	Paul A. Aquino	Independent Director	Filipino	60,015	0.0027%
Common	Carlos R. Alindada	Independent Director	Filipino	10	0.0000%
Common	Jose Maria G. Hofileña	Independent Director	Filipino	5	0.0000%
Common	Gregorio U. Kilayko	Independent Director	Filipino	5	0.0000%
		Subtotal		**45,001,992**	**2.0001%**
Common	Jacqueline S. Fernandez	Senior Executive Vice President	Filipino	59,455	0.0026%
Common	Gerardo Susmerano	Senior Executive Vice President	Filipino	750,558	0.0334%
Common	Rafael S. Algarra, Jr.	Senior Executive Vice President	Filipino	185,000	0.0082%
Common	Ivy B. Uy	Senior Vice President	Filipino	299,088	0.0133%
Common	Richard Chester C. Tamayo	Senior Vice President	Filipino	9,000	0.0004%
Common	Grace N. Ang	Senior Vice President	Filipino	137,256	0.0061%
		Subtotal		**1,440,357**	**0.0640%**
		Total		**46,442,349**	**2.0641%**

The aggregate shareholdings of all directors and officers as a group is 2.0641%.

Voting trust holders of 5% or more

To the extent known to the Bank, there is no person or group of persons holding more than 5% of the common shares by virtue of a voting trust or similar agreement as there has been no voting trust which has been filed with the Bank and the Securities and Exchange Commission.

Change in Control

There have been no arrangements that have resulted in a change of control of the Bank during the period covered by this report.

Item 12. Certain Relationships and Related Transactions

The Bank and its subsidiaries and affiliates in their normal course of business, have certain related party transactions. Kindly refer to Note 28 of the Notes to the Audited Consolidated Financial Statements for the summary of related-party transactions among members of the Filinvest Group.

There were no other transactions during the last two years, or any proposed transactions, to which the Bank was or is to be a party, in which any director or executive officer, any nominee for election as a director, any security holder or any member of the immediate family of any of the foregoing persons, had or is to have a direct or indirect material interest.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Bank is guided by the Board approved Manual on Corporate Governance which is the framework of rules, systems, and process that governs the performance of the Board of Directors and Management in the performance of their duties and responsibilities. The Manual on Corporate Governance outlines the Board governance processes which defines, among others, the corporate governance, board of directors, nomination and election, meetings, and quorum requirements. The Manual also enumerates the duties expected from the Board members, Board committees, and key officers and employees. It also features a disclosure system which highlights adherence to the principles of transparency, accountability and fairness.

Evaluation System and Compliance

Each Board Committee regularly reports to the Board of Directors. On an annual basis, the Bank also accomplishes and submits to the SEC the Integrated Annual Corporate Governance Report (I-ACGR) to determine extent of compliance with the recommendations provided under the Code of Corporate Governance for Publicly Listed Companies.

In addition to the examination mandated by law or regulation, the corporate governance process is also subjected to the review of Internal Audit Division of the Bank. Review was primarily focused on the execution of BOD's governance responsibilities, appropriateness of BOD and Board-level committees' structure and composition, soundness of existing Board processes (e.g., board meetings and attendance, board diversity, board appointments and re-election, and remuneration matters), adherence to disclosure and transparency requirements, adequacy of internal control system and risk management framework, and active promotion and protection of stakeholders' rights.

The Chief Compliance Officer is tasked with the formulation of specific measures to determine the level of compliance with the Corporate Governance Manual by the Board members, officers and employees. There has been no deviation from the Manual on Corporate Governance standards as of the date of this Report. Any violation of the Bank's Corporate Governance Manual shall be subjected to the provisions of the Bank's Code of Discipline and Ethics.

Training and Continuing Education

Directors were updated on the latest governance and significant matters with impact on the banking industry. The Bank held an annual Corporate Governance Seminar on November 17, and 20, 2020, as conducted by SGV & Co. In addition to the modules on deepening corporate governance, topics on the latest global fraud trends and financial crimes amidst COVID-19 pandemic, planning for the complexities of an uncertain future by giving a briefing on stress-testing and the role of banking sector in stimulus transmission, Anti-Bribery and Anti-Corruption, Cybersecurity, Business Continuity Management were also discussed. Cases on how to maintain the business integrity were also tackled with the aim to better equip the Directors in performing their functions. Directors were reminded that organizations that put integrity at the heart of business operations will be more resilient and will be able to navigate in spite of disruptions caused by this pandemic.

Board Committees

To support the effective performance of the Board's functions and fulfill the principles of good corporate governance, the Board created each of the following committees and appointed Board members thereto.

Executive Committee

The Executive Committee is empowered to direct the business of the Bank vested by law in the Board of Directors insofar as such powers and authority may be lawfully delegated to the Executive Committee, including the power to review and approve proposals and transactions related to credit in amounts within the limits of its delegated authority.

The Executive Committee, shall have five (5) regular members and an alternate member that meets weekly or as often as it may be necessary to address all matters referred to it. In 2020, twenty-seven (27) regular and special meetings were conducted and attended by at least a majority of the Committee members.

Name	Role	Meetings attended	% Present
Jonathan T. Gotianun	Chairman	27	100%
Antonio C. Moncupa Jr.	Member	27	100%
Josephine Gotianun-Yap	Member	25	92%
Isabelle Therese G. Yap	Member	23	85%
Jacqueline S. Fernandez	Member	23	85%
Total Meetings Held		**27**	

Corporate Governance and Compliance Committee (CGCC)

The Corporate Governance and Compliance Committee leads the Bank and assists the Board of Directors in defining and fulfilling the corporate governance policies and attaining best practices while overseeing the implementation of compliance program, money laundering prevention program and ensuring that regulatory compliance issues are resolved expeditiously. In addition to its governance role, the CGCC also assumes the nomination function whereby it reviews and evaluates the qualifications of all persons nominated to the Board, all direct reports of the CEO and the President, regardless of rank, heads of Governance Units and other positions of the Bank requiring appointment by the Board of Directors. The Committee oversees the annual performance evaluation of the Board, its committees, and individual directors in accordance with the Corporate Governance Manual.

The Committee, composed of four (4) members of the Board of Directors, three of whom are independent directors, including the Chairperson, meets every other month or when necessary. In 2020, eleven (11) meetings (regular and special) were conducted and attended by Committee members.

Name	Role	Meetings attended	% Present
Paul A. Aquino	Chairman	11	100%
Jonathan T. Gotianun	Member	11	100%
Jose Maria G. Hofileña	Member	11	100%
Gregorio U. Kilayko*	Member	7	100%

Total Meetings Held		**11**	

**Starting June 2020*

Related Party Transaction Committee (RPT Committee)

The RPT Committee assists the Board in ensuring that transactions with related parties of the Bank are handled in a sound and prudent manner, with integrity and in compliance with the applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders. It also ensures that related party transactions are conducted on an arm's length basis and that no stakeholder is unduly disadvantaged by such transactions.

The RPT Committee, composed of three (3) members of the Board of Directors, two of whom are independent directors, including the Chairperson, meets every other month or when necessary. In 2020, eight (8) meetings (regular and special) were conducted and attended by Committee members.

Name	Role	Meetings attended	% Present
Jose Maria G. Hofileña	Chairman	8	100%
Jonathan T. Gotianun	Member	8	100%
Paul A. Aquino	Member	8	100%
Total Meetings Held		**8**	

Audit Committee

The Audit Committee assists the Board of Directors in overseeing the Bank's financial reporting process, system of internal controls and the process for monitoring compliance with laws and regulations and the code of conduct. It also provides reasonable assurance to the Board on the overall management of risks of the Bank. It is responsible for setting up the Internal Audit Division, and for appointing the Chief Audit Executive and an independent external auditor who both report to the Audit Committee. It monitors and evaluates the effectiveness and accuracy of the internal control system established throughout the Bank, through the Internal Audit Division. The Internal Audit Division provides independent, objective assurance and consulting services designed to add value and improve the Bank's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach in evaluating and improving the effectiveness of risk management, internal control and governance processes. It functionally reports to the Audit Committee and administratively to the CEO. Internal Audit Division is independent to the Bank's other organizational units of as well as of the personnel subject to audit.

The Audit Committee, which consists of five (5) members, four of whom are independent directors, including the Chairman, meets once a month. In 2020, ten (10) regular meetings were conducted and attended by at least a majority of the Committee members.

Name	Role	Meetings attended	% Present
Carlos R. Alindada	Chairman	10	100%
Paul A. Aquino	Member	10	100%
Gregorio U. Kilayko	Member	10	100%
Jose Maria G. Hofileña	Member	10	100%

Josephine Gotianun-Yap*	Member	7	100%
Total Meetings Held		**10**	

Starting June 2020

Risk Management Committee

The Risk Management Committee (RMC) assists the Board in fulfilling its responsibilities in managing the Bank's risk-taking activities. The RMC reviews and approves principles, policies, strategies, processes and control frameworks pertaining to risk management. It also recommends to the Board any necessary modifications or amendments to strategies and policies relative to risk management. Its functions include identifying and evaluating the Bank's risk exposures, estimating its impact to the organization and assessing the magnitude, direction and distribution of risks across the Bank, which it uses as basis in determining risk tolerances that it subsequently recommends to the Board for approval. RMC reports to the Board the overall risk exposures as well as the effectiveness of its risk management practices and processes while recommending further policy revisions when necessary. Members of the Committee possess adequate knowledge and understanding of the institution's risk exposures and expertise in developing appropriate risk policies and strategies.

The Risk Management Committee, which meets every month is composed of three (3) members of which two (2) are independent directors, including the Chairperson. In 2020, eleven (11) regular meetings were conducted and attended by at least a majority of the Committee members.

Name	Role	Meetings attended	% Present
Gregorio U. Kilayko	Chairman	11	100%
Carlos R. Alindada	Member	11	100%
Wilson L. Sy	Member	11	100%
Total Meetings Held		**11**	

Compensation Committee

The Compensation Committee ensures that the compensation policies and practices are consistent with the corporate culture, strategy and the business environment under which it operates. It evaluates and recommends to the Board incentives and other equity-based plans designed to attract and retain qualified and competent individuals.

The Committee, shall have five (5) members of the Board of Directors that meets at least once a year or when necessary. In 2020, one (1) meeting was conducted and attended by all of the Committee members.

Name	Role	Meetings attended	% Present
Josephine Gotianun-Yap	Chairman	1	100%
Jonathan T. Gotianun	Member	1	100%
Antonio C. Moncupa Jr.	Member	1	100%
Gregorio U. Kilayko	Member	1	100%
Isabelle Therese G. Yap	Member	1	100%

Total Meetings Held	**1**	

Trust Committee

The Trust Committee assists the Board in fulfilling its responsibilities to oversee the proper management and administration of trust and other fiduciary business. Duly constituted and authorized by the Board, the Committee acts within the sphere of authority as provided in the Bank's By-laws and/or as may be delegated by the Board. It undertakes such responsibilities but not limited to the following:

1) acceptance and closing of trust and other fiduciary accounts;
2) initial review of assets placed under the trustee's fiduciary custody;
3) investment, reinvestment and disposition of funds or property;
4) review and approval of transactions between trust and/or fiduciary accounts; and
5) review of trust and other fiduciary accounts to determine the advisability of retaining or disposing of the trust or fiduciary assets and/or whether the account is being managed in accordance with the instrument creating the trust or other fiduciary relationship.

The Trust Committee also presides over the proper conduct of the Bank's Trust business, periodically reviewing the business development initiatives such as staffing and delineation of responsibility/accountability, proactive development and implementation of strategies for cultivating of revenue streams and cost management, and application and monitoring of the proper performance benchmarks.

The Trust Committee is composed of five (5) members, namely the President, Trust Officer and three directors. It meets once every quarter or more frequently as circumstances may warrant. In 2020, three (3) regular meetings were conducted and attended by at least a majority of the Committee members.

Name	Role	Meetings attended	% Present
Wilson L. Sy	Chairman	3	100%
Jonathan T. Gotianun	Member	3	100%
Antonio C. Moncupa Jr.	Member	3	100%
Nelson M. Bona	Member	3	100%
Robert B. Ramos*	Member	1	100%
Total Meetings Held		**3**	

**Resigned July 2020*

PART V – EXHIBITS AND SCHEDULES

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

(a) Exhibits

ANNEX A – List of Owned and Leased Branches
ANNEX B – Audited Consolidated Financial Statements
ANNEX C – 2020 Sustainability Report

(b) Reports on SEC Form 17-C

The following reports have been submitted by the Bank during the year 2020 through official disclosure letters:

REPORT	DATE REPORTED
Notice of Postponement of 2020 ASM due to COVID-19 pandemic	03/23/2020
Notification of Inability to file SEC Form 17-Q	04/08/2020
Notification of Inability to file SEC Form 17-A	04/08/2020

SIGNATURES

Pursuant to the requirements of Section 16 of the Code and Section 177 of the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of ____Makati City______on 2 8 APR 2021

By:

ANTONIO C. MONCUPA, JR.
President & CEO

MINDA L. CAYABYAB
Controller

ATTY. BENEDICTO M. VALERIO, JR.
Corporate Secretary

SUBSCRIBED AND SWORN to before me this _____ day of 2 8 APR 2021 affiants exhibiting to me his/their proof of identification, as follows:

NAMES	PROOF OF IDENTIFICATION	DATE OF ISSUE	PLACE OF ISSUE
ANTONIO C. MONCUPA, JR.			
MINDA L. CAYABYAB			
ATTY. BENEDICTO M. VALERIO, JR.			

Notary Public

ATTY. MA. ANNA LOURDES DIMAANO-PAMFILO
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. M-81 until December 31, 2020
Roll No. 38260 / IBP Lifetime No. 07083
PTR No. 8535844 January 6, 2021

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SERIES OF 2021

ANNEX A

Branches Owned as of December 31, 2020

Branch	Location
1. The Fort - Beaufort	The Beaufort, 5th ave. corner 23rd St., Bonifacio Global City, Taguig City
2. Betterliving	100 Doña Soledad Ave., Betterliving Subd., Brgy. Don Bosco,
3. Davao - Lanang	Lot 6 Blk 5, Insular Village, Pampanga Buhangin, Lanang Davao City
4. Pioneer	UG-09 Pioneer Pointe Condominium, Pioneer St., Mandaluyong City
5. Tandang Sora	Lot 80-A Kalaw Hills Subd., Brgy. Culiat, Tandang Sora

Branches and Buildings Leased as of December 31, 2020

Branch/Building	Commencement Date	Expiration Date	Monthly Rent
Las Piñas	August 27, 2016	March 26, 2023	137,745.59
EDSA-Kalookan	June 1, 2018	May 31, 2028	198,878.50
Pasig - Shaw Blvd	April 1, 2015	March 31, 2025	221,176.58
Ayala Avenue - Herrera	October 1, 2012	September 30, 2022	244,425.50
Taytay	April 15, 2016	April 14, 2026	100,045.00
Congressional Ave.	July 1, 2012	June 30, 2027	128,649.18
Anonas	April 16, 2012	April 15, 2027	126,639.04
Antipolo - Marcos Highway	October 15, 2015	October 14, 2030	113,515.73
Padre Faura	March 1, 2013	February 28, 2023	190,591.38
Sto. Cristo	January 1, 2016	December 31, 2025	157,260.96
Pasong Tamo Ext.	July 1, 2014	June 30, 2024	264,760.02
Quezon Avenue - Scout Santiago	February 21, 2017	February 20, 2027	72,036.26
Escolta	June 1, 2017	May 31, 2027	246,960.00
Annapolis	April 1, 2018	March 31, 2028	296,352.00
San Fernando - Dolores	February 16, 2012	February 15, 2022	187,781.04
Cabanatuan - Melencio	January 16, 2012	January 15, 2027	99,285.01
Lucena City	September 20, 2016	September 19, 2026	70,000.00
Dagupan - Perez	July 16, 2013	July 15, 2028	92,610.00
Cagayan de Oro City - Velez	April 12, 2012	April 11, 2022	89,600.00
Zamboanga City - N.S. Valderrosa	November 1, 2013	October 30, 2023	145,860.75
Tomas Morato	May 16, 2014	May 15, 2024	168,106.55
Ninoy Aquino Ave. - Miescor Drive	November 16, 2013	November 16, 2023	163,668.86
Pampanga - Angeles City	November 1, 2013	October 31, 2028	116,688.60
Valenzuela - Marulas	November 1, 2016	October 31, 2026	122,523.03
Greenhills - West	September 1, 2013	August 31, 2023	180,064.31
Valero	November 1, 2018	October 31, 2023	268,427.88
Salcedo	August 16, 2011	August 15, 2021	183,995.02
Tektite	October 1, 2013	September 29, 2023	369,513.90
Tarlac - F. Tañedo	February 19, 2013	February 17, 2023	107,207.65
T. Alonzo	September 16, 2017	September 15, 2027	261,753.86
Cebu - Mandaue Briones Highway	November 1, 2013	December 31, 2023	105,206.77
Naga City	April 26, 2014	April 25, 2024	117,600.00
Laoag City	August 23, 2014	August 22, 2024	81,682.02
Cebu - Banilad	June 1, 2012	May 31, 2022	80,048.38
Cebu - Magallanes	January 1, 2018	December 31, 2022	144,019.67
La Union - San Fernando City	October 1, 2012	September 30, 2022	119,858.15
Cotabato City	February 10, 2012	February 9, 2022	63,319.52
Isabela - Santiago	June 1, 2015	May 31, 2025	134,673.23
New Manila	August 1, 2015	July 31, 2025	300,230.43
Intramuros	October 30, 2017	October 29, 2022	240,045.12
Davao - Sta. Ana	May 15, 2008	January 14, 2023	178,732.34

Branch/Building	Commencement Date	Expiration Date	Monthly Rent
Del Monte	February 1, 2017	January 31, 2027	277,830.00
Paseo de Roxas - Legaspi	November 1, 2017	October 31, 2022	303,473.34
Baliuag	November 16, 2017	November 15, 2032	88,200.00
Davao - Matina	July 1, 2018	June 30, 2028	92,610.00
The Fort-Marajo Tower	September 1, 2018	January 14, 2026	390,557.36
Iloilo - Ledesma	November 1, 2018	October 31, 2028	122,003.40
Urdaneta City	January 1, 2019	December 31, 2028	101,606.40
Paso De Blas	May 1, 2009	April 28, 2021	54,960.17
Malabon - Gov. Pascual	September 1, 2009	August 31, 2024	58,071.19
San Miguel Ave.	May 1, 2018	April 30, 2023	200,587.35
Alabang - Madrigal Business Park	June 15, 2014	June 14, 2024	237,743.69
UN Avenue	March 1, 2014	February 29, 2024	173,134.40
Baclaran	October 1, 2016	September 30, 2021	255,249.56
Carmona	May 1, 2010	April 30, 2025	101,179.36
Olongapo City	June 1, 2010	May 31, 2025	159,965.10
Quezon Avenue - Scout Albano	September 1, 2010	August 31, 2022	93,824.33
Novaliches - Gulod	August 1, 2010	July 31, 2022	106,558.23
Iligan City	July 15, 2010	July 14, 2033	132,486.38
Roxas Boulevard	August 1, 2017	July 31, 2022	120,824.21
Bataan - Balanga	August 1, 2010	July 31, 2025	94,557.14
Butuan-J. Rosales	April 7, 2011	April 6, 2021	110,599.63
General Trias	February 1, 2011	January 31, 2021	91,493.50
The Fort - Burgos Circle	April 1, 2011	March 31, 2021	566,771.20
Ozamiz City	April 1, 2011	March 31, 2026	98,824.93
San Pablo	May 11, 2011	May 10, 2026	106,129.38
San Pedro	October 15, 2011	October 14, 2021	92,913.30
Las Piñas - BF Resort	May 1, 2011	April 30, 2026	98,916.14
168 Mall	February 1, 2016	January 31, 2021	152,557.84
Iloilo - Iznart	June 1, 2011	May 31, 2021	132,380.01
Magallanes Village	April 1, 2011	March 31, 2021	113,764.07
Cebu - Mandaue North Road	October 7, 2011	October 6, 2021	125,079.98
Davao - Toril	December 7, 2011	December 6, 2026	51,840.55
Antipolo - M.L. Quezon Ave.	December 1, 2011	November 30, 2026	70,531.35
Tuguegarao City	June 1, 2011	May 31, 2021	153,949.48
Marikina - Gil Fernando Ave.	December 3, 2011	December 2, 2021	110,557.89
Greenhills Shopping Center	February 16, 2017	February 15, 2022	227,493.50
Gil Puyat - F. B. Harrison	April 11, 2014	April 10, 2029	45,378.90
Taft - Nakpil	February 1, 2014	March 31, 2024	178,679.42
Acropolis	August 1, 2015	July 31, 2025	280,052.64
Taytay - Manila East	August 16, 2014	August 15, 2024	140,463.90
Caloocan - A. Mabini	April 1, 2014	March 31, 2024	177,567.18
Alabang - Commerce Ave.	February 17, 2014	January 31, 2024	184,512.46
Metropolitan Avenue	March 1, 2014	May 31, 2021	168,399.74
Ortigas - Rockwell	April 1, 2019	March 31, 2024	154,073.57
Pangasinan - San Carlos	October 1, 2013	September 30, 2023	101,969.97
Pasig - Pasig Blvd.	September 5, 2011	September 4, 2026	66,190.01
Mayon	November 5, 2011	November 4, 2021	211,648.84
Tagum City	December 1, 2011	November 30, 2021	78,797.62
Baesa Town Center	September 7, 2011	September 6, 2021	60,036.28
Banawe - Sct. Alcaraz	December 17, 2011	December 16, 2021	155,564.79
Timog Avenue	November 4, 2011	November 3, 2021	136,792.67
West Service Road	August 15, 2011	August 14, 2026	109,464.28
Wilson	November 16, 2011	November 15, 2021	201,044.41

Branch/Building	Commencement Date	Expiration Date	Monthly Rent
Sucat – Evacom	October 1, 2011	September 30, 2021	124,903.64
Baguio City – Session Road	January 16, 2012	January 15, 2022	175,032.90
EDSA – Howmart	January 5, 2012	January 4, 2022	133,955.96
E. Rodriguez Ave.	January 12, 2012	January 11, 2022	173,354.77
Jose Abad Santos – Tayuman	June 1, 2012	May 31, 2022	180,377.12
Pampanga – Apalit	July 16, 2012	July 15, 2027	106,814.03
Ayala Avenue – SGV1	May 16, 2017	May 15, 2022	289,395.30
Marikina – Concepcion	April 1, 2012	March 31, 2022	165,467.47
Angeles – Balibago	August 7, 2012	August 6, 2022	224,573.23
Better Living – Peru	July 9, 2012	July 8, 2022	196,994.06
Ilocos Sur – Candon	June 16, 2012	June 15, 2022	128,800.00
Cebu – A.S. Fortuna	July 1, 2012	June 30, 2022	129,654.00
Cebu – M. Velez	August 1, 2012	July 31, 2022	131,119.25
Davao – C.M. Recto	May 15, 2012	May 14, 2022	55,158.34
EDSA – Muñoz	June 1, 2012	May 31, 2022	117,684.76
Kamias	January 5, 2012	January 4, 2027	111,132.00
Koronadal City	August 1, 2012	July 31, 2022	132,711.79
Las Piñas – Marcos Alvarez Avenue	July 1, 2012	June 30, 2022	84,426.03
Masambong	August 1, 2012	July 31, 2022	157,595.22
Masangkay	May 15, 2012	May 14, 2022	142,586.18
Makati Avenue – Pacific Star	May 16, 2017	May 15, 2022	144,136.71
Pagadian City	July 10, 2012	July 9, 2027	105,471.73
Palawan	July 15, 2012	July 14, 2027	159,726.71
Rada	May 16, 2012	May 15, 2022	243,795.91
Roosevelt – Sto. Niño	July 1, 2012	June 30, 2027	107,207.65
San Fernando – Sindalan	July 15, 2012	July 14, 2027	214,415.30
Sucat – Kingsland	August 1, 2012	July 31, 2022	159,092.26
Taft Avenue	July 16, 2012	July 15, 2022	236,392.87
Tomas Mapua – Lope de Vega	July 1, 2012	June 30, 2022	74,875.19
UP Village	July 15, 2012	July 14, 2022	118,492.67
Benavidez	December 1, 2011	November 30, 2021	158,856.01
G. Araneta Avenue	March 1, 2012	February 28, 2022	166,184.19
Quiapo	January 1, 2012	January 1, 2022	116,122.81
999 Shopping Mall	November 21, 2017	November 20, 2022	241,129.73
Amorsolo – Queensway	October 10, 2012	October 10, 2022	132,380.01
Makati Ave– Juno	January 1, 2019	December 31, 2025	311,331.02
Eastwood City	March 1, 2017	January 31, 2022	435,745.26
North Edsa	May 16, 2012	May 14, 2022	208,222.72
Bf Homes – Aguirre Ave	September 1, 2012	August 29, 2027	71,997.08
J. P. Rizal	March 1, 2012	February 28, 2022	114,447.74
Grace Park – 7Th Ave	May 21, 2012	May 20, 2022	151,268.38
Bacoor – Molino	June 7, 2012	August 9, 2022	116,708.82
Pasay – Libertad	March 1, 2012	February 28, 2022	150,090.71
Ayala Avenue – Rufino Building	September 1, 2012	August 31, 2022	205,384.13
Batangas – Bauan	July 1, 2012	June 30, 2022	134,465.44
Alabang – Entrata	May 1, 2018	April 30, 2023	294,717.11
Boni Avenue	July 1, 2012	June 30, 2022	147,745.54
Boracay	April 16, 2016	April 15, 2026	221,327.30
Pangasinan – Rosales	October 1, 2012	September 30, 2022	133,955.96
Cagayan de Oro City – Cogon	May 21, 2012	May 20, 2022	157,595.25
Mindoro – Calapan	August 1, 2012	July 31, 2022	106,064.10
Cavite – Naic	August 1, 2012	July 31, 2024	59,098.22
Cavite – Tanza	August 1, 2012	July 31, 2027	25,525.63

Branch/Building	Commencement Date	Expiration Date	Monthly Rent
Cebu – Fuente Osmeña	September 1, 2012	August 31, 2022	242,413.89
Cebu – Asia Town It Park	September 30, 2012	September 29, 2022	122,857.71
Cebu – Juan Luna	August 1, 2012	July 31, 2022	106,939.64
Cebu – Minglanilla	September 16, 2012	September 15, 2022	103,218.81
Cebu Talisay	October 1, 2012	September 30, 2022	81,682.02
Cebu – A.C Cortes	August 16, 2012	August 15, 2022	105,797.33
Cebu – Basak Pardo	August 1, 2012	July 31, 2022	107,637.56
Cebu Magallanes – Nilo Me Tangere	September 16, 2012	September 15, 2022	115,716.20
Commonwealth	November 1, 2012	October 31, 2022	115,912.91
Cubao – Araneta Center	September 2, 2012	September 1, 2022	268,425.29
Dasmariñas	August 1, 2012	July 31, 2022	129,261.79
Davao – Panabo	June 8, 2012	June 7, 2022	88,969.52
H.V. Dela Costa	July 15, 2017	July 14, 2027	130,804.83
Legaspi – Dela Rosa	October 1, 2012	September 30, 2022	366,174.15
Bataan – Dinalupihan	November 1, 2012	October 31, 2027	70,355.02
Dumaguete City	August 16, 2012	June 30, 2022	185,220.00
El Cano	July 1, 2012	June 30, 2022	207,500.98
Fairview	June 15, 2012	June 14, 2022	112,850.16
Pampanga – Guagua	November 1, 2012	October 31, 2022	109,395.56
Bacolod – Hilado	August 1, 2012	July 31, 2022	49,642.50
Julia Vargas	September 1, 2012	August 31, 2022	306,125.62
Lagro	July 1, 2012	June 30, 2027	91,239.36
Loyola Heights – Katipunan	November 1, 2012	October 31, 2022	177,729.92
Malabon – Rizal Ave.	September 1, 2012	August 31, 2027	57,432.67
Marikina – J.P. Rizal	June 16, 2012	June 15, 2022	179,659.37
Meycauyan – Malhacan	September 1, 2012	August 31, 2022	209,549.15
Ormoc City	September 1, 2012	August 31, 2022	124,325.14
Garnet	July 15, 2012	July 14, 2022	225,509.34
Tarlac Paniqui	November 1, 2012	October 31, 2032	43,291.55
San Lorenzo – A. Arnaiz Avenue	October 8, 2012	October 7, 2022	441,266.69
Pasig – Valle Verde	August 1, 2012	July 31, 2022	184,175.69
Pasig – Rosario	July 15, 2012	July 14, 2022	109,156.88
Pasig – Santolan	July 1, 2012	June 30, 2022	82,809.96
The Fort 26Th St-11Th Ave	September 16, 2014	September 15, 2024	197,670.49
Nueva Ecija – San Jose	August 1, 2012	July 31, 2022	67,540.82
Nueva Vizcaya – Solano	September 1, 2012	August 31, 2027	70,917.86
Surigao City	September 1, 2012	August 31, 2022	105,113.79
Tagbilaran	January 1, 2017	December 31, 2026	93,237.76
Novaliches – Talipapa	October 1, 2012	September 30, 2022	198,725.21
Batangas – Tanauan	September 1, 2012	August 31, 2027	43,226.12
Vigan	November 1, 2012	October 31, 2022	133,517.53
Zamboanga City – Canelar	July 16, 2012	July 15, 2022	158,523.02
Las Pinas – Almanza	August 1, 2012	July 31, 2027	168,081.39
Greenhills – North	February 15, 2013	February 14, 2023	335,126.85
Mandaluyong Wack – Wack	June 1, 2016	May 31, 2026	110,205.90
Sucat – Kabihasnan	October 1, 2013	September 30, 2022	209,027.44
Gil Puyat – Dian	January 28, 2013	January 27, 2023	134,998.10
A. Bonifacio – Balingasa	February 1, 2013	January 31, 2023	93,675.79
Bicutan – East Service Road	February 27, 2013	February 26, 2023	128,447.22
Kalentong	November 1, 2012	December 31, 2022	141,835.72
Juan Luna – Pritil	October 1, 2012	September 30, 2022	94,557.15
Visayas Avenue	February 15, 2013	February 14, 2023	210,127.00
Bukidnon Valencia	March 5, 2013	March 4, 2023	102,151.53

Branch/Building	Commencement Date	Expiration Date	Monthly Rent
Bulacan - Plaridel	March 1, 2013	February 29, 2028	77,239.54
Laguna - Cabuyao	March 1, 2014	February 29, 2024	153,153.79
Cavite City	February 18, 2013	February 17, 2028	53,603.83
Davao - Buhangin	January 25, 2013	January 24, 2023	135,081.64
Grace Park - 11Th Ave	October 1, 2012	September 30, 2022	304,412.55
Legazpi City	July 1, 2014	June 30, 2024	160,232.90
Nueva Ecija - Gapan	February 1, 2013	January 31, 2028	88,488.86
Valenzuela - Dalandanan	November 1, 2012	December 31, 2022	153,398.82
Alabang Hills	December 20, 2012	February 3, 2023	160,765.91
Marikina - Parang	February 25, 2013	February 24, 2023	113,908.13
Navotas - M. Naval	August 1, 2013	July 31, 2033	66,169.24
Ongpin	March 1, 2013	May 31, 2023	309,505.81
Ylaya Padre Rada	June 1, 2013	May 31, 2023	162,140.99
Pangasinan - Lingayen	October 1, 2013	September 30, 2023	79,735.69
Balagtas - Bulacan	June 1, 2013	May 31, 2028	70,531.35
Subic Bay	May 1, 2013	July 31, 2023	153,153.79
Cavite - Trece Martires	April 25, 2013	April 24, 2023	172,604.32
Laguna - Biñan	March 27, 2013	March 26, 2023	120,770.14
Batangas - Lemery	April 16, 2013	April 15, 2023	129,948.66
Bacolod - Araneta	September 26, 2013	September 25, 2023	49,115.40
Roxas - City	July 1, 2013	July 31, 2023	55,158.34
Kalibo	April 19, 2013	April 18, 2023	90,054.43
Tacloban City - Marasbaras	May 30, 2013	July 30, 2023	100,752.32
Davao - Digos	April 25, 2013	June 24, 2023	91,594.36
Perea	April 16, 2013	April 15, 2023	265,419.20
General Luis - Kaybiga	August 11, 2013	August 10, 2028	48,620.25
Antique - San Jose	August 5, 2013	October 18, 2023	75,045.36
Batangas - Rosario	July 17, 2013	July 16, 2023	107,207.65
Grace Park - 3rd Ave.	October 1, 2013	September 30, 2023	100,060.47
Isabela - Ilagan	October 1, 2013	September 30, 2033	73,180.80
La Union - Agoo	December 1, 2013	November 30, 2028	70,531.35
Ilocos Norte - San Nicolas	September 16, 2013	September 15, 2023	95,472.49
San Fernando - Jose Abad Santos Avenue	October 20, 2013	October 19, 2028	155,473.25
Cavite - Silang	July 21, 2013	July 20, 2023	100,289.18
Davao - Agdao	August 8, 2013	October 6, 2023	75,045.36
Davao - Mac Arthur - Matina	July 10, 2013	September 22, 2023	73,877.22
Project 8 - Shorthorn	October 1, 2013	September 30, 2023	136,948.59
Jupiter - Paseo de Roxas	July 15, 2013	July 14, 2023	300,181.42
Dipolog City	November 20, 2013	September 19, 2023	135,081.64
General Santos - Pioneer Avenue	July 25, 2013	September 22, 2023	142,986.73
Tordesillas	July 11, 2013	July 10, 2023	119,352.13
Blumentritt - Rizal Avenue	August 1, 2013	July 31, 2023	127,577.11
Greenhills - Promenade	October 1, 2018	September 30, 2023	307,685.96
Chino Roces - La Fuerza	October 31, 2013	October 30, 2023	270,433.44
Gil Puyat - Salcedo Village	September 16, 2013	September 15, 2023	142,247.61
Catbalogan City	August 13, 2013	October 11, 2023	80,405.74
Batangas - Nasugbu	August 22, 2013	August 21, 2023	83,499.55
Juan Luna - Binondo	September 16, 2013	September 15, 2023	173,354.77
Leviste	November 1, 2013	October 31, 2023	304,248.95
Paz M. Guazon	December 1, 2013	November 30, 2023	149,102.10
Sampaloc - J. Figueras	April 1, 2014	March 31, 2024	171,532.24
Valenzuela - Gen. T. De Leon	January 1, 2014	December 31, 2024	61,261.52
E. Rodriguez Ave. - Cubao	November 15, 2013	November 14, 2023	109,351.80

Branch/Building	Commencement Date	Expiration Date	Monthly Rent
MIA Road	October 29, 2013	October 28, 2023	131,550.22
Las Piñas - J. Aguilar Ave.	March 18, 2014	March 17, 2024	189,276.98
Malolos	December 25, 2013	December 24, 2023	53,603.83
Nueva Ecija - Talavera	January 1, 2014	December 31, 2028	45,082.82
Zambales - Iba	December 25, 2013	December 24, 2028	51,051.26
Kawit - Centennial	April 14, 2014	April 13, 2024	74,963.59
Batangas - Sto. Tomas	April 7, 2014	April 6, 2029	48,620.25
Sorsogon City	September 26, 2013	September 25, 2023	122,523.03
Silay	October 6, 2013	October 17, 2028	51,051.26
Davao - Quirino	October 1, 2013	September 30, 2023	111,804.00
Cagayan de Oro - Lapasan	November 5, 2013	November 18, 2023	100,507.17
Kidapawan	September 13, 2013	November 11, 2023	76,576.89
Batangas - Balayan	March 7, 2014	March 6, 2029	54,591.15
General Santos City - Calumpang	February 1, 2014	January 31, 2024	86,248.11
The Fort-Active Fun	March 23, 2014	March 22, 2024	449,594.12
Pasay - Oceanaire	August 1, 2014	September 30, 2024	257,298.36
Pateros	March 16, 2014	March 15, 2024	125,143.14
Bulacan - San Jose Del Monte	June 1, 2014	May 31, 2029	118,357.25
Pedro Gil	April 16, 2014	June 15, 2022	285,887.07
Mayon - Dapitan	September 1, 2014	August 31, 2024	109,395.56
Bataan - Mariveles	May 1, 2014	April 30, 2029	11,767.11
Kamuning	May 20, 2014	May 19, 2024	107,385.62
E. Rod. - Welcome Rotonda	May 15, 2014	May 14, 2024	114,354.83
Xavierville	June 21, 2016	June 20, 2024	162,229.57
Tabaco City	May 19, 2014	May 18, 2024	120,054.41
Ortigas - ADB Avenue	October 1, 2014	September 30, 2024	283,105.15
A. Mabini - R. Salas	August 15, 2014	August 14, 2024	214,415.30
P. Ocampo Avenue	September 11, 2014	September 10, 2024	135,796.36
Montalban - Rizal	September 1, 2014	August 31, 2024	95,951.56
Timog - Mother Ignacia	October 1, 2014	September 30, 2024	226,902.46
Aurora Blvd. - Anonas	September 4, 2014	September 3, 2024	129,329.87
Boni Serrano Ave.	November 10, 2014	November 9, 2024	132,617.08
Kalayaan - Matalino	March 1, 2015	February 28, 2035	208,094.67
Legaspi - Aguirre	April 15, 2015	April 28, 2025	315,162.94
Tarlac - Concepcion	May 1, 2015	April 30, 2030	64,485.80
Bulacan - Sta. Maria	May 1, 2015	April 30, 2025	121,550.63
Tarlac - McArthur Highway	May 1, 2015	April 30, 2030	57,576.61
Pangasinan - Mangaldan	June 1, 2015	May 31, 2025	138,062.01
Batangas City - Pallocan	June 1, 2015	May 31, 2025	85,085.44
Isabela - Roxas	January 16, 2016	January 15, 2026	63,000.00
Laguna - Sta. Cruz	October 19, 2015	October 18, 2025	85,708.42
Davao - Diversion Road	June 16, 2015	August 15, 2025	60,989.24
Pangasinan - Alaminos	July 1, 2015	June 30, 2025	117,732.31
Candelaria	August 11, 2015	August 10, 2030	52,500.00
Iloilo - Diversion	June 1, 2016	May 31, 2026	76,440.00
Baguio - Legarda	September 16, 2015	September 15, 2025	254,730.94
Tacloban - J. Romualdez	October 19, 2015	October 18, 2025	146,760.51
Butuan - P.Burgos	September 1, 2015	August 31, 2025	138,199.43
San Mateo	September 16, 2015	September 15, 2030	71,720.52
Davao - Ma-a	March 1, 2016	February 28, 2026	77,792.40
The Fort - BGC Corporate Center	June 15, 2016	December 31, 2021	300,044.36
Tacurong	May 1, 2016	April 30, 2026	100,844.37
Tagaytay	February 16, 2017	April 30, 2027	177,477.88

Branch/Building	Commencement Date	Expiration Date	Monthly Rent
Alabang-Frabelle	November 15, 2016	November 15, 2026	636,915.55
The Fort-B3 Bonifacio High St.	December 15, 2017	April 30, 2021	549,418.83
Ortigas - Orient Square	April 1, 2017	March 31, 2027	752,926.71
The Fort-PSE Tower	January 15, 2018	December 14, 2027	255,603.60
Festival Mall - Expansion Wing	March 15, 2018	April 30, 2023	234,074.57
Roosevelt- Frisco	March 1, 2020	February 28, 2030	221,665.54
Regalado	September 28, 2020	September 27, 2030	192,322.95
Mandaluyong - Shaw Blvd	April 1, 2019	March 31, 2024	169,484.60
Quezon Avenue - Banawe	April 1, 2019	March 31, 2024	176,427.49
Festival Mall Level 2	February 1, 2019	January 31, 2024	449,323.06
Calamba	February 1, 2020	January 31, 2030	113,468.57
Divisoria	April 1, 2019	March 31, 2024	114,674.19
Chino Roces - Dela Rosa	August 1, 2019	July 31, 2024	251,912.92
A. Bonifacio - Balintawak	April 18, 2020	April 17, 2030	103,111.01
Chino Roces - Bagtikan	October 1, 2019	September 30, 2024	130,943.68
Pasay D. Macapagal Boulevard	June 5, 2019	February 2, 2024	239,041.25
Cebu - Park Mall	August 1, 2019	July 31, 2022	123,228.00
Sta. Rosa	May 16, 2019	April 15, 2024	205,752.96
Cebu iL Corso	July 29, 2019	July 31, 2029	114,849.28
Gil Puyat Washington	December 1, 2019	January 31, 2025	228,475.52
The Fort- Brilliance Center	October 15, 2020	October 14, 2030	499,100.00
Gil Puyat	March 1, 2011	February 28, 2021	343,741.21
Bagumbayan	April 1, 2015	March 31, 2025	193,972.71
Bacoor - Aguinaldo Highway	March 21, 2011	March 20, 2021	119,017.90
Katipunan	October 1, 2012	September 30, 2022	316,711.49
Westgate	August 1, 2017	July 31, 2022	391,838.72
Baguio City - Abanao Ave.	May 15, 2014	May 14, 2024	225,850.79
Batangas City	May 1, 2012	April 30, 2022	98,621.76
Grace Park - 8th Ave.	December 16, 2016	December 15, 2026	212,233.54
Binondo	October 1, 2018	September 30, 2028	676,763.30
Isabela - Cauayan	May 1, 2009	April 30, 2024	101,679.77
Bacolod - Lacson	January 1, 2017	December 31, 2026	172,852.15
Paseo De Roxas - Philam Tower	October 1, 2020	September 30, 2030	483,709.50
Ayala Ave. - Makati Sky Plaza	November 1, 2020	October 31, 2025	801,519.64
Malabon - Potrero	December 1, 2020	September 30, 2030	134,400.00
General Santos City	October 1, 2010	September 30, 2032	73,483.97
Cebu - Grand Cenia	March 1, 2012	February 28, 2022	267,498.41
Iloilo - Molo	November 1, 2013	October 31, 2023	154,682.89
Don Antonio Heights	December 17, 2011	December 16, 2026	141,368.66
Bacolod - Mandalagan	April 1, 2012	March 31, 2022	125,893.27
T.M. Kalaw	July 1, 2012	June 30, 2022	299,430.97
Quezon Avenue - Dr. Garcia Sr.	April 16, 2012	April 15, 2022	222,619.60
Davao - Bajada	May 1, 2012	April 30, 2027	708,780.27
Dagupan - A.B. Fernandez Avenue	November 1, 2012	October 31, 2027	110,231.57
Davao - Jp Laurel	September 7, 2012	November 20, 2027	92,797.26
Iloilo - Jaro	July 1, 2012	June 30, 2022	91,722.24
Benguet - La Trinidad	October 1, 2012	September 30, 2022	121,826.88
The Fort - F1	September 1, 2012	August 31, 2022	379,845.70
Banawe - Kaliraya	August 17, 2013	August 16, 2023	225,136.07
Del Monte - D. Tuazon	February 15, 2014	February 14, 2024	154,700.80
Davao - Magsaysay	September 17, 2013	September 16, 2028	36,465.19
Cagayan de Oro - Carmen	January 29, 2014	January 28, 2024	127,628.16
Cabanatuan - Maharlika	January 5, 2015	April 15, 2030	74,520.55

Branch/Building	Commencement Date	Expiration Date	Monthly Rent
Calamba - National Road	September 1, 2015	August 31, 2025	185,220.00
Bacolod - East	August 1, 2015	July 31, 2025	128,386.02
Cavite - Rosario	October 26, 2015	October 25, 2025	170,170.88
Cagayan de Oro- Pueblo de Oro	May 29, 2017	May 28, 2027	143,035.20
Makati Sky Plaza -6F	November 1, 2020	April 30, 2022	1,420,454.12
PBCOM Service Center	June 28, 2017	June 27, 2022	3,846,642.17
Rockwell Service Center	December 1, 2017	November 30, 2022	2,486,990.61
EW Pasong Tamo Service Center	December 1, 2020	November 30, 2022	2,546,883.00
San Fernando- Dolores- 2nd floor	September 15, 2008	September 14, 2023	101,674.70
CSD Pampanga (base PC 32)	November 1, 2013	October 31, 2028	68,068.35
Consumer Lending Pampanga	April 1, 2012	March 31, 2022	75,045.36
CBG Naga (PC341)	January 4, 2016	January 4, 2026	26,068.92
Greenhills West- Suite 304	June 16, 2011	June 15, 2021	48,612.42
Davao Sta Ana Cash Center	February 1, 2013	January 14, 2023	80,081.65
Binondo Wealth Management	November 1, 2018	October 31, 2028	90,493.20
BOG- SLBC	July 1, 2019	June 1, 2029	71,573.60
719 SLBC	November 1, 2019	October 1, 2024	188,255.48
718 NLBC 2	September 1, 2019	August 31, 2022	68,096.00
Grand Cenea 3rd Floor	October 1, 2019	September 30, 2024	511,748.63
PC 139 extension office	May 22, 2020	May 21, 2025	81,480.00
Balintawak	October 1, 2019	September 30, 2022	1,550,129.32
Cebu Nicopolis 1	November 17, 2019	November 16, 2022	271,491.36
Cebu Nicopolis 2	May 15, 2018	May 14, 2021	829,536.96
Davao Starplas 1	January 15, 2020	January 15, 2022	241,250.00
Davao Starplas 2	April 1, 2019	April 1, 2021	275,937.50
Sheridan	August 1, 2020	July 31, 2022	300,224.71
Cebu Mandaue Warehouse	October 5, 2019	October 4, 2022	970,569.60
LDC Cervantes Warehouse	February 21, 2020	February 20, 2023	814,923.20

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eastwest

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **East West Banking Corporation** (the Bank) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2020 and 2019**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

JONATHAN T. GOTIANUN
Chairman

ANTONIO C. MONCUPA JR.
Chief Executive Officer

MINDA L. CAYABYAB
Financial Controller

Signed this March 11, 2021

eastwest

SUBSCRIBED AND SWORN to before me on this 23 MAR 2021 at Makati City City, affiant exhibited to me his/her ID ________________ issued at ________________ on ________________

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ATTY. LOURDES A. ONA
NOTARY PUBLIC FOR MAKATI CITY
Appointment No. M-53 until December 31, 2021
Roll No. 36397 / IBP Lifetime No. 02701
PTR No. 8535843 January 6, 2021

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

SEC Registration Number

A	S	0	9	4	-	0	0	2	7	3	3

C O M P A N Y   N A M E

EAST WEST BANKING CORPORATION

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

THE BEAUFORT, 5TH AVENUE COR.
23RD ST. BONIFACIO CITY
TAGUIG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS		

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

Company's Email Address	Company's Telephone Number	Mobile Number
www.eastwestbanker.com	**8575-3888**	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
102	**April 23**	**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Minda L. Cayabyab	**MLCayabyab@eastwestbanker.com**	**8575-3390**	

CONTACT PERSON's ADDRESS

The Beaufort, 5th Avenue cor. 23rd Street, Fort Bonifacio Global City, Taguig City

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

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

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
East West Banking Corporation
East West Corporate Center
The Beaufort, 5th Avenue corner 23rd Street
Fort Bonifacio Global City
Taguig City

Report on the Audit of the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of East West Banking Corporation (the Parent Company) and its subsidiaries (the Group) and the parent company financial statements of the Parent Company, which comprise the consolidated and parent company statements of financial position as at December 31, 2020 and 2019 and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2020 and 2019, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2020, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Adequacy of allowance for credit and impairment losses

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

Allowance for credit losses on loans and receivables of the Group and the Parent Company as of December 31, 2020 amounted to ₱13.29 billion and ₱12.67 billion, respectively. Provision for credit losses of the Group and the Parent Company in 2020 amounted to ₱9.84 billion and ₱9.59 billion, respectively.

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

Audit response

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

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

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

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

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

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

In 2020, the Bank disposed investment securities managed under the hold-to-collect (HTC) business model with aggregate carrying amount of ₱27.89 billion. The disposals resulted in a gain of ₱3.68 billion. Investment securities held under a hold-to-collect business model, which are classified as 'Investment securities at amortized cost', are managed to realize cash flows by collecting contractual payments over the life of the instrument.

The accounting for the disposals is significant to our audit because the amounts involved are material (57.17% and 59.13% of the total investment securities at amortized cost of the Group and the Parent Company, respectively; 11.01% and 11.97% of the total operating income of the Group and the Parent Company, respectively). Moreover, it involves the exercise of significant judgment by management in assessing that the disposals are consistent with the HTC business model and that it would not impact the measurement of the remaining securities in the affected portfolios.

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

Audit response

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17-A, SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2020, but does not include the financial statements and our auditor's report thereon. The SEC Form 17-A, SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated and the Parent Company Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance the audit. We remain solely responsible for our audit opinion.

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

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

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

Reports on the Supplementary Information Required Under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 and Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Notes 36 and Revenue Regulations No. 15-2010 in Note 37 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of the Parent Company. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

SYCIP GORRES VELAYO & CO.

Veronica Arce

Veronica Mae A. Arce
Partner
CPA Certificate No. 0117208
SEC Accreditation No. 1740-A (Group A),
February 7, 2019, valid until February 6, 2022
Tax Identification No. 234-282-413
BIR Accreditation No. 08-001998-135-2018,
December 17, 2018, valid until December 16, 2021
PTR No. 8534216, January 4, 2021, Makati City

March 11, 2021

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(Amounts are presented in thousands of Philippine Pesos)

	Consolidated		Parent Company	
	As of December 31			
	2020	2019	**2020**	2019
ASSETS				
Cash and Other Cash Items	**₱8,148,882**	₱7,454,625	**₱8,076,124**	₱7,354,474
Due from Bangko Sentral ng Pilipinas (Notes 7 and 16)	**48,892,706**	34,287,302	**48,469,521**	33,590,486
Due from Other Banks (Note 7)	**11,392,088**	3,403,926	**11,353,609**	3,324,402
Interbank Loans Receivables and Securities Purchased Under Resale Agreements (Note 7)	**17,111,092**	2,691,882	**17,111,092**	2,691,882
Financial Assets at Fair Value Through Profit or Loss (Notes 8 and 17)	**7,523,592**	16,840,709	**7,523,592**	16,840,709
Financial Assets at Fair Value Through Other Comprehensive Income (Notes 8 and 17)	**29,471,707**	4,650,636	**29,471,707**	4,650,636
Investment Securities at Amortized Cost (Notes 8 and 17)	**20,899,699**	49,386,070	**19,282,889**	49,386,070
Loans and Receivables (Notes 9, 15 and 28)	**243,716,429**	267,647,738	**219,918,514**	241,859,400
Investments in Subsidiaries (Note 10)	**–**	–	**4,739,211**	3,992,449
Investment in a Joint Venture (Note 10)	**665,313**	694,114	**665,313**	694,114
Property, Equipment and Right-of-Use Assets (Note 11)	**5,089,529**	5,436,761	**4,601,091**	5,067,364
Investment Properties (Notes 12 and 15)	**981,147**	949,138	**979,914**	947,836
Deferred Tax Assets (Note 25)	**5,169,692**	2,821,217	**4,677,278**	2,387,704
Goodwill and Other Intangible Assets (Note 13)	**6,792,893**	6,897,500	**6,742,229**	6,856,791
Other Assets (Notes 14 and 15)	**2,347,231**	3,162,671	**2,275,298**	3,086,159
TOTAL ASSETS	**₱408,202,000**	₱406,324,289	**₱385,887,382**	₱382,730,476
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 16 and 28)				
Demand	**₱106,938,343**	₱88,757,787	**₱107,609,113**	₱89,587,063
Savings	**121,848,341**	98,027,632	**101,302,860**	76,154,416
Time	**87,846,290**	104,605,705	**87,846,290**	104,605,705
Long-term Negotiable Certificates of Deposits	**12,422,976**	13,335,031	**12,422,976**	13,335,031
	329,055,950	304,726,155	**309,181,239**	283,682,215
Bills and Acceptances Payable and Securities Sold Under Repurchase Agreements (Note 17)	**3,568,803**	30,949,753	**3,568,803**	30,949,753
Accrued Taxes, Interest and Other Expenses (Note 18)	**2,947,250**	3,033,033	**2,642,599**	2,753,308
Cashier's Checks and Demand Draft Payable	**678,795**	1,320,236	**678,795**	1,320,236
Bonds Payable (Note 19)	**3,677,434**	–	**3,677,434**	–
Subordinated Debt (Note 20)	**1,240,785**	6,219,011	**–**	4,979,340
Income Tax Payable	**402,325**	595,851	**306,336**	486,545
Lease Liability (Note 27)	**3,466,742**	3,302,981	**3,105,100**	3,121,443
Other Liabilities (Note 21)	**7,681,373**	7,109,936	**7,244,533**	6,370,303
TOTAL LIABILITIES	**352,719,457**	357,256,956	**330,404,839**	333,663,143
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Common Stock (Note 23)	**22,499,754**	22,499,754	**22,499,754**	22,499,754
Additional Paid in Capital (Note 23)	**5,065,059**	5,065,059	**5,065,059**	5,065,059
Surplus Reserves (Note 29)	**936,635**	928,708	**936,635**	928,708
Surplus (Note 29)	**27,080,614**	20,580,707	**27,080,614**	20,580,707
Fair Value Reserves on Financial Assets at Fair Value Through Other Comprehensive Income (Note 8)	**189,936**	28,328	**189,936**	28,328
Remeasurement Losses on Retirement Plans (Note 26)	**(402,661)**	(124,788)	**(402,661)**	(124,788)
Cumulative Translation Adjustment	**113,206**	89,565	**113,206**	89,565
TOTAL EQUITY	**55,482,543**	49,067,333	**55,482,543**	49,067,333
TOTAL LIABILITIES AND EQUITY	**₱408,202,000**	₱406,324,289	**₱385,887,382**	₱382,730,476

See accompanying Notes to Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIE
STATEMENT OF INCOME
(Amounts are presented in thousands of Philippine Pesos)

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	2019	2018	**2020**	2019	2018
INTEREST INCOME						
Loans and receivables (Notes 9 and 28)	**₱28,004,471**	₱27,242,864	₱23,108,172	**₱25,310,235**	₱25,179,175	₱21,578,452
Financial assets at fair value through other comprehensive income and investment securities at amortized cost (Note 8)	**1,901,083**	2,037,981	1,029,352	**1,870,948**	2,037,981	1,029,352
Financial assets at fair value through profit or loss (Note 8)	**497,556**	414,970	118,827	**497,556**	414,970	118,827
Due from BSP and other banks and interbank loans receivables and securities purchased under resale agreement (Note 7)	**307,094**	62,121	101,759	**305,682**	58,830	100,011
	30,710,204	29,757,936	24,358,110	**27,984,421**	27,690,956	22,826,642
INTEREST EXPENSE						
Deposit liabilities (Note 16)	**3,560,879**	6,798,551	4,523,538	**3,120,465**	5,864,723	4,016,671
Bills and acceptances payable and SSURA, bonds payable, subordinated debt and other borrowings (Notes 17, 19 and 20)	**406,568**	1,224,863	557,073	**336,703**	1,155,059	487,242
Lease liability (Note 27)	**239,565**	267,598	–	**214,146**	252,013	–
	4,207,012	8,291,012	5,080,611	**3,671,314**	7,271,795	4,503,913
NET INTEREST INCOME	**26,503,192**	21,466,924	19,277,499	**24,313,107**	20,419,161	18,322,729
OTHER INCOME (LOSSES)						
Service charges, fees and commissions (Note 24)	**3,710,792**	5,236,443	4,888,450	**3,245,073**	4,330,952	4,126,139
Trading and securities gain (loss) (Note 8)	**1,464,031**	965,730	(235,917)	**1,464,031**	965,730	(235,917)
Foreign exchange gain	**346,100**	427,050	738,597	**346,100**	427,050	738,597
Loss on asset foreclosure and dacion transactions	**(152,135)**	(199,991)	(212,896)	**(152,135)**	(199,991)	(212,896)
Gain on sale of assets (Notes 9, 11,12 and 14)	**20,740**	94,840	139,087	**20,740**	94,392	139,039
Trust income (Note 29)	**79,271**	70,535	51,333	**79,271**	70,535	51,333
Gain on sale of investment securities at amortized cost (Note 8)	**3,675,195**	–	–	**3,675,195**	–	–
Miscellaneous (Note 24)	**(2,263,831)**	636,130	851,075	**(2,295,810)**	617,197	844,764
TOTAL OPERATING INCOME	**33,383,355**	28,697,661	25,497,228	**30,695,572**	26,725,026	23,773,788
OPERATING EXPENSES						
Compensation and fringe benefits (Notes 26 and 28)	**5,710,743**	5,624,044	4,986,802	**5,275,037**	5,199,685	4,591,278
Provision for impairment and credit losses (Notes 9, 12, 14 and 15)	**9,834,418**	4,042,472	3,905,928	**9,583,646**	3,822,366	3,848,772
Taxes and licenses	**2,583,184**	2,655,618	2,326,683	**2,281,045**	2,333,123	2,053,250
Depreciation and amortization (Notes 11, 12 and 14)	**1,957,499**	1,884,149	1,077,209	**1,800,366**	1,720,300	961,611
Amortization of intangible assets (Note 13)	**186,275**	146,676	188,061	**179,667**	143,256	170,158
Rent (Note 27)	**90,810**	107,121	1,037,898	**84,606**	83,986	958,992
Miscellaneous (Note 24)	**5,701,811**	5,987,527	5,602,526	**5,350,032**	5,657,443	5,286,481
TOTAL OPERATING EXPENSES	**26,064,740**	20,447,607	19,125,107	**24,554,399**	18,960,159	17,870,542
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARIES AND JOINT VENTURE	**7,318,615**	8,250,054	6,372,121	**6,141,173**	7,764,867	5,903,246
SHARE IN NET INCOME OF SUBSIDIARIES (Note 10)	–	–	–	**783,241**	324,331	241,520
SHARE IN NET LOSS OF A JOINT VENTURE (Note 10)	**(300,623)**	(339,482)	(395,816)	**(300,623)**	(339,482)	(395,816)
INCOME BEFORE INCOME TAX	**7,017,992**	7,910,572	5,976,305	**6,623,791**	7,749,716	5,748,950
PROVISION FOR INCOME TAX (Note 25)	**510,158**	1,668,634	1,468,241	**115,957**	1,507,778	1,240,886
NET INCOME	**₱6,507,834**	₱6,241,938	₱4,508,064	**₱6,507,834**	₱6,241,938	₱4,508,064
Basic Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱2.89**	₱2.77	₱2.00			
Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 31)	**₱2.89**	₱2.77	₱2.00			

See accompanying Notes to Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

(Amounts are presented in thousands of Philippine Pesos)

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	2019	2018	**2020**	2019	2018
NET INCOME FOR THE YEAR	**₱6,507,834**	₱6,241,938	₱4,508,064	**₱6,507,834**	₱6,241,938	₱4,508,064
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX						
Items that will not be reclassified to profit or loss in subsequent periods:						
Change in remeasurement losses of retirement liability (Note 26)	**(277,872)**	(46,797)	(110,124)	**(269,109)**	(39,777)	(109,638)
Change in fair value reserves on equity securities at FVTOCI (Note 10)	**21,822**	(5,871)	(1)	–	–	–
Share in changes in remeasurement loss of retirement liabilities of subsidiaries (Notes 10 and 26)	–	–	–	**(8,763)**	(7,020)	(486)
Share in changes in fair value reserves on equity securities at FVTOCI of a joint venture (Note 10)	–	–	–	**21,822**	(5,871)	(1)
Items that may be reclassified to profit or loss in subsequent periods:						
Change in fair value reserves on debt securities at FVTOCI (Note 8)	**139,786**	44,492	(6,244)	**139,786**	44,492	(6,244)
Cumulative translation adjustment	**23,641**	184,387	(98,084)	**23,641**	184,387	(98,084)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(92,623)**	176,211	(214,453)	**(92.623)**	176,211	(214,453)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**₱6,415,211**	₱6,418,149	₱4,293,611	**₱6,415,211**	₱6,418,149	₱4,293,611

See accompanying Notes to Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(Amounts are presented in thousands of Philippine Pesos)

	Consolidated							
	Year Ended December 31, 2020							
	Equity Attributable to Equity Holders of the Parent Company							
	Common Stock	Additional Paid in Capital	Surplus Reserves	Surplus	Fair Value Reserves on Financial Assets at FVTOCI	Remeasurement Losses on Retirement Plan	Cumulative Translation Adjustment	Total Equity
Balance at January 1, 2020	**₱22,499,754**	**₱5,065,059**	**₱928,708**	**₱20,580,707**	**₱28,328**	**(₱124,788)**	**₱89,565**	**₱49,067,333**
Net income	–	–	–	**6,507,834**	–	–	–	**6,507,834**
Other comprehensive income	–	–	–		**161,608**	**(277,873)**	**23,641**	**(92,624)**
Total comprehensive income	–	–	–	**6,507,834**	**161,608**	**(277,873)**	**23,641**	**6,415,210**
Transfer to surplus reserves (Note 29)	–	–	**7,927**	**(7,927)**	–	–	–	–
Appropriations during the year (Note 23)	–	–	–	–	–	–	–	–
Dividends declaration (Note 23)	–	–	–	–	–	–	–	–
Balance at December 31, 2020	**₱22,499,754**	**₱5,065,059**	**₱936,635**	**₱27,080,614**	**₱189,936**	**(₱402,661)**	**₱113,206**	**₱55,482,543**
Balance as at January 1, 2019	₱22,499,754	₱5,065,059	₱921,655	₱14,353,812	(₱10,293)	(₱77,991)	(₱94,822)	₱42,657,174
Effect of the adoption of PFRS 16	–	–	–	(7,990)	–	–	–	(7,990)
Balance as at January 1, 2019, as restated	22,499,754	5,065,059	921,655	14,345,822	(10,293)	(77,991)	(94,822)	42,649,184
Net income	–	–	–	6,241,938	–	–	–	6,241,938
Other comprehensive income	–	–	–	–	38,621	(46,797)	184,387	176,211
Total comprehensive income	–	–	–	6,241,938	38,621	(46,797)	184,387	6,418,149
Transfer to surplus reserves (Note 29)	–	–	7,053	(7,053)	–	–	–	–
Appropriations during the year (Note 23)	–	–	–	–	–	–	–	–
Dividends declaration (Note 23)	–	–	–	–	–	–	–	–
Balance at December 31, 2019	₱22,499,754	₱5,065,059	₱928,708	₱20,580,707	₱28,328	(₱124,788)	₱89,565	₱49,067,333
Balance as at January 1, 2018	₱14,999,836	₱5,209,061	₱52,143	₱18,215,178	(₱4,048)	₱32,133	₱3,262	₱38,507,565
Net income	–	–	–	4,508,064	–	–	–	4,508,064
Other comprehensive income	–	–	–	–	(6,245)	(110,124)	(98,084)	(214,453)
Total comprehensive income	–	–	–	4,508,064	(6,245)	(110,124)	(98,084)	4,293,611
Transfer to surplus reserves (Note 29)	–	–	5,133	(5,133)	–	–	–	–
Appropriations during the year (Note 23)	–	–	864,379	(864,379)	–	–	–	–
Dividends declaration (Note 23)	7,499,918	(144,002)	–	(7,499,918)	–	–	–	(144,002)
Balance at December 31, 2018	₱22,499,754	₱5,065,059	₱921,655	₱14,353,812	(₱10,293)	(₱77,991)	(₱94,822)	₱42,657,174

See accompanying Notes to Financial Statemen

	Parent Company Year Ended December 31, 2020							
	Common Stock	**Additional Paid in Capital**	**Surplus Reserves**	**Surplus**	**Fair Value Reserves on Financial Assets at Fair Value Through Other Comprehensive Income**	**Remeasurement Losses on Retirement Plan**	**Cumulative Translation Adjustment**	**Total Equity**
Balance at January 1, 2020	**₱22,499,754**	**₱5,065,059**	**₱928,708**	**₱20,580,707**	**₱28,328**	**(₱124,788)**	**₱89,565**	**₱49,067,333**
Net income				**6,507,834**				**6,507,834**
Other comprehensive income	–	–	–	–	**161,608**	**(269,109)**	**23,641**	**(83,860)**
Total comprehensive income				**6,507,834**	**161,608**	**(269,109)**	**23,641**	**6,423,974**
Transfer to surplus reserves (Note 29)	–	–	**7,927**	**(7,927)**	–	–	–	–
Appropriations during the year (Note 23)	–	–	–	–	–	–	–	–
Dividends declaration (Note 23)	–	–	–	–	–	–	–	–
Balance at December 31, 2020	**₱22,499,754**	**₱5,065,059**	**936,635**	**27,080,614**	**189,936**	**(393,897)**	**113,206**	**55,491,307**
Balance at January 1, 2019	₱22,499,754	₱5,065,059	₱921,655	₱14,353,812	(₱10,293)	(₱77,991)	(₱94,822)	₱42,657,174
Effect of adoption of PFRS 16	–	–	–	(7,990)	–	–	–	(7,990)
Balance at January 1, 2019, as restated	22,499,754	5,065,059	921,655	14,345,822	(10,293)	(77,991)	(94,822)	42,649,184
Net income	–	–	–	6,241,938	–	–	–	6,241,938
Other comprehensive income	–	–	–	–	38,621	(46,797)	184,387	176,211
Total comprehensive income	–	–	–	6,241,938	38,621	(46,797)	184,387	6,418,149
Transfer to surplus reserves (Note 29)	–	–	7,053	(7,053)	–	–	–	–
Appropriations during the year (Note 23)	–	–	–	–	–	–	–	–
Dividends declaration (Note 23)	–	–	–	–	–	–	–	–
Balance at December 31, 2019	₱22,499,754	₱5,065,059	₱928,708	₱20,580,707	₱28,328	(₱124,788)	₱89,565	₱49,067,333
Balance as at January 1, 2018	₱14,999,836	₱5,209,061	₱52,143	₱18,215,178	(₱4,048)	₱32,133	₱3,262	₱38,507,565
Net income	–	–	–	4,508,064	–	–	–	4,508,064
Other comprehensive income	–	–	–	–	(6,245)	(110,124)	(98,084)	(214,453)
Total comprehensive income	–	–	–	4,508,064	(6,245)	(110,124)	(98,084)	4,293,611
Transfer to surplus reserves (Note 29)	–	–	5,133	(5,133)	–	–	–	–
Appropriations during the year (Note 23)	–	–	864,379	(864,379)	–	–	–	–
Dividends declaration (Note 23)	7,499,918	(144,002)	–	(7,499,918)	–	–	–	(144,002)
Balance at December 31, 2018	₱22,499,754	₱5,065,059	₱921,655	₱14,353,812	(₱10,293)	(₱77,991)	(₱94,822)	₱42,657,174

See accompanying Notes to Financial Statements.

EAST WEST BANKING CORPORATION AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(Amounts are presented in thousands of Philippine Pesos)

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	2019	2018	**2020**	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱7,017,992**	₱7,910,572	₱5,976,305	**6,623,792**	₱7,749,716	₱5,748,950
Adjustments for:						
Provision for impairment and credit losses (Note 15)	**9,834,418**	4,042,472	3,905,928	**9,583,646**	3,822,366	3,848,772
Depreciation and amortization (Notes 11, 12 and 14)	**1,957,499**	1,884,149	1,077,209	**1,800,366**	1,720,300	961,611
Share in net loss of a joint venture (Note 10)	**300,623**	339,482	395,816	**300,623**	339,482	395,816
Amortization of intangible assets (Note 13)	**186,275**	146,676	188,061	**179,667**	143,256	170,158
Loss on asset foreclosure and dacion transactions (Note 33)	**152,135**	199,991	212,896	**152,135**	199,991	212,896
Gain on sale of assets (Notes 11, 12 and 14)	**(20,740)**	(94,840)	(139,087)	**(20,740)**	(94,391)	(139,039)
Amortization of debt issuance cost	**(15,801)**	14,372	–	**(16,915)**	13,318	–
Amortization of bond issuance cost	**8,421**	–	–	**8,421**	–	–
Amortization of premium on financial assets at fair value through other comprehensive income and investment securities at amortized cost	**1,277,479**	1,301,570	–	**1,255,102**	1,301,570	–
Accretion of lease liabilities	**239,565**	267,598	–	**214,146**	252,013	–
Share in net income of subsidiaries (Note 10)	–	–	–	**(783,241)**	(324,331)	(241,520)
Gain on sale of investment securities at amortized cost (Note 8)	**(3,675,195)**	–	–	**(3,675,195)**	–	–
Loss on modification of loans (Note 24)	**2,718,323**	–	–	**2,717,808**	–	–
Changes in operating assets and liabilities:						
Decrease (increase) in the amounts of:						
Loans and receivables	**9,510,605**	(28,507,915)	(40,308,352)	**7,770,790**	(26,227,448)	(38,366,467)
Financial assets at FVTPL	**9,317,117**	(12,501,915)	(1,602,747)	**9,317,117**	(12,501,915)	(1,602,747)
Other assets	**473,930**	(2,309)	2,199	**532,626**	8,025	1,733
Increase (decrease) in the amounts of:						
Deposit liabilities	**24,329,795**	16,476,482	31,947,470	**25,499,024**	14,405,881	30,841,843
Cashier's checks and demand draft payable	**(641,441)**	424,519	(144,828)	**(641,441)**	424,519	(144,828)
Accrued taxes, interest and other expenses	**(85,783)**	164,006	331,558	**(110,709)**	216,776	187,531
Other liabilities	**178,232**	(1,168,617)	2,618,276	**489,788**	(1,036,051)	2,039,754
Net cash generated from (used in) operations	**63,063,449**	(9,103,707)	4,460,704	**61,196,810**	(9,586,923)	3,914,463
Income taxes paid	**(2,876,894)**	(1,733,046)	(1,538,160)	**(2,473,072)**	(1,389,687)	(1,289,920)
Dividends received from investment in subsidiaries (Note 10)	–	–	–	**27,716**	–	–
Net cash provided by (used in) operating activities	**60,186,555**	(10,836,753)	2,922,544	**58,751,454**	(10,976,610)	2,624,543
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of:						
Investment properties and other repossessed assets (Notes 12 and 14)	**1,581,566**	2,289,904	2,257,655	**1,581,566**	2,289,904	2,257,655
Financial assets at FVOCI (Note 8)	**22,149,989**	712,171	443,505	**22,149,989**	712,171	443,505
Property and equipment (Note 11)	**12,606**	13,467	27,540	**12,382**	9,009	20,298
Proceeds from maturity of investment securities at amortized cost	**394,118**	1,040,643	–	**394,118**	1,040,643	–
Proceeds from sale of investment securities at amortized cost	**31,568,521**	–	–	**31,568,521**	–	–

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2020	2019	2018	**2020**	2019	2018
Acquisitions of:						
Investment securities at amortized cost	**(₱1,639,187)**	(₱15,315,252)	(₱22,039,565)	**₱–**	(₱15,315,252)	(₱22,039,565)
Financial assets at FVOCI	**(46,299,305)**	(5,055,641)	(702,000)	**(46,299,305)**	(5,055,641)	(702,000)
Property and equipment (Note 11)	**(175,948)**	(290,750)	(341,241)	**(158,340)**	(257,936)	(302,486)
Capitalized software (Note 13)	**(81,668)**	(150,530)	(160,523)	**(65,105)**	(145,220)	(153,181)
Additional capital infusion in a joint venture	**(250,000)**	(350,000)	(250,000)	**(250,000)**	(350,000)	(250,000)
Net cash provided by (used in) investing activities	**7,260,692**	(17,105,988)	(20,764,629)	**8,933,826**	(17,072,322)	(20,725,774)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from bills and acceptances payable	**417,064,715**	1,006,635,393	613,830,961	**417,064,715**	1,006,635,393	613,830,961
Payments of bills and acceptances payable	**(444,445,665)**	(993,655,567)	(600,020,729)	**(444,445,665)**	(993,655,567)	(600,020,729)
Proceeds from bonds payable	**3,669,013**	–	–	**3,669,013**	–	–
Payment of lease liability (Note 27)	**(1,065,852)**	(962,655)	–	**(961,816)**	(890,495)	–
Payment of subordinated debt (Note 20)	**(4,962,425)**	–	–	**(4,962,425)**	–	–
Net cash provided by (used in) financing activities	**(29,740,214)**	12,017,171	13,810,232	**(29,636,178)**	12,089,331	13,810,232
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**37,707,033**	(15,925,570)	(4,031,853)	**38,049,102**	(15,959,601)	(4,290,999)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**7,454,625**	7,185,241	6,723,320	**7,354,474**	7,097,652	6,690,801
Due from Bangko Sentral ng Pilipinas	**34,287,302**	40,481,956	39,321,213	**33,590,486**	39,872,848	38,792,299
Due from other banks	**3,403,926**	10,233,438	9,362,992	**3,324,402**	10,087,675	9,341,309
Interbank loans receivables and securities purchased under resale agreement	**2,691,882**	5,862,670	12,387,633	**2,691,882**	5,862,670	12,387,633
	47,837,735	63,763,305	67,795,158	**46,961,244**	62,920,845	67,212,042
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**8,148,882**	7,454,625	7,185,241	**8,076,124**	7,354,474	7,097,652
Due from Bangko Sentral ng Pilipinas	**48,892,706**	34,287,302	40,481,956	**48,469,521**	33,590,486	39,872,848
Due from other banks	**11,392,088**	3,403,926	10,233,438	**11,353,609**	3,324,402	10,087,873
Interbank loans receivables and securities purchased under resale agreement	**17,111,092**	2,691,882	5,862,670	**17,111,092**	2,691,882	5,862,670
	₱85,544,768	₱47,837,735	₱63,763,305	**₱85,010,346**	₱46,961,244	₱62,921,043
NET OPERATIONAL CASH FLOWS FROM INTEREST AND DIVIDENDS						
Interest received	**₱25,372,930**	₱29,803,501	₱22,903,190	**₱22,897,457**	₱27,728,529	₱21,330,238
Interest paid	**4,598,331**	8,625,648	4,600,953	**4,028,537**	7,543,670	4,114,526
Dividend received	**8,834**	2,209	3,777	**8,834**	2,209	3,777

See accompanying Notes to Financial Statements.

1. Corporate Information

East West Banking Corporation (EW or the Bank or the Parent Company) is a domestic universal bank which was registered with the SEC on March 22, 1994. The Bank was granted authority by the Bangko Sentral ng Pilipinas (BSP) to operate as a commercial bank and operate an expanded foreign currency deposit unit in 1994. Subsequently in 2012, the Parent Company was authorized by the BSP to operate as a universal bank. The Parent Company's common shares were listed and commenced trading in the Philippine Stock Exchange (PSE) on May 7, 2012 (Note 23).

As of December 31, 2020 and 2019, the Parent Company is effectively 77.85% and 77.85%, respectively owned by Filinvest Development Corporation (FDC). The Parent Company's ultimate parent company is A.L. Gotianun, Inc. The Parent Company's head office is located at East West Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City.

Through its network of 468 and 467 branches as of December 31, 2020 and 2019, respectively, the Bank and its subsidiaries (the Group) provide a wide range of financial services to consumer and corporate clients, which includes deposit-taking, loan and trade finance, treasury, trust services, credit cards, cash management, custodial services, insurance services and leasing and finance.

2. Summary of Significant Accounting Policies

Basis of Presentation
The accompanying financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVTOCI) and derivative financial instruments that have been measured at fair value. The financial statements are presented in Philippine peso (₱) and all values are rounded to the nearest thousand except when otherwise indicated.

The financial statements of the Parent Company include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of the RBU and the FCDU is the Philippine peso and United States dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine peso, which is the Parent Company's presentation currency (accounting policy on Foreign Currency Transactions and Translation). The financial statements individually prepared for these units are combined after eliminating inter-unit accounts.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of all subsidiaries and the joint venture is the Philippine peso.

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

Presentation of Financial Statements

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

Basis of Consolidation

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company using consistent accounting policies. The following are the wholly-owned subsidiaries of the Parent Company as of December 31, 2020 and 2019:

	Principal Activities
East West Rural Bank, Inc. (EWRB)	Consumer banking
East West Insurance Brokerage, Inc. (EWIB)	Non-life insurance brokerage
Quest Marketing and Integrated Services, Inc. (Q iMIS)	Sales and marketing
Assurance Solutions Insurance Agency (ASIA)*	General insurance and marketing
East West Leasing and Finance Corporation (EWLFC)*	Finance and leasing

** Non-operational since 2017*

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in the consolidated financial statements.

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continues to be consolidated until the date when control ceases. Control is achieved when the Parent Company is exposed, or has rights, to variable return from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Parent Company has power over the entity when it has existing rights that give it the current ability to direct relevant activities (i.e., activities that significantly affect the entity's returns). Consolidation of subsidiaries ceases when control is transferred out of the Parent Company. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

Adoption of New and Amended PFRS

(a) Standards effective in 2020 that are Relevant to the Group

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

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

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also added guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  These amendments will apply on future business combinations of the Group.

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

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

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

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

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

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

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

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

- Amendments to PFRS 16, *Corona virus disease-19 (COVID-19)-Related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

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

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

The Group adopted the amendments beginning January 1, 2020. The Group determined that the impact of the rent concessions is not material to the consolidated and parent company financial statements.

(b) Standards Issued but not yet Effective

There are new PFRS, amendments, interpretation and annual improvements, to existing standards effective for annual periods subsequent to 2020 which were adopted by the Financial Reporting Standards Council (FRSC). The Group 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 Group's financial statements:

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
  - Relief from discontinuing hedging relationships; and
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

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

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

Effective beginning on or after January 1, 2022

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

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

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

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

- Amendments to PAS 16, *Plant and Equipment: Proceeds before intended use*

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

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

  The amendments are not expected to have a material impact on the consolidated financial statements of the Group.

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

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

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

- *Annual improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

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

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

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

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

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

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

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

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

Effective beginning on or after January 1, 2023

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

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

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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

  On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from Bangko Sentral ng Pilipinas (BSP) and other banks, and interbank loans receivables and SPURA with original maturities of three months or less from dates of placements and that are subject to insignificant risks of changes in value. Due from BSP includes the statutory reserves required by the BSP which the Group considers as cash equivalents wherein withdrawals can be made to meet the Group's cash requirements as allowed by the BSP.

Foreign Currency Transactions and Translation

The financial statements are presented in PHP, which is the Group's functional and presentation currency. The book of accounts of RBU are maintained in PHP, while those of the FCDU are maintained in USD.

RBU

For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso based on the Philippine Dealing System (PDS) closing rate prevailing at the statement of financial position date and foreign currency-denominated income and expenses, at the prevailing exchange rate at the date of transaction. Foreign exchange differences arising from revaluation and translation of foreign currency-denominated assets and liabilities of the RBU are credited to or charged against operations in the period in which the rates change.

Non-monetary items that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

FCDU
As at the reporting date, the assets and liabilities of the FCDU of the Parent Company are translated into the Parent Company's presentation currency (the Philippine Peso) at PDS closing rate prevailing at the statement of financial position date, and their income and expenses are translated at Bankers Association of the Philippines (BAP) weighted average rate for the year. Exchange differences arising on translation are taken to the statement of comprehensive income under 'Cumulative translation adjustment'. Upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statement of income.

Fair Value Measurement
The Group measures certain financial instruments such as financial assets at FVTPL, financial assets at FVTOCI and derivative financial instruments at fair value at each statement of financial position date. Also, fair values of financial instruments carried at amortized cost and investment properties carried at cost are measured for disclosure purposes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

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

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

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

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

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

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

External appraisers are involved for valuation of significant non-financial assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy (Note 5).

SPURA
Securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the balance sheet. The corresponding cash paid including accrued interest, is recognized in the balance sheet as SPURA. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the EIR method.

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
The Group recognizes financial instruments when, and only when, the Group becomes a party to the contractual terms of the financial instruments.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date, i.e., the date that an asset is delivered to or by the Group. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Group, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Group. Securities transactions and related commission income and expense are recorded also on a settlement date basis. Deposits, amounts due to banks and customers, and loans and receivables are recognized when cash is received by the Group or advanced to the borrowers.

Derivatives are recognized on trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Initial measurement of financial insturments
The classification of financial insturments at initial recognition depends on their contractual terms and the business model for managing instruments, as described below. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction cost are added in, or subtracted from, this amount. When the fair value of financial instrument at initial recogniution differs from the transaction price, the Group accunts for Day 1 profit or loss, as described below.

'Day 1' Difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of income. In cases where the transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Classification, Reclassification and Measurement of Financial Assets and Financial Liabilities
For purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative instrument and meets the definition of 'equity' for the issuer (under PAS 32, *Financial Instruments: Presentation*). All other non-derivative financial instruments are investments in 'debt instruments'.

Under PFRS 9, the classification of a financial asset depends on the characteristics of its contractual cash flows and the business model under which the asset is held.

Contractual cash flow characteristics test
The Group assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (SPPI) test. Principal, for the purpose of this test, is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basis lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-on-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model, and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

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

Financial assets at amortized cost
Financial assets are measured at amortized cost if both of the following conditions are met:
- the contractual terms of the instrument give rise on specified dates to cash flows that are SPPI on the principal amount outstanding; and
- the asset is held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any allowance for credit losses, with the calculated interest recognized as 'Interest income in the statement of income.

The Group's financial assets at amortized cost are presented in the statement of financial positions as 'Due from BSP', 'Due from other banks', 'Interbank loans receivables and SPURA', 'Investment securities at amortized cost', 'Loans and receivables' and other financial assets (i.e., security deposits, downpayment/advance payments to suppliers and returned cash and other cash items) under 'Other assets'.

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch that would arise had the financial asset been measured at amortized cost. As of December 31, 2020 and 2019, the Group has not made such designation.

Financial assets at FVTOCI
Financial assets at FVTOCI include debt and equity securities.

Debt securities at FVTOCI
Debt securities at FVTOCI are those that meet both of the following conditions:
- the contractual terms of the financial asset give rise to cash flows that are SPPI on the outstanding principal amount;
- the asset is held within a business model whose objective is both to sell or hold the financial asset in order to both collect contractual cash flows.

Debt securities at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income as 'Change in net unrealized gains (losses) on debt securities at FVTOCI'. The effective yield component and foreign exchange gains (losses) of debt securities at FVTOCI are reported on the statement of income. The ECL arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision on credit and impairment losses' in the statement of income.

On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

Equity securities at FVTOCI
Equity securities designated as at FVTOCI are those that the Group made an irrevocable election to present in OCI the subsequent changes in fair value. The designation is made on instrument-by-instrument basis. Equity securities at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income as 'Change in fair value reserves on equity securities at FVTOCI'. When the asset is disposed of, the cumulative gain or loss previously recognized in 'Change in fair value reserves on equity securities at FVTOCI' is not reclassified to profit or loss, but is reclassified directly to 'Surplus'. Equity securities at FVTOCI are not subject to impairment assessment.

Dividends earned on holding these equity instruments are recognized in the statement of income when the Group's right to receive the dividends is established, unless the dividends clearly represent recovery of a part of the cost of the investment. Dividends earned are recognized in the statement of income under 'Miscellaneous income'.

Financial assets at FVTPL
Debt instruments that do not meet the amortized cost or FVTOCI criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are measured at fair value through profit or loss. Equity investments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at FVTOCI at initial recognition. Derivative assets classified as at FVTPL are those that are not designated under hedge accounting treatment.

The Group's financial assets at FVTPL include government securities, private bonds, equity securities held for trading purposes and derivative assets.

Financial assets at FVTPL are initially measured at fair value without considering transaction costs. Subsequently, Financial assets at FVTPL are re-measured fair value, and fair value gains and losses on these instruments are recognized as 'Trading and securities gain' in the statement of income. Interest earned on these investments is reported in the statement of income under 'Interest income' while dividend income is reported in the statement of income under 'Miscellaneous income' when the right of payment has been established. Quoted market prices, when available, are used to determine the fair value of these financial instruments. If quoted market prices are not available, their fair values are estimated based on inputs provided by the BSP, Bureau of Treasury and investment bankers. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques.

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the PDS closing rate at the statement of financial position date. The foreign exchange component forms part of its fair value gain or loss. For financial assets classified as at FVTPL, the foreign exchange component is recognized in the statement of income. For equity financial assets designated as at FVTOCI, any foreign exchange component is recognized in OCI. For foreign currency-denominated debt instruments classified as at amortized cost and as at FVTOCI, the foreign exchange gains and losses are determined based on the amortized cost of the asset and are recognized in the statement of income.

Reclassification of financial assets
Subsequent to initial recognition, the Group may reclassify financial assets only if the objective of its business model for managing those financial assets changes.

The Group is required to reclassify the following financial assets:
- from amortized cost or FVTOCI to FVTPL, if the objective of the business model changes so that the amortized cost or FVTOCI criteria are no longer met
- from FVTPL to amortized cost or FVTOCI, if the objective of the business model changes so that the amortized cost or FVTOCI criteria start to be met and the characteristics of the instruments contractual cash flows are SPPI
- from amortized cost to FVTOCI if the business model changes so that the objective becomes both to collect contractual cash flows and to sell or from FVTOCI to amortized cost if the business model becomes solely for the collection of contractual cash flows.

Reclassification of financial assets designated as at FVTPL or equity financial assets at FVTOCI at initial recognition is not permitted.

A change in the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the reporting period following the change in the business model.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or is designated as at FVTPL.

A financial liability is held for trading if:
- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Management may designate a financial liability at FVTPL upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:
- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities which are managed, and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows, or it is clear, with little or no analysis, that it would not be separately recorded.

As of December 31, 2020 and 2019, the Group's financial liabilities at FVTPL include derivative liabilities.

Financial liabilities at amortized cost
Issued financial instruments or their components, which are not designated as at FVTPL, are classified as financial liabilities at amortized cost under Deposit liabilities, Bills and acceptances payable, Subordinated debt or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with

the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Financial liabilities are initially measured at cost plus transaction costs. Subsequently, these financial instruments are measured at amortized cost using the effective interest method, except for:

a. financial liabilities at FVTPL which are measured at fair value; and
b. financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Amortized cost is calculated by taking into account any discount or premium on the issuance and fees that are an integral part of the Effective Interest Rate (EIR).

Impairment of Financial Assets

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

Expected credit loss methodology

ECL represent credit losses that reflect an unbiased and probability-weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and the time value of money. The objective of the new impairment model is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are now measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the next 12 months after the reporting date. Lifetime ECLs are credit losses that result from all possible default events over the expected life of a financial instrument.

Staging assessment

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced SICR since initial recognition. The Group recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced SICR since initial recognition, evidenced by missed payments (for monthly amortizing exposures) and/or the significant increase in the likelihood of default. The Group recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of the financial asset. The ECL model requires that lifetime ECL be recognized for credit-impaired financial instruments.

For the movement of accounts to better stages (i.e. from Stage 2 or 3 to Stage 1 or 2):

- Financial instruments are moved to better stages when there is significant improvement to the credit risk such that the criteria for assessment of the better stage are met and there is consistent evidence of good credit behavior by the borrower.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired (POCI) assets. These are recorded at fair value at initial recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs.

Definition of "default" and "cure"
For the calculation of ECL, the Group defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, in all cases when the borrower becomes: 1) 91 days past due for amortizing exposures; or 2) non-collection of full amounts at maturity date for non-amortizing loans or bullet-payment loans. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate likelihood of non-payment when an account is under litigation. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e., cured) when it no longer meets any of the default criteria and there is sufficient evidence to support full collection thru payments received for at least 6 months.

Credit risk at initial recognition
The Group has an internal credit assessment process to determine the credit risk of exposures at initial recognition. The Group has separate models for its key portfolios in which the customers are rated using internal credit rating grades. The models incorporate both qualitative and quantitative information.

Significant increase in credit risk (SICR)
The Group monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or lifetime ECL, the Group assesses whether there has been a SICR since initial recognition. A set of defined empirical-based rules and expert judgment that discriminate good and bad credit make up the SICR model. For corporate loans and investments to debt-type instruments, accounts are considered to have a SICR if the equivalent Probability of default (PD) exceeds the Group's set threshold. The Group also considers an account to have a SICR if contractual payments are more than thirty (30) days past due or the account is considered "watchlist".

To capture the impact of the pandemic to the credit portfolios, the Bank performed the following: 1) updated the macroeconomic forecasts to reflect the downturn caused by the pandemic and the outlook on the recovery; and 2) identified borrower segments that are likely to experience income disruption due to the community quarantine restrictions and factor adjustments are applied to the expected loss parameters based on the estimated potential increase to defaults and/or difficulty in recoveries as determined through expert credit judgment.

Restructuring
In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to create a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges. Accounts subjected to distressed restructuring with indications of unlikeliness to pay are categorized as impaired accounts and are initially moved to Stage 3.

Assessment of ECL on a collective basis
The Group calculates ECL either on an individual or collective basis. The Group performs collective impairment by grouping exposures into smaller homogenous portfolios based on a combination of borrower and account characteristics. Accounts with similar attributes (i.e., type of facility) are pooled together for calculating provisions based on the ECL models.

ECL parameters and methodologies
ECL is a function of the PD, Exposure at default (EAD) and Loss given default (LGD), with consideration for the expected timing of the loss, and is estimated by incorporating forward-looking economic information through the use of statistical techniques and/or experienced credit judgment.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or within the remaining life of the exposure for Stage 2. The PD for each individual instrument is modelled based on historical data and is adjusted for current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristics of the portfolio, behavior of the accounts and materiality of the portfolio as compared to the total portfolio.

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For off-balance sheet and undrawn amounts from irrevocable committed credit lines, EAD includes an estimate of any further amounts to be drawn at the time of default (i.e., credit conversion factor). LGD is the amount that may not be recovered in the event of default and is modelled based on historical net cash flow recoveries from collections and the sale of foreclosed assets.

Economic overlays
The Group incorporates economic overlays into its assessment of SICR and its measurement of ECL. A broad range of economic overlays are considered as economic inputs, such as GDP growth, inflation rates, unemployment rates and interest rates. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect these, quantitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group's loans and receivables consists of different portfolios, such as auto, corporate, credit card receivables, mortgage loans, as well as other receivables (e.g., personal, branch, emerging enterprise lending, and Department of Education (DepEd) loans). In compliance with PFRS 9, the Group has developed ECL parameters and methodologies for each portfolio, using historical data as well as forward-looking inputs and assumptions.

Undrawn Loan Commitments
Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. The nominal contractual value of undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. Starting January 1, 2018, these contracts are in the scope of the ECL requirements where the Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and undrawn amounts of irrevocable loan commitments is recognized in 'Other liabilities'.

Financial guarantees
Financial guarantees are initially recognized at fair value. Subsequent to initial recognition, the Group's liability under each financial guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement and the amount of related ECL.

Restructured loans
Loan restructuring 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. The loans continue to be subjected to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for impairment and credit losses' in the statement of income.

Derecognition of Financial Assets and Financial Liabilities
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:
- the rights to receive cash flows from the asset have expired or transferred;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

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

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

Modification of financial assets
In certain circumstances, the Group modifies the original terms and condition of a credit exposure to form a new loan agreement on payment schedule. The modification can be given on the borrower's or counterparty's current or expected financial difficulty. The modification may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of period payments and accrual of interest and charges.

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

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

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

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

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

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Bank recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

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

<u>SSURA</u>
Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as SSURA included in 'Bills and acceptances payable and SSURA' and is considered as a loan to the Group, reflecting the economic substance of such transaction.

<u>Offsetting Financial Instruments</u>
Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Property and Equipment

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

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs, and maintenance are normally charged against operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the assets. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any accumulated impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives (EUL) of the property, equipment and ROU assets.

	Group	Parent
Buildings	25-40 years	30-40 years
Major furniture, fixtures and equipment	3-5 years	3-5 years
ROU asset	2-5 years	2-5 years

The EUL of the vaults of EWRB is 20 years. The cost of the leasehold improvements is amortized over the shorter of the covering lease term or the EUL of the improvements of 10 years.

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

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

Investment Properties

Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are recorded as ‘Investment properties’ upon: (a) entry of judgment in case of judicial foreclosure; (b) execution of the Sheriff’s Certificate of Sale in case of extra-judicial foreclosure; or (c) notarization of the Deed of Dacion in case of dation in payment (dacion en pago). Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation and any impairment in value. Investment properties comprise completed property and property under construction or re-development (land, buildings and malls) that are held to earn rentals or capital appreciation or both and that are not occupied by the Group. Investment properties also include right-of-use assets involving real properties that are subleased to other entities.

For those right-of-use assets that qualify as investment properties, i.e., those land and buildings that are subleased by the Group, these are classified under investment properties in accordance with paragraph 48 of PFRS 16. Consistent with the Group's policy regarding the measurement of investment properties, these assets are subsequently measured at cost less amortization and impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment properties are permanently withdrawn from use and no future benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the statement of income under 'Gain on sale of assets' in the year of retirement or disposal.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties but not to exceed 10 years for both buildings and condominium units.

Foreclosed properties of land or building are classified under Investment properties from foreclosure date.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Other repossessed assets

Other repossessed assets comprise of repossessed vehicles which are measured at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis using the remaining useful life from the time of acquisition of the asset. The useful life of other repossessed assets is estimated to be five (5) years.

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

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed in the statement of income.

When the Group acquires a business, it assesses the financial assets acquired and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Investments in Subsidiaries

Investments in subsidiaries in the Parent Company's separate financial statements are accounted for under the equity method.

Under the equity method, an investment in subsidiary is carried in the statement of financial position at cost plus post-acquisition changes in the Parent Company's share of the net assets of the subsidiary. Post-acquisition changes in the share of net assets of the subsidiaries include the share in the: (a) income or losses; and (b) remeasurement of retirement plans. Dividends received are treated as a reduction in the carrying amount of the investments. The statement of income reflects the share of the results of operations of the subsidiary. Where there has been a change recognized directly in the equity of the subsidiary, the Parent Company recognizes its share of any changes and thus, when applicable, discloses in the statement of changes in equity. If the Parent Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Parent Company discontinues recognizing its share in further losses.

Investment in a Joint Venture

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

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

The Group's investment in a joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date. The statement of income reflects the Group's share of the results of operations of the joint venture. Any change in OCI of the investee is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture. The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the statement of income and represents profit or loss after tax.

On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

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

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

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

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets, excluding goodwill and branch licenses, are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

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

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or more frequently, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

Intangible assets include goodwill, branch licenses, customer relationship, core deposits and capitalized software (Note 13).

Goodwill
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Branch licenses
Branch licenses are determined to have indefinite useful lives. These are tested for impairment annually either individually or at the CGU level. Such intangible assets are not amortized. The useful life is reviewed annually to determine whether indefinite useful life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Customer relationship and core deposits
Customer relationship and core deposits are the intangible assets acquired by the Group through business combination. These intangible assets are initially measured at their fair value at the date of acquisition. The fair value of these intangible assets reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the Group.

Following initial recognition, customer relationship and core deposits are measured at cost less accumulated amortization and any accumulated impairment losses. Customer relationship related to the credit cards business is amortized on a straight-line basis over its useful life of 40 years while the customer relationship related to the auto loans business and core deposits are amortized on a straight-line basis over its useful life of 13 and 10 years, respectively (Note 13).

Capitalized software
Capitalized software acquired separately is measured at cost on initial recognition. Following initial recognition, capitalized software is carried at cost less accumulated amortization and any accumulated impairment losses. The capitalized software is amortized on a straight-line basis over its estimated useful life of 5-10 years.

<u>Card Acquisition Costs</u>
Card acquisition costs represent capitalized commissions paid to third-party brokers for successfully originated credit card accounts, which are amortized over two years, the average relationship life with customers.

Impairment of Nonfinancial Assets
An assessment is made at each statement of financial position date whether there is any indication of impairment of property and equipment, investment properties, other repossessed assets and intangible assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated at the higher of the asset's value in use or its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against the statement of income in the period in which it arises, unless the asset is carried at a revalued amount in which case the impairment loss is charged against the revaluation increment of the said asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations, unless the asset is carried at a revalued amount in which case the reversal of the impairment loss is credited to the revaluation increment of the said asset.

The following criteria are also applied in assessing impairment of specific assets:

Property and equipment, investment properties and other repossessed assets
The carrying values of the property and equipment and investment properties are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or CGUs are written down to their recoverable amounts.

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

Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Branch licenses
Branch licenses are tested for impairment annually at the statement of financial position date either individually or at the CGU level, as appropriate.

Other intangible assets
Other intangible assets such as customer relationship, core deposits and capitalized software are assessed for impairment whenever there is an indication that they may be impaired.

Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

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

Service charges and penalties
Service charges and penalties earned over a period of time are accrued over that period as the customer simultaneously receives and consumes the benefits provided by the Group. Service charges and penalties are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to a customer and excludes amounts collected on behalf of third parties.

Customer loyalty programmes
Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The Parent Company allocates a portion of the consideration received from interchange from credit cards to the reward points. This allocation is based on the estimated stand-alone selling prices. The amount allocated to the customer loyalty program is deferred, and is recognized as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote. Income generated from customer loyalty programmes is recognized as part of 'Service charges, fees and commissions' in the statement of income.

Interest income
For all financial instruments measured at amortized cost and debt instruments classified as financial assets at FVTOCI, interest income is recorded at the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The adjusted carrying amount is calculated based on the original EIR. The change in the carrying amount is recorded as interest income. Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Beginning January 1, 2018, when a financial asset becomes credit-impaired and is, therefore, classified as Stage 3, interest income is calculated by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis. Under PAS 39, once the recorded value of a financial asset or group of similar financial assets carried at amortized cost has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Dividend income
Dividend income is recognized when the Group's right to receive payment is established.

Commissions earned on credit cards
Commissions earned on credit cards are taken up as income upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus certain percentage of cost. The excess over cost is credited to Unearned discount and is shown as a deduction from Loans and receivables in the statement of financial position.

The unearned discount is taken to income over the installment terms and is computed using the effective interest method.

Gain on sale of assets
Income from sale of assets include any gains or losses on the retirement or disposal of property and equipment, investment properties, and other repossessed assets. The gain or loss arising from the derecognition is recognized in the statement of income in the year of retirement or disposal.

Other income
Income from sale of services or properties is recognized when control of the such services or properties are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Expense Recognition
Expenses are recognized in the statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in the statement of income:
- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- immediately when the expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Expenses in the statement of income are presented using the nature of expense method. General and administrative expenses are cost attributable to administrative and other business activities of the Group.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized adjusted by lease payments made at or before the commencement date and lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the depreciable assets. The depreciation expense is presented under 'Depreciation and Amortization' in the statement of income.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of Nonfinancial Assets.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of ATM sites (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATM sites that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

<u>*Policies applicable prior to January 1, 2019*</u>
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

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

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

Group as lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term. Contingent rents are recognized as an expense in the period in which they are incurred.

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

<u>Retirement Cost</u>
Defined benefit plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets (excluding net interest on defined benefit asset) and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements are recognized in other comprehensive income account. Remeasurement gains (losses) on retirement plan are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either an entity’s decision to terminate an employee’s employment before the normal retirement date or an employee’s decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes the related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlement to annual leave is recognized as a liability when the employees render the services that increase their annual leave entitlement. The cost of accumulating annual leave is measured as the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Provisions and Contingencies
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and where, appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as Interest expense in the statement of income.

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

Debt Issue Costs
Issuance, underwriting and other related expenses incurred in connection with the issuance of debt instruments (other than debt instruments designated at FVTPL) are deferred and amortized over the terms of the instruments using the effective interest method. Unamortized debt issuance costs are included in the measurement of the related carrying value of the debt instruments in the statement of financial position.

Income Taxes
Current taxes
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date.

Deferred taxes
Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of Minimum Corporate Income Tax (MCIT) over the regular income tax and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

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

Current tax and deferred tax relating to items recognized directly in equity is recognized in other comprehensive income and not in the statement of income.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Equity
Capital stock is measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to Additional paid in capital account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to 'Additional paid in capital' account. If additional paid-in capital is not sufficient, the excess is charged against 'Surplus'.

Surplus represents accumulated earnings of the Group less dividends declared.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when declared and approved by the Board of Directors (the Board or BOD) of the Parent Company and approved by the BSP. Dividends for the year that are declared and approved after the statement of financial position date, if any, are dealt with as an event after the financial reporting date and disclosed accordingly.

Earnings Per Share (EPS)

Basic EPS is determined by dividing the net income for the year attributable to common shares by the weighted average number of common shares outstanding during the year while diluted EPS is computed by dividing net income for the year attributable to common shares by the weighted average number of outstanding and dilutive potential common shares. Basic and diluted EPS are given retroactive adjustments for any stock dividends declared and stock rights exercised in the current year, if any. The Group does not have dilutive potential common shares.

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is one that provides products or services within a particular economic environment that is subject to risks and returns that are different from those segments operating in other economic environments.

The Group's operations are organized according to the nature of products and services provided. Financial information on business segments is presented in Note 6.

Events after the Financial Reporting Date

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

Fiduciary Activities

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

3. Significant Accounting Judgments and Estimates

The preparation of the Group's financial statements in compliance with PFRS requires the management to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as these become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

Unless otherwise stated, below significant judgements and estimates apply as of and for the years ended December 31, 2020, 2019 and 2018:

<u>Judgments</u>

a) *Determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates*
Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its tax compliance review, that it is probable that its income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

b) *Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

   The Group has several lease contracts that include extension and termination options, the Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

   Upon adoption of PFRS 16, the Group determined that generally, the options to extend or terminate the lease are not included in the determination of the lease term. These optional periods are not enforceable, as the Group cannot enforce the extension of the lease without the agreement from the lessor, and therefore, the Group does not have the right to use the asset beyond the non-cancellable period.

c) *Contingencies*
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on its financial position.

It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 30).

d) *Evaluation of business model in managing financial assets and sale of investment securities at amortized cost*
The Group manages its financial assets based on business models that maintain adequate level of financial assets to match expected cash outflows and maintain adequate level of high-quality liquid assets while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

The Group's business model allows for financial assets to be held to collect contractual cash flows even when sales of certain financial assets occur. PFRS 9, however, emphasizes that if more than infrequent and more than insignificant sales are made out of a portfolio of financial assets carried at amortized cost, the entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers the following to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Group can explain the reason for those sales and why those sales do not reflect a change in the Group's objective for the business model:
- sales or derecognition of debt instrument under any of the circumstances spelled out under the relevant BSP Circulars on PFRS 9;
- sales in preparation for funding a potential aberrant behavior in the depositors' withdrawal pattern triggered by news of massive withdrawals or massive withdrawal already experienced by other systemically important banks in the industry;
- sales attributable to an anticipated or in reaction to major events in the local and/or international arena that may adversely affect the collectability of the debt instrument and seen to prospectively affect adversely the behavior of deposits or creditors; and
- sales that the Asset-Liability Management Committee (ALCO) deems appropriate to be consistent with managing the Group's balance sheet based upon but are not limited to the set risk limits and target ratios that have been approved by the BOD.

In 2020, the Parent Company sold investment securities at amortized cost and assessed that the disposal was not inconsistent with the hold-to-collect (HTC) business model (see Note 8).

e) *Testing the cash flow characteristics of financial assets*
In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of these 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.

f) *Determination of joint control over EW Ageas Life*
Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is presumed to exist when the investors contractually agree on the sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Based on the provisions of the joint venture arrangement between the Parent Company and Ageas (Note 10), both parties have to agree in order for any resolution to be passed relating to the joint venture entity's relevant activities. This joint arrangement is classified as a joint venture since the parties have rights to the net assets of the joint venture entity.

Estimates

a) *Estimating the incremental borrowing rate*
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Parent Company and EWRB 'would have to pay', which requires estimation where no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Parent Company and EWRB estimate their respective IBRs for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

The carrying amount of the lease liabilities as of December 31, 2020 and 2019 is disclosed in Note 27.

b) *Fair values of derivatives*
Management applies valuation techniques to determine the fair value of derivatives that are not quoted in active market. Valuation techniques are used to determine fair values which are validated and periodically reviewed by qualified independent personnel. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, the models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to develop estimates and assumptions. Changes in assumptions about these factors could affect reported fair values of derivatives. The Group uses judgements to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Fair value measurements of financial instruments (including derivatives) as of December 31, 2020 and 2019 are disclosed in Note 5.

c) *Estimation of expected credit losses on financial assets*
The COVID-19 pandemic is bringing the economy globally in a very uncertain state. Disruptions in many businesses have overtaken leading to further downward income, heightened debt, climbing costs, bankruptcies and defaults which are now felt in many countries. As the impact of the pandemic grows, the Bank made changes in the methodology used in calculating for the expected credit losses.

Among the significant components with amendments in 2020 ECL model estimates includes the following:

- Segmenting the Group's credit exposures
  The micro-segmentation performed was further itemized to include additional factors that have impact on the debt service capability of an individual borrower.
- Forward looking information
  The "house view" scenario specifically to the foreseen macroeconomic condition and operating environment was adopted.

The measurement of credit losses under PFRS 9 across all categories of financial assets requires significant judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a SICR. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and interdependencies. Significant elements of the models include, among others:

- segmenting the Group's credit risk exposures;
- the Group's definition of default;
- determining the method to estimate ECL;
- identifying exposures with significant deterioration in credit quality;
- determining assumptions to be used in the ECL model such as the counterparty credit risk rating;
- the expected life of the financial asset and expected recoveries from defaulted accounts; and
- incorporating forward-looking information (called overlays) in calculating ECL.

The carrying values of loans and receivables and the related allowance are disclosed in Notes 9 and 15, while the carrying values of debt financial assets at FVTOCI and amortized cost and their related allowances are disclosed in Notes 8 and 15.

d) Impairment of non-financial assets (excluding goodwill)
The Group assesses impairment on non-financial assets and considers the following impairment indicators:

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

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Except for investment properties where recoverable amount is determined based on fair value less cost to sell, the recoverable amount of all other non-financial assets is determined based on the assets' value in use computation which considers the present value of estimated future cash flows expected to be generated from the continued use of the asset. The Group is required to make estimates and assumptions that can materially affect the carrying amount of the asset being assessed.

The carrying values of the investment properties, and intangible assets (excluding goodwill), and other non-financial assets recorded in 'Other Assets' of the Group and the Parent Company are disclosed in Notes 12, 13, and 14.

e) *Impairment of goodwill*
The Group determines whether goodwill is impaired at least on an annual basis. Goodwill is written down for impairment where the net present value of the forecasted future cash flows from the CGU is insufficient to support its carrying value. The Group has used the cost of equity as the discount rate for the value in use (VIU) computation. The Group determined the cost of equity using the capital asset pricing model.

The recoverable amount of the CGU has been determined based on a VIU calculation using cash flow projections from financial budgets approved by the BOD covering a five-year period. Future cash flows from the CGU are estimated based on the theoretical annual income of the CGU. Average growth rate was derived from the average increase in annual income during the last 5 years. The discount rate applied reflects the current market assessment of the risk specific to each CGU. Key assumptions in VIU calculation of CGUs are most sensitive to the following assumptions: a) interest margin; b) discount rates; c) market share during the budget period; and d) projected growth rates used to extrapolate cash flows beyond the budget period.

The carrying value of goodwill of the Group are disclosed in Note 13.

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

Key assumptions used in forecast of future taxable income include loan portfolio and deposit growth rates.

The Group believes it will be able to generate sufficient taxable income in the future to utilize its deferred tax assets. Taxable income is sourced mainly from interest income, and earnings from service charges, fess, commissions and trust activities.

The recognized and unrecognized net deferred tax assets of the Group and of the Parent Company are disclosed in Note 25.

g) *Retirement obligation*
The cost of defined benefit retirement plans, and the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the interest rates of government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the Philippines and is modified accordingly with estimates of mortality improvements. Future salary increases, and pension increases are based on historical annual merit, market and promotional increase and future inflation rates.

The present value of the defined benefit obligation of the Group and of the Parent Company and details about the assumptions used are disclosed in Note 26.

4. **Financial Risk Management Objectives and Policies**

Risk Management
To ensure that corporate goals and objectives, and business and risk strategies are achieved, the Parent Company utilizes a risk management process that is applied throughout the organization in executing all business activities. Employees' functions and roles fall into one of the three categories where risk must be managed: business units, operating units and governance units.

The Parent Company's activities are principally related to the use of financial instruments and are exposed to credit risk, liquidity risk, operational risk and market risk, the latter being subdivided into trading and non-trading risks. Forming part of a coherent risk management system are the risk concepts, control tools, analytical models, statistical methodologies, historical researches and market analysis, which are being employed by the Parent Company. These tools support the key risk process that involves identifying, measuring, controlling and monitoring risks.

Risk Management Structure

a. *Board of Directors (BOD)*
The Parent Company's risk culture is practiced and observed across the Group, putting the prime responsibility on the BOD. It establishes the risk culture and the risk management organization and incorporates the risk process as an essential part of the strategic plan of the Group. The BOD approves the Parent Company's articulation of risk appetite which is used internally to help management understand the tolerance for risk in each of the major risk categories, its measurement and key controls available that influence the Parent Company's level of risk taking. All risk management policies and policy amendments, risk-taking limits such as but not limited to credit and trade transactions, market risk limits, counterparty limits, trader's limits and activities are based on the Parent Company's established approving authorities which are approved by the Parent Company's BOD. At a high level, the BOD also approves the Parent Company's framework for managing risk.

b. *Executive Committee*
This is a BOD level committee, which reviews the bankwide credit strategy, profile and performance. It approves the credit risk-taking activities based on the Parent Company's established approving authorities and likewise reviews and endorses credit-granting activities, including the Internal Credit Risk Rating System.

c. *Loan and Investments Committee*
This committee is headed by the Chairman of the Parent Company whose primary responsibility is to oversee the Parent Company's credit risk-taking activities and overall adherence to the credit risk management framework, review business/credit risk strategies, quality and profitability of the Parent Company's credit portfolio and recommend changes to the credit evaluation process, credit risk acceptance criteria and the minimum and target return per credit or investment transaction. All credit risk-taking activities based on the Parent Company's established approving authorities are evaluated and approved by this committee. It establishes an infrastructure by ensuring business units have the right systems and, adequate and competent manpower support to effectively manage its credit risk.

d. *Asset-Liability Management Committee (ALCO)*
ALCO, a management level committee, meets on a weekly basis and is responsible for the over-all management of the Parent Company's market, liquidity, and financial position related risks. It monitors the Parent Company's liquidity position and reviews the impact of strategic decisions on liquidity. It is responsible for managing liquidity risks and ensuring exposures remain within established tolerance levels. The ALCO's primary responsibilities include, among others,

(a) ensuring that the Parent Company and each business unit holds sufficient liquid assets of appropriate quality and in appropriate currencies to meet short-term funding and regulatory requirements, (b) managing financial position and ensuring that business strategies are consistent with its liquidity, capital and funding strategies, (c) establishing asset and/or liability pricing policies that are consistent with the financial position objectives, (d) recommending market and liquidity risk limits to the Risk Management Committee and BOD, and (e) approving the assumptions used in contingency and funding plans. It also reviews cash flow forecasts, stress testing scenarios and results, and implements liquidity limits and guidelines.

e. *Risk Management Committee (RMC)*
RMC is a BOD level committee that convenes monthly and is primarily responsible in assisting the BOD in managing the Parent Company's risk-taking activities. This is performed by the committee by institutionalizing risk policies and overseeing the Parent Company's risk management system. It develops and recommends risk appetite and tolerances for the Parent Company's major risk exposures to the BOD. Risk management principles, strategies, framework, policies, processes, and initiatives and any modifications and amendments thereto are reviewed and approved by RMC. It oversees and reports to the BOD the effectiveness of the risk management system, overall risk profile, and compliance with the risk appetite and tolerances that the BOD approved.

f. *Risk Management Subcommittee (RMSC)*
RMSC is a management level committee that convenes, at least four times in a year, and is responsible to assist RMC in fulfilling its responsibilities in managing the Parent Company's risk-taking activities. This is performed by the committee through the implementation of risk management principles, strategies, framework, policies, processes, and initiatives across the Parent Company. It leads the effective conduct of risk and capital management. It oversees and directs the management of the Parent Company's overall risk profile. The committee likewise oversees risk incidents, control gaps, and control deficiencies and management actions in implementing the corresponding corrective actions.

g. *Audit Committee (Audit Com)*
The Audit Com assists the BOD in fulfilling its responsibilities for overseeing senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide reasonable assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets. It is tasked to discuss with management the Parent Company's major risk exposures and ensures accountability on the part of management to monitor and control such exposures including the Parent Company's risk assessment and risk management policies. The Audit Com oversees the internal audit function and is responsible for monitoring and reviewing its effectiveness while ensuring its independence.

h. *Corporate Governance and Compliance Committee (CGCC)*
The CGCC leads the Parent Company in defining and fulfilling the corporate governance policies and attaining best practices while overseeing the implementation of the Parent Company's compliance program, money laundering and terrorist financing prevention program and ensuring that regulatory compliance issues are resolved expeditiously. In addition to its governance role, the CGCC also assumes the nomination function whereby it reviews and evaluates the qualifications of all persons nominated to the BOD, all direct reports of the President and Chief Executive Officer (CEO), Heads of Governance Units regardless of rank, and other positions of the Parent Company requiring appointment by the BOD. The committee oversees the annual performance evaluation of the BOD, its committees, and individual directors and conducts an annual self-evaluation of its performance as prescribed under and in accordance with the

Corporate Governance Manual and Securities and Exchange Commission (SEC) Code of Corporate Governance for Publicly Listed Companies.

i. *Related Party Transactions (RPT) Committee*
The RPT Committee assists the BOD in ensuring that the transactions with related parties of the Parent Company are handled in a sound and prudent manner, with integrity and in compliance with the applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders. It also ensures that related party transactions are conducted on an arm's length basis and that no stakeholder is unduly disadvantaged by such transactions.

j. *Asset Impairment Committee (AIC)*
AIC is a management level committee that convenes at least two times in a year and shall officially represent the Parent Company's source of experienced credit judgement insofar as the asset impairment exercise is concerned. This experienced credit judgment is tapped to provide guidance under the conditions that include, but are not limited to,the following: 1) The result of the calculation is assessed to be unreasonable such that it is considered as not fairly representative of the Parent Company's historical experience, current, and prospective credit condition or other conditions deemed relevant in reasonably determining the Parent Company's assets' recoverable value; 2) There is an adverse change in the prevailing or foreseen prospective economic condition relative to the embedded presumption in the existing impairment framework; and 3) The data set in the calculation parameters is not available or insufficient to complete the calculation.

k. *Risk Management Division (RMD)*
RMD performs an independent risk governance function within the Parent Company. RMD is tasked with identifying, measuring, controlling and monitoring existing and emerging risks inherent in the Parent Company's overall portfolio (on- or off-balance sheet). RMD develops and employs risk assessment tools to facilitate risk identification, analysis and measurement. It is responsible for developing and implementing the framework for policies and practices to assess and manage enterprise-wide market, credit, operational, and all other risks of the Parent Company.

It also develops and endorses risk tolerance limits for BOD approval, as endorsed by the RMC, and monitors compliance with approved risk tolerance limits. Finally, it regularly apprises the BOD, through the RMC, the results of its risk monitoring.

l. *Internal Audit (IA)*
IA provides an independent assessment of the adequacy of the Parent Company's internal controls, risk management, governance framework and execution/operational practices. Internal audit activities are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA) and the Code of Ethics. IA has adopted a risk assessment methodology, which provides a sound basis in the selection of areas of coverage and frequency of audit for the preparation of the annual audit plan. IA employs a risk-based audit approach that examines both the adequacy of the policies and the Parent Company's compliance with the procedures while assuring audit coverage of the areas identified as representing the greatest current risk. It discusses the results of assessments with management, and reports its findings and recommendations to the Audit Com. IA's activities are suitably designed to provide the BOD with reasonable assurance that significant financial and operating information is materially complete, reliable and accurate; internal resources are adequately protected; and employee performance is in compliance with the Parent Company's policies, standards, procedures and applicable laws and regulations.

m. *Compliance Division*
Compliance Division is vested with the responsibility of overseeing the design of the Parent Company's Compliance Program and coordinating its effective implementation towards the sound management of Business and Compliance Risks. It also manages the implementation of the Money Laundering and Terrorist Financing Program. Its mandate is to ensure that the Parent Company is compliant with relevant and applicable laws, rules, regulations, codes of conduct and standards of good practice while avoiding an overly risk-averse environment that inhibits business growth. It serves as the Parent Company's central point of contact with banking regulators.

The major risk types identified by the Group are disclosed in the following section:

Credit Risk
Credit risk refers to the potential loss of earnings or capital arising from an obligor/s, customer/s or counterparty's failure to perform and/or to meet the terms of any contract with the Group. Credit risk may last for the entire tenor of the exposure, may be set at the full amount of the transaction and in some cases, may exceed the original principal exposure. The risk may arise from lending, trade financing, trading, investments and other activities undertaken by the Group. To identify and assess this risk, the Group has: 1) approval process per borrower, business and/or product segment; and 2) structured and standardized credit rating for corporate, credit cards, auto and mortgage loans, and risk acceptance criteria for other consumer loans. For large corporate credit transactions, the Parent Company has a comprehensive procedure for credit evaluation, risk assessment, and well-defined concentration limits that are established for each borrower. The Group's credit risk is managed at the portfolio level, which may be on an overall perspective or according to product type.

<u>Credit Concentration</u>
Excessive concentration of lending plays a significant role in the weakening of asset quality. The Group reduces this risk by diversifying its loan portfolios across various sectors and borrowers. The Group believes that good diversification across economic sectors and geographic areas, among others, will enable it to ride through business cycles without causing undue harm to its asset quality.

The Group's loan portfolio is in line with the Group's policy of not having significant concentrations of exposure to specific industries or group of borrowers. Management of risk concentration is by client/counterparty, by industry sector, and by geographical location. For risk concentration monitoring purposes, the financial assets are broadly categorized into loans and receivables, loans and advances to banks, and investment securities. The Group ensures compliance with BSP's limit on exposure to any single person or group of connected persons by closely monitoring large exposures and top 20 borrowers for both single and group accounts.

Aside from ensuring compliance with BSP's limit on exposures to any single person or group of connected persons, it is the Parent Company's policy to keep the expected loss (determined based on the credit risk rating of the account) of large exposure accounts to, at most, one percent (1.00%) of their aggregate outstanding balance. This is to maintain the quality of the large exposures within the Group's risk appetite. With this, accounts with better risk grades are given priority in terms of being granted a bigger share in the Group's loan facilities.

Aside from ensuring compliance with BSP's limit on exposures to any single person or group of connected persons, it is the Parent Company's policy to keep the expected loss (determined based on the credit risk rating of the account) of large exposure accounts to, at most, one percent (1.00%) of their aggregate outstanding balance. This is to maintain the quality of the large exposures within the Group's risk appetite. With this, accounts with better risk grades are given priority in terms of being granted a bigger share in the Group's loan facilities.

Aligned with the Manual of Regulations for Banks definition, the Group considers its loan portfolio concentrated if it has exposures of more than thirty percent (30.00%) to an industry.

Credit Concentration Profile as of December 31, 2020 and 2019

Maximum exposure to credit risk

The tables below provide the analysis of the maximum exposure to credit risk of the Group and the Parent Company's financial instruments, excluding those where the carrying values are reflected in the statement of financial position and related notes already represent the financial instrument's maximum exposure to credit risk, before and after taking into account collateral held or other credit enhancement:

	Consolidated							
	2020				2019			
	Maximum Exposure to Credit Risk [A]	**Fair Value of Collateral [B]**	**Financial Effect of Collateral [C]**	**Net Exposure [D] = [A] – [C]**	Maximum Exposure to Credit Risk [A]	Fair Value of Collateral [B]	Financial Effect of Collateral [C]	Net Exposure [D] = [A] – [C]
Loans and receivables:								
Receivables from customers*								
Corporate lending	**₱59,165,727**	**₱25,216,102**	**₱6,996,156**	**₱52,169,570**	₱70,659,248	₱58,920,146	₱9,687,181	₱60,972,067
Consumer lending	**180,099,881**	**105,385,234**	**80,379,884**	**99,719,998**	190,054,380	126,480,757	98,515,227	91,539,153
	₱239,265,608	**₱130,601,336**	**₱87,376,040**	**₱151,889,568**	₱260,713,628	₱185,400,903	₱108,202,408	₱152,511,220

**Excludes unamortized premium*

	Parent Company							
	2020				2019			
	Maximum Exposure to Credit Risk [A]	**Fair Value of Collateral [B]**	**Financial Effect of Collateral [C]**	**Net Exposure [D] = [A] – [C]**	Maximum Exposure to Credit Risk [A]	Fair Value of Collateral [B]	Financial Effect of Collateral [C]	Net Exposure [D] = [A] – [C]
Loans and receivables:								
Receivables from customers*								
Corporate lending	**₱59,093,060**	**₱25,074,517**	**₱6,939,244**	**₱52,153,816**	₱70,580,112	₱58,920,146	₱9,687,181	₱60,892,931
Consumer lending	**155,014,184**	**105,373,563**	**80,374,655**	**74,639,529**	162,958,616	126,480,757	98,515,227	64,443,389
	₱214,107,244	**₱130,448,080**	**₱87,313,899**	**₱126,793,345**	₱233,538,728	₱185,400,903	₱108,202,408	₱125,336,320

**Excludes unamortized premium*

Credit risk, in respect of derivative financial products, is limited to those with positive fair values which are included under financial assets at FVTPL (Note 5). As a result, the maximum credit risk is limited to the amounts on the statements of financial position plus commitments to customers such as unused commercial letters of credit, outstanding guarantees and others as disclosed in Note 36 to the financial statements.

For off-balance sheet items, the figures presented below summarize the Group's and the Parent Company's maximum exposure to credit risk:

	2020					2019				
	Notional Principal Amount	**Credit Conversion Factor**	**Credit Equivalent Amount**	**Credit Risk Mitigation**	**Net Credit Exposure**	Notional Principal Amount	Credit Conversion Factor	Credit Equivalent Amount	Credit Risk Mitigation	Net Credit Exposure
Off-balance sheet items*										
Direct credit substitutes	**₱529,135**	**100%**	**₱529,136**	**₱–**	**₱529,136**	₱887,751	100%	₱887,751	₱–	₱887,751
Transaction-related contingencies	**1,600,501**	**50%**	**800,250**	**–**	**800,250**	2,338,184	50%	1,169,092	–	1,169,092
Trade-related contingencies arising from movement of goods and commitments with an original maturity of up to one (1) year										
Guarantees	**5,458,540**	**20%**	**1,091,708**	**–**	**1,091,708**	5,637,203	20%	1,127,441	–	1,127,441
Letters of credit	**193,387**	**20%**	**38,677**	**–**	**38,677**	1,865,172	20%	373,034	–	373,034
	₱7,781,563		**₱2,459,771**	**₱–**	**₱2,459,771**	₱10,728,310		₱3,557,318	₱–	₱3,557,318

*For all other off-balance sheet exposures (see Note 30), credit conversion factor is 0.00%.

Collateral and other credit enhancements
Collaterals are taken into consideration during the loan application process as they offer an alternative way of collecting from the client should a default occur. The percentage of loan value attached to the collateral offered is part of the Group's lending guidelines. Such percentages take into account safety margins for foreign exchange rate exposure/fluctuations, interest rate exposure, and price volatility.

Collaterals are valued according to existing credit policy standards and, following the latest appraisal report, serve as the basis for the amount of the secured loan facility. Premium security items are collaterals that have the effect of reducing the estimated credit risk for a facility. The primary consideration for enhancements falling under such category is the ease of converting them to cash.

The Group is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. It is the Group's policy to dispose foreclosed assets in an orderly fashion. The proceeds of the sale of the foreclosed assets, included under 'Investment Properties', are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

As part of the Group's risk control on security/collateral documentation, standard documents are made for each security type and deviation from the pro-forma documents are subject to legal review prior to implementation.

Credit collaterals profile
The table below provides the collateral profile of the outstanding loan portfolio of the Group and the Parent Company:

	Consolidated				Parent Company			
	2020		2019		**2020**		2019	
	Gross Amount	**%**	Gross Amount	%	**Gross Amount**	**%**	Gross Amount	%
Loans secured by:								
Chattel	**₱86,152,049**	**36.01**	₱94,457,301	36.23	**₱85,901,423**	**40.12**	₱94,192,890	40.33
Real estate	**25,888,994**	**10.82**	44,741,879	17.16	**25,830,718**	**12.06**	44,673,208	19.13
Others*	**11,817,121**	**4.94**	10,206,786	3.91	**11,805,548**	**5.51**	10,206,786	4.37
	123,858,164	**51.77**	149,405,966	57.31	**123,537,689**	**57.70**	149,072,884	63.83
Unsecured	**115,407,444**	**48.23**	111,307,662	42.69	**90,569,555**	**42.30**	84,465,844	36.17
	₱239,265,608	**100.00**	₱260,713,628	100.00	**₱214,107,24**	**100.00**	₱233,538,728	100.00

**Consists of government securities, corporate bonds, shares of stock, hold-out on deposits, assignment of receivables etc.*

The credit exposures, after due consideration of the allowed credit enhancements, are considered the maximum credit exposure to any client or counterparty.

As for the computation of credit risk weights, hold-out on deposits with the Parent Company, Home Guaranty cover, and Philippine sovereign guarantees are the only credit risk mitigants considered as eligible.

Large exposures and top 20 borrowers
The table below summarizes the top 20 borrowers and large exposures of the Group and the Parent Company:

	2020			
	Top 20 Borrowers		**Large Exposures***	
	Single Borrowers	**Group Borrowers**	**Single Borrowers**	**Group Borrowers**
Aggregate Exposure (in thousands)	**₱25,628,061**	**₱27,928,040**	**₱13,978,102**	**₱15,105,972**
Composite Risk Rating	**2.88**	**3.05**	**1.73**	**1.87**
Total Credit Loss/Aggregate Exposure	**0.29%**	**0.33%**	**0.17%**	**0.20%**

**Large exposures refer to exposures to a counterparty or a group of related counterparties equal to or greater than 5.00% of the Parent Company's qualifying capital.*

	2019			
	Top 20 Borrowers		Large Exposures*	
	Single Borrowers	Group Borrowers	Single Borrowers	Group Borrowers
Aggregate Exposure (in thousands)	₱29,485,217	₱32,879,796	₱17,693,274	₱18,857,624
Composite Risk Rating	2.93	3.15	2.07	2.16
Total Credit Loss/Aggregate Exposure	0.28%	0.32%	0.21%	0.23%

**Large exposures refer to exposures to a counterparty or a group of related counterparties equal to or greater than 5.00% of the Parent Company's qualifying capital.*

Concentration by industry

An analysis of concentration of credit risk for financial assets (grossed up for any allowance for credit losses and unearned premiums) of the Group and the Parent Company by industry as of December 31, 2020 and 2019 is shown below:

	Consolidated 2020					
	Loans and Receivables		**Loans and Advances to Banks***	**Investment Securities****	**Other Financial Assets*****	**Total**
	Amount	**%**				
Private households with employed persons	**₱155,582,990**	**65.03**	**₱–**	**₱–**	**₱–**	**₱155,582,990**
Government and foreign sovereign	–	**0.00**	–	**51,360,350**	–	**51,360,350**
Financial intermediaries	**8,304,832**	**3.47**	**77,395,996**	**2,139,417**	–	**87,840,245**
Wholesale and retail trade, repair of motor vehicles	**16,430,562**	**6.87**	–	–	–	**16,430,562**
Real estate, renting and business activity	**29,390,343**	**12.28**	–	**1**	–	**29,390,344**
Electricity, gas, steam and air-conditioning supply	**6,466,538**	**2.70**	–	**4,426,037**	–	**10,892,575**
Manufacturing	**6,233,446**	**2.61**	–	**125**	–	**6,233,571**
Accommodation and food service activities	**3,057,665**	**1.28**	–	–	–	**3,057,665**
Transportation and storage	**2,401,087**	**1.00**	–	–	–	**2,401,087**
Construction	**1,756,133**	**0.73**	–	–	–	**1,756,133**
Other service activities	**1,429,972**	**0.60**	–	–	–	**1,429,972**
Holding	–	**0.00**	–	–	–	–
Agriculture, fisheries and forestry	**971,399**	**0.41**	–	–	–	**971,399**
Administrative and support service activities	**609,273**	**0.25**	–	–	–	**609,273**
Others****	**6,631,368**	**2.77**	–	–	**421,695**	**7,053,063**
	239,265,608	**100.00**	**77,395,996**	**57,925,930**	**421,695**	**375,009,229**
Allowance for credit losses (Note 15)	**11,711,529**		**110**	**30,932**	–	**11,742,571**
Total	**₱227,554,079**		**₱77,395,886**	**₱57,894,998**	**₱421,695**	**₱363,266,658**

* *Includes Due from BSP, Due from Other Banks and Interbank loans receivables and SPURA*
** *Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.*
*** *Includes other financial assets presented under 'Other assets' and commitments and contingent accounts*
**** *Includes Arts and recreation activities, mining and quarrying, human health and social activities, education, and information and communication.*

	Consolidated 2019					
	Loans and Receivables		Loans and Advances to Banks*	Investment Securities**	Other Financial Assets***	Total
	Amount	%				
Private households with employed persons	₱143,790,034	55.15	₱–	₱–	₱–	₱143,790,034
Government and foreign sovereign	–	0.00	–	58,794,838	–	58,794,838
Financial intermediaries	10,873,160	4.17	40,383,203	402,301	–	51,658,664
Wholesale and retail trade, repair of motor vehicles	41,179,879	15.8	–	–	–	41,179,879
Real estate, renting and business activity	28,079,403	10.77	–	22,007	–	28,101,410
Electricity, gas, steam and air-conditioning supply	7,327,647	2.81	–	9,403,667	–	16,731,314
Manufacturing	9,098,860	3.49	–	130	–	9,098,990
Accommodation and food service activities	3,245,335	1.24	–	–	–	3,245,335
Transportation and storage	2,663,253	1.02	–	–	–	2,663,253
Construction	2,120,126	0.81	–	–	–	2,120,126
Other service activities	1,726,380	0.66	–	–	–	1,726,380
Holding	–	0.00	–	1,736,451	–	1,736,451
Agriculture, fisheries and forestry	895,037	0.34	–	–	–	895,037
Administrative and support service activities	742,479	0.28	–	–	–	742,479
Others****	8,972,035	3.46	–	520,286	471,074	9,963,395
	260,713,628	100.00	40,383,203	70,879,680	471,074	372,447,585
Allowance for credit losses (Note 15)	6,241,306		93	2,265	–	6,243,664
Total	₱254,472,322		₱40,383,110	₱70,877,415	₱471,074	₱366,203,921

* *Includes Due from BSP, Due from Other Banks and Interbank loans receivables and SPURA*
** *Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.*
*** *Includes other financial assets presented under 'Other assets' and commitments and contingent accounts*
**** *Includes Arts and recreation activities, mining and quarrying, human health and social activities, education, and information and communication.*

	Parent Company 2020					
	Loans and Receivables*		**Loans and Advances to Banks***	**Investment Securities****	**Other Financial Assets*****	**Total**
	Amount	**%**				
Private households with employed persons	**₱136,437,797**	**63.72**	**₱–**	**₱–**	**₱–**	**₱136,437,797**
Government and foreign sovereign	**–**	**0.00**	**–**	**49,743,540**	**–**	**49,743,540**
Financial intermediaries	**7,080,543**	**3.31**	**76,934,332**	**2,139,417**	**–**	**86,154,292**
Real estate, renting and business activity	**29,375,498**	**13.72**	**–**	**1**	**–**	**29,375,499**
Wholesale and retail trade, repair of motor vehicles	**16,423,789**	**7.67**	**–**	**–**	**–**	**16,423,789**
Electricity, gas, steam and air-conditioning supply	**6,462,508**	**3.02**	**–**	**4,426,037**	**–**	**10,888,545**
Manufacturing	**6,228,539**	**2.91**	**–**	**125**	**–**	**6,228,664**
Accommodation and food service activities	**3,056,087**	**1.43**	**–**	**–**	**–**	**3,056,087**
Transportation and storage	**2,401,087**	**1.12**	**–**	**–**	**–**	**2,401,087**
Construction	**1,752,696**	**0.82**	**–**	**–**	**–**	**1,752,696**
Holdings	**–**	**0.00**	**–**	**–**	**–**	**–**
Other service activities	**1,429,972**	**0.67**	**–**	**–**	**–**	**1,429,972**
Agriculture, fisheries and forestry	**959,018**	**0.45**	**–**	**–**	**–**	**959,018**
Administrative and support service activities	**609,273**	**0.28**	**–**	**–**	**–**	**609,273**
Others****	**1,890,437**	**0.88**	**–**	**–**	**416,689**	**2,307,126**
	214,107,244	**100.00**	**76,934,332**	**56,309,120**	**416,689**	**347,767,385**
Allowance for credit losses (Note 15)	**11,141,090**		**110**	**30,932**	**–**	**11,172,132**
Total	**₱202,966,154**		**₱76,934,222**	**₱56,278,188**	**₱416,689**	**₱336,595,253**

* *Includes Due from BSP, Due from Other Banks and Interbank loans receivables and SPURA*
** *Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.*
*** *Includes other financial assets presented under 'Other assets' and commitments and contingent accounts*
**** *Includes Arts and recreation activities, mining and quarrying, human health and social activities, education, and information and communication.*

	Parent Company 2019					
	Loans and Receivables*		Loans and Advances to Banks*	Investment Securities**	Other Financial Assets***	Total
	Amount	%				
Private households with employed persons	₱143,790,034	61.57	₱–	₱–	₱–	₱143,790,034
Government and foreign sovereign	–	0.00	–	58,794,838	–	58,794,838
Financial intermediaries	9,835,732	4.21	39,606,863	402,301	–	49,844,896
Real estate, renting and business activity	28,062,885	12.02	–	22,007	–	28,084,892
Wholesale and retail trade, repair of motor vehicles	20,818,121	8.91	–	–	–	20,818,121
Electricity, gas, steam and air-conditioning supply	7,322,815	3.14	–	9,403,667	–	16,726,482
Manufacturing	9,093,953	3.89	–	130	–	9,094,083
Accommodation and food service activities	3,245,335	1.39	–	–	–	3,245,335
Transportation and storage	2,663,253	1.14	–	–	–	2,663,253
Construction	2,116,689	0.91	–	–	–	2,116,689
Holdings	–	0.00	–	1,736,451	–	1,736,451
Other service activities	1,725,386	0.74	–	–	–	1,725,386
Agriculture, fisheries and forestry	882,341	0.38	–	–	–	882,341
Administrative and support service activities	742,479	0.32	–	–	–	742,479
Others****	3,239,705	1.38	–	520,286	467,813	4,227,804
	233,538,728	100.00	39,606,863	70,879,680	467,813	344,493,084
Allowance for credit losses (Note 15)	5,788,737		93	2,265	–	5,791,095
Total	₱227,749,991		₱39,606,770	₱70,877,415	₱467,813	₱338,701,989

* *Includes Due from BSP, Due from Other Banks and Interbank loans receivables and SPURA*
** *Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.*
*** *Includes other financial assets presented under 'Other assets' and commitments and contingent accounts*
**** *Includes Arts and recreation activities, mining and quarrying, human health and social activities, education, and information and communication.*

Geographic Segmentation

The distribution of the Group's and Parent Company's financial assets by geographic region as of December 31, 2020 and 2019 follows:

	Consolidated 2020				
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Other Financial Assets*****	**Total**
Philippines	**₱239,265,608**	**₱67,908,416**	**₱23,103,726**	**₱397,756**	**₱330,675,506**
Asia (excluding Philippines)	–	**166,466**	**12,195,758**	**134**	**12,362,358**
Australia	–	**323,995**	–	–	**323,995**
Europe	–	**533,755**	–	**21,931**	**555,686**
North America	–	–	**3,032,792**	–	**3,032,792**
South America	–	–	**385,920**	–	**385,920**
USA	–	**8,463,364**	**19,207,734**	**1,874**	**27,672,972**
	239,265,608	**77,395,996**	**57,925,930**	**421,695**	**375,009,229**
Allowance for credit losses (Note 15)	**11,711,529**	**110**	**30,932**	–	**11,742,571**
	₱227,554,079	**₱77,395,886**	**₱57,894,998**	**₱421,695**	**₱363,266,658**

* *Includes Due from BSP, Due from Other Banks and Interbank loans receivables and SPURA*
** *Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.*
*** *Includes other financial assets presented under 'Other assets'*

	Consolidated				
	2019				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Other Financial Assets***	Total
Philippines	₱260,713,628	₱37,142,557	₱50,453,061	₱371,620	₱348,680,866
Asia (excluding Philippines)	–	346,745	15,677,122	–	16,023,867
Australia	–	82,377	–	–	82,377
Europe	–	297,885	404,213	99,454	801,552
North America	–	–	2,364,038	–	2,364,038
South America	–	–	–	–	–
USA	–	2,513,639	1,981,246	–	4,494,885
	260,713,628	40,383,203	70,879,680	471,074	372,447,585
Allowance for credit losses (Note 15)	6,241,306	93	2,265		6,243,664
	₱254,472,322	₱40,383,110	₱70,877,415	₱471,074	₱366,203,921

* *Includes Due from BSP, Due from Other Banks and Interbank loans receivables and SPURA*
** *Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.*
*** *Includes other financial assets presented under 'Other assets'*

	Parent Company				
	2020				
	Loans and Receivables	**Loans and Advances to Banks***	**Investment Securities****	**Other Financial Assets*****	**Total**
Philippines	**₱214,107,244**	**₱67,446,752**	**₱21,486,916**	**₱392,750**	**₱303,433,662**
Asia (excluding Philippines)	–	**166,466**	**12,195,758**	**134**	**12,362,358**
Australia	–	**323,995**	–	–	**323,995**
Europe	–	**533,755**	–	**21,930**	**555,685**
North America	–	–	**3,032,792**	–	**3,032,792**
South America	–	–	**385,920**	–	**385,920**
USA	–	**8,463,364**	**19,207,734**	**1,875**	**27,672,973**
	214,107,244	**76,934,332**	**56,309,120**	**416,689**	**347,767,385**
Allowance for credit losses (Note 15)	**11,141,090**	**110**	**30,932**	–	**11,172,132**
	₱202,966,154	**₱76,934,222**	**₱56,278,188**	**₱416,689**	**₱336,595,253**

* *Includes Due from BSP, Due from Other Banks and Interbank loans receivables and SPURA*
** *Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.*
*** *Includes other financial assets presented under 'Other assets'*

	Parent Company				
	2019				
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Other Financial Assets***	Total
Philippines	₱233,538,728	₱36,366,217	₱50,453,061	₱368,359	₱320,726,365
Asia (excluding Philippines)	–	346,745	15,677,122	–	16,023,867
Australia	–	82,377	–	–	82,377
Europe	–	297,885	404,213	99,454	801,552
North America	–	–	2,364,038	–	2,364,038
South America	–	–	–	–	–
USA	–	2,513,639	1,981,246	–	4,494,885
	233,538,728	39,606,863	70,879,680	467,813	344,493,084
Allowance for credit losses (Note 15)	5,788,737	93	2,265	–	5,791,095
	₱227,749,991	₱39,606,770	₱70,877,415	₱467,813	₱338,701,989

* *Includes Due from BSP, Due from Other Banks and Interbank loans recaivables and SPURA*
** *Includes financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost.*
*** *Includes other financial assets presented under 'Other assets'*

The following summarizes the Group's credit risk management practices and the relevant quantitative and qualitative financial information regarding the credit exposures according to the Group's portfolios:

<u>Internal Credit Risk Rating System</u>
The Parent Company employs a credit scoring system for borrowers to assess risks relating to the borrower and the loan exposure. Borrower risk is evaluated by considering (a) quantitative factors, such as financial condition and (b) qualitative factors, such as management quality and industry outlook.

In 2019, the Parent Company's rating system assesses corporate loans' default risk based on financial profile, management capacity, industry performance, and other factors deemed relevant. Credit rating that exceeds the defined threshold, thus signaling significant risk, among other account-level profile and performance factors, define whether the accounts are classified in either Stage 1, Stage 2, or Stage 3 per PFRS 9 loan impairment standards.

In 2020, for corporate loans, the financial condition assessment focuses on profitability, liquidity, working capital management, and leverage. Management quality determination is based on the borrower's strategies, management competence and skills, and management of banking relationship while industry outlook is evaluated based on its importance to the economy, growth, industry structure and relevant government policies. Based on these factors, each borrower is assigned a Borrower Risk Rating (BRR), that ranges from 1 to 6. A borrower may be downgraded when it exhibits the characteristics of a classified account described below, in which case it will be assigned a risk rating ranging from 7 to 10.

Consideration is also given to security arrangements in computing for the final BRR. Depending on certain requisites, an account secured by real estate mortgages and hold-out on deposits or guarantees may be upgraded to better risk classifications.

The BRR for each borrower is reviewed annually. A more frequent review is warranted in cases where the borrower has a higher risk profile or when there are extraordinary or adverse developments affecting the borrower, the industry and/or the Philippine economy.

The following is a brief explanation of the Parent Company's risk grades:

Rating	Description	Account/Borrower Characteristics
1	Excellent	• low probability of going into default within the coming year; very high debt service capacity and balance sheets show no sign of any weakness • has ready access to adequate funding sources • high degree of stability, substance and diversity • of the highest quality under virtual economic conditions
2	Strong	• low probability of going into default in the coming year • access to money markets is relatively good • business remains viable under normal market conditions • strong market position with a history of successful financial performance • financials show adequate cash flows for debt servicing and generally conservative balance sheets
3	Good	• sound but may be susceptible, to a limited extent, to cyclical changes in the markets in which they operate • financial performance is good and capacity to service debt remains comfortable • cash flows remain healthy and critical balance sheet ratios are at par with industry norms • reported profits in the past three years and expected to sustain profitability in the coming year

Rating	Description	Account/Borrower Characteristics
4	Satisfactory	• clear risk elements exist and probability of going into default is somewhat greater, as reflected in the volatility of earnings and overall performance • normally have limited access to public financial markets • able to withstand normal business cycles, but expected to deteriorate beyond acceptable levels under prolonged unfavorable economic period • combination of reasonably sound asset and cash flow protection
5	Acceptable	• risk elements for the Parent Company are sufficiently pronounced, but would still be able to withstand normal business cycles • immediate deterioration beyond acceptable levels is expected given prolonged unfavorable economic period • there is sufficient cash flow either historically or expected in the future in spite of economic downturn combined with asset protection
5B	Acceptable	• financial condition hard to ascertain due to weak validation of financial statements coupled by funding leakages to other business interests whose financial condition is generally unknown • continuous decline in revenues and margins due to competition • substantial or unexplained build-up in borrowings with banks financing bulk of working capital and capex requirements coupled by substantial dividends pay-outs • chronically tight cash flows with operating income negative or barely enough for debt servicing • with past record of past due loans with other banks, cancelled credit cards and court cases
6	Watchlist	• with identified disruptions that may negatively affect performance but are likely to be resolved within the year • deteriorating revenue, net income, margins, leverage which may lead to loss on credit exposure if trends are not reversed • thin margin business with high debt burden with increase in debt level not commensurate to growth in revenues and funding requirements
7	Special Mention	• not meeting expectations on business projections and/or repayment schedule • experienced sudden and unexpected adverse event which is likely to affect business operations and eventually loan repayment • maxed out lines with banks and availments evergreen with minimal payments made over time • some payment defaults but with probability to revert to current • loan has been restructured but conditions that fully met • litigation is being contemplated

Rating	Description	Account/Borrower Characteristics
8	Substandard	• net loss for the last 2 years that have eroded capital substantially with no clear prospects of a turnaround or capital infusion from owners • evergreen for 2 years with lines with all creditors maxed-out and no clear source of repayment due to chronic tightness in cashflows • recurring past due status due to cashflow problems with no definite commitment to pay or restructure • restructured but not complied • with serious flaws in Type A documentation that have surfaced after loan release • collection case filed
9	Doubtful	• continuing losses that have totally wiped out equity • business viability uncertain due to adverse business conditions such as substantial loss of market share, unsalable products due to obsolescence, competition, and influx of cheap substitutes • business is bankrupt but may have pending recovery plans such as merger or acquisition, capital infusion and refinancing plans that classification to loss is deferred • with assets for liquidation but full recovery of principal uncertain due to marketability and outstanding claims
10	Loss	• business is non-operational and loans are considered absolutely uncollectible due to presence of fraud and major build-up of claims and litigation • borrower's whereabouts unknown or insolvent or earning power-impaired and guarantors are insolvent or guarantee not financially supported

It is the Parent Company's policy to maintain accurate and consistent risk ratings across the corporate credit portfolio. This facilitates a focused management of the applicable risk and the comparison of credit exposures across all lines of businesses, geographic regions, and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Parent Company's rating policy. The risk ratings are assessed and updated regularly.

The consumer loan portfolio of the Group is composed of the following product lines: credit cards, auto, mortgage, salary, personal and branch loans. Each of these products has established credit risk guidelines and systems for managing credit risk across all businesses. For credit cards, auto and mortgage loans, application and behavioral scoring models are in place that primarily consider demographic variables and payment behavior, respectively, for the assessment of the likelihood of default by the borrower. For the other consumer loans, minimum risk acceptance criteria were set for each portfolio according to the nature of the product and the target market and is used for the evaluation of the credit quality of borrowers at origination.

For purposes of comparison of different exposure types, the credit portfolios (corporate and consumer) of the Parent Company are benchmarked against marketable corporate debt securities (using the Standard & Poor's (S&P) global study on corporate exposures) based on credit risk rating and corresponding PDs (i.e., Investment Grade – BRR 1 to 4, Standard Grade – BRR 5, Substandard Grade – BRR 5B to 6, Nonperforming – BRR 7 to10).

The Parent Company assigns credit risk using the following credit score master scale:

Credit quality	Description	Credit rating
Investment Grade	These accounts are of the highest quality and are likely to meet financial obligations.	AAA to AA+ AA AA- A+ A A- BBB+ BBB
Standard Grade	These accounts may be vulnerable to adverse business, financial and economic conditions but are expected to meet financial obligations.	BBB- BB+ BB BB- B+ B B-
Substandard Grade	These accounts are vulnerable to non-payment but for which default has not yet occurred.	CCC+ to C-
Non-Performing	These refer to accounts which are in default or those that demonstrate objective evidence of impairment.	Default

External Ratings

The Group also uses external ratings, such as S&P's, Moody's, and Fitch, to evaluate its counterparties and in its assignment of credit risk weights to its banking book exposures. Transactions falling under this category are normally of the following nature: placements with other banks, money market lending, debt security investments, and to some extent, equity security investments.

Credit rating grades of gross carrying amounts of financial assets

The credit quality by class of the Group's loans and receivables (gross of allowance for credit losses and unamortized premium) as of December 31, 2020 and 2019 are as follows:

	2020			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Investment Grade	**₱18,275,811**	**₱1,924,952**	**₱–**	**₱20,200,763**
Standard Grade	**3,409,303**	**33,414,781**	**–**	**36,824,084**
Substandard Grade	**–**	**1,463**	**–**	**1,463**
Non-Performing	**–**	**–**	**2,139,417**	**2,139,417**
	21,685,114	**35,341,196**	**2,139,417**	**59,165,727**
Auto loans				
Investment Grade	**1,861,532**	**116,260**	**–**	**1,977,792**
Standard Grade	**31,334,217**	**35,256,262**	**–**	**66,590,479**
Substandard Grade	**684,099**	**8,532,872**	**–**	**9,216,971**
Non-Performing	**–**	**–**	**11,622,319**	**11,622,319**
	33,879,848	**43,905,394**	**11,622,319**	**89,407,561**
Credit cards				
Investment Grade	**3,216,792**	**–**	**–**	**3,216,792**
Standard Grade	**13,828,473**	**5,505,413**	**–**	**19,333,886**
Substandard Grade	**1,621,108**	**5,533,334**	**–**	**7,154,442**
Non-Performing	**–**	**–**	**1,774,299**	**1,774,299**
	18,666,373	**11,038,747**	**1,774,299**	**31,479,419**

	2020			
	Gross carrying amount			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Mortgage loans				
Investment Grade	**₱903,706**	**₱–**	**₱–**	**₱903,706**
Standard Grade	**5,739,198**	**6,864,648**	**–**	**12,603,846**
Substandard Grade	**6,023**	**7,263,520**	**–**	**7,269,543**
Non-Performing	**–**	**–**	**1,164,477**	**1,164,477**
	6,648,927	**14,128,168**	**1,164,477**	**21,941,572**
Other consumer loans**				
Investment Grade	**300,213**	**7,500**	**–**	**307,713**
Standard Grade	**29,645,401**	**323,669**	**–**	**29,969,070**
Substandard Grade	**2,259,134**	**1,578,350**	**–**	**3,837,484**
Non-Performing	**–**	**–**	**3,157,062**	**3,157,062**
	32,204,748	**1,909,519**	**3,157,062**	**37,271,329**
Unquoted debt securities				
Non-Performing	**–**	**–**	**335,668**	**335,668**
	–	**–**	**335,668**	**335,668**
Other receivables***				
Investment Grade	**623,618**	**28,140**	**–**	**651,758**
Standard Grade	**3,777,661**	**3,287,260**	**–**	**7,064,921**
Substandard Grade	**185,543**	**1,129,835**	**–**	**1,315,378**
Non-Performing	**-**	**-**	**2,113,674**	**2,113,674**
	4,586,822	**4,445,235**	**2,113,674**	**11,145,731**
Total	**₱117,671,832**	**₱110,768,259**	**₱22,306,916**	**₱250,747,007**

**Include Corporate loans, Emerging Enterprise Loaans and Branch Loans*
***Include DepEd loans, Employee loans, Salary loans, Personal loans,*
**** Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

	2019			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Investment Grade	₱9,554,163	₱71,285	₱–	₱9,625,448
Standard Grade	2,228,579	54,802,909	–	57,031,488
Non-Performing	–	–	4,002,312	4,002,312
	11,782,742	54,874,194	4,002,312	70,659,248
Auto loans				
Investment Grade	9,281,738	60,515	–	9,342,253
Standard Grade	62,358,272	14,583,686	–	76,941,958
Substandard Grade	–	3,370,718	–	3,370,718
Non-Performing	–	–	4,340,568	4,340,568
	71,640,010	18,014,919	4,340,568	93,995,497
Credit cards				
Investment Grade	6,879,207	7,870	–	6,887,077
Standard Grade	18,017,352	6,562,449	–	24,579,801
Substandard Grade	218,026	2,189,419	–	2,407,445
Non-Performing	–	–	1,389,553	1,389,553
	25,114,585	8,759,738	1,389,553	35,263,876
Mortgage loans				
Standard Grade	17,430,632	3,060,111	–	20,490,743
Substandard Grade	–	812,807	–	812,807
Non-Performing	–	–	970,893	970,893
	17,430,632	3,872,918	970,893	22,274,443
Other consumer loans**				
Investment Grade	189,825	1,889	–	191,714
Standard Grade	31,688,818	1,986,460	–	33,675,278
Substandard Grade	1,733,997	91,727	–	1,825,724
Non-Performing	–	–	2,827,848	2,827,848
	33,612,640	2,080,076	2,827,848	38,520,564
Unquoted debt securities				
Non-Performing			344,188	344,188
	–	–	344,188	344,188

	2019			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Other receivables* **				
Investment Grade	₱441,122	₱1,560	₱–	₱442,682
Standard Grade	766,240	1,401,154	–	2,167,394
Substandard Grade	86,083	621,618	–	707,701
Non-Performing	–	–	1,889,932	1,889,932
	1,673,207	2,024,332	1,889,932	5,207,709
Total	₱160,874,054	₱89,626,177	₱15,765,294	₱266,265,525

**Include Corporate loans and emerging enterprise loans*
***Include Branch loans, DepEd loans, Employee loans, Salary loans, Personal loans,*
**** Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

The credit quality by class of the Parent Company's loans and receivables (gross of allowance for credit losses and unamortized premium) as of December 31, 2020 and 2019 are as follows:

	2020			
	Gross carrying amount			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans*				
Investment Grade	**₱18,275,810**	**₱1,924,952**	**₱–**	**₱20,200,762**
Standard Grade	**3,389,172**	**33,414,695**	**–**	**36,803,867**
Substandard Grade	**–**	**1,463**	**–**	**1,463**
Non-Performing	**–**	**–**	**2,086,968**	**2,086,968**
	21,664,982	**35,341,110**	**2,086,968**	**59,093,060**
Auto loans				
Investment Grade	**1,861,532**	**116,260**	**–**	**1,977,792**
Standard Grade	**31,334,217**	**35,256,262**	**–**	**66,590,479**
Substandard Grade	**684,099**	**8,532,872**	**–**	**9,216,971**
Non-Performing	**–**	**–**	**11,622,319**	**11,622,319**
	33,879,848	**43,905,394**	**11,622,319**	**89,407,561**
Credit cards				
Investment Grade	**3,216,792**	**–**	**–**	**3,216,792**
Standard Grade	**13,828,473**	**5,505,413**	**–**	**19,333,886**
Substandard Grade	**1,621,108**	**5,533,334**	**–**	**7,154,442**
Non-Performing	**–**	**–**	**1,774,299**	**1,774,299**
	18,666,373	**11,038,747**	**1,774,299**	**31,479,419**
Mortgage loans				
Investment Grade	**903,706**	**–**	**–**	**903,706**
Standard Grade	**5,739,198**	**6,864,648**	**–**	**12,603,846**
Substandard Grade	**6,023**	**7,263,520**	**–**	**7,269,543**
Non-Performing	**–**	**–**	**1,164,477**	**1,164,477**
	6,648,927	**14,128,168**	**1,164,477**	**21,941,572**
Other Consumer Loans**				
Investment Grade	**1,402**	**489**	**–**	**1,891**
Standard Grade	**8,451,284**	**323,669**	**–**	**8,774,953**
Substandard Grade	**2,070,675**	**143,561**	**–**	**2,214,236**
Non-Performing	**–**	**–**	**1,194,552**	**1,194,552**
	10,523,361	**467,719**	**1,194,552**	**12,185,632**
Unquoted Debt Securities				
Non-Performing	**–**	**–**	**325,668**	**325,668**
	–	**–**	**325,668**	**325,668**
Other receivables* **				
Investment Grade	**592,399**	**28,140**	**–**	**620,539**
Standard Grade	**3,451,909**	**3,280,434**	**–**	**6,732,343**
Substandard Grade	**185,543**	**1,071,421**	**–**	**1,256,964**
Non-Performing	**–**	**–**	**2,112,870**	**2,112,870**
	4,229,851	**4,379,995**	**2,112,870**	**10,722,716**
Total	**₱95,613,342**	**₱109,261,133**	**₱20,281,153**	**₱225,155,628**

**Include Corporate loans, Emerging Enterprise Loaans and Branch Loans*
***Include DepEd loans, Employee loans, Salary loans, Personal loans,*
**** Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

	2019			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Investment Grade	₱9,554,163	₱71,285	₱–	₱9,625,448
Standard Grade	2,228,579	54,802,909	–	57,031,488
Non-Performing	–	–	3,923,176	3,923,176
	11,782,742	54,874,194	3,923,176	70,580,112
Auto loans				
Investment Grade	9,281,738	60,515	–	9,342,253
Standard Grade	62,358,272	14,583,686	–	76,941,958
Substandard Grade	–	3,370,718	–	3,370,718
Non-Performing	–	–	4,340,568	4,340,568
	71,640,010	18,014,919	4,340,568	93,995,497
Credit cards				
Investment Grade	6,879,207	7,870	–	6,887,077
Standard Grade	18,017,352	6,562,449	–	24,579,801
Substandard Grade	218,026	2,189,419	–	2,407,445
Non-Performing	–	–	1,389,553	1,389,553
	25,114,585	8,759,738	1,389,553	35,263,876
Mortgage loans				
Standard Grade	17,430,632	3,060,111	–	20,490,743
Substandard Grade	–	812,807	–	812,807
Non-Performing	–	–	970,893	970,893
	17,430,632	3,872,918	970,893	22,274,443
Other consumer loans**				
Investment Grade	19,119	599	–	19,718
Standard Grade	8,809,887	271,553	–	9,081,440
Substandard Grade	1,203,379	68,212	–	1,271,591
Non-Performing	–	–	1,052,051	1,052,051
	10,032,385	340,364	1,052,051	11,424,800
Unquoted debt securities				
Non-Performing	–	–	334,188	334,188
	–	–	334,188	334,188
Other receivables***				
Investment Grade	436,609	1,554	–	438,163
Standard Grade	751,953	1,315,018	–	2,066,971
Substandard Grade	69,439	543,570	–	613,009
Non-Performing	–	–	1,787,547	1,787,547
	1,258,001	1,860,142	1,787,547	4,905,690
Total	₱137,258,355	₱87,722,275	₱13,797,976	₱238,778,606

**Include Corporate loans, Emerging Enterprise Loaans and Branch Loans*
***Include DepEd loans, Employee loans, Salary loans, Personal loans,*
**** Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

The credit quality by class of the Group's financial assets other than loans and receivables (gross of allowance for credit losses) as of December 31, 2020 and 2019 are as follows:

	2020			
	Gross carrying amount			
Credit Score	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Due from BSP				
Investment Grade	**₱48,892,706**	**₱–**	**₱–**	**₱48,892,706**
	48,892,706	**–**	**–**	**48,892,706**
Due from other banks				
Investment Grade	**11,392,088**	**–**	**–**	**11,392,088**
	11,392,088	**–**	**–**	**11,392,088**
Interbank loans receivables and SPURA				
Investment Grade	**17,111,092**	**–**	**–**	**17,111,092**
	17,111,092	**–**	**–**	**17,111,092**

Credit Score	2020 Gross carrying amount Stage 1	Stage 2	Stage 3	Total
Financial assets at FVTPL				
Investment Grade	**₱7,523,592**	**₱–**	**₱–**	**₱7,523,592**
	7,523,592	**–**	**–**	**7,523,592**
Financial assets at FVTOCI				
Investment Grade	**28,671,446**	**–**	**–**	**28,671,446**
Standard Grade	**–**	**800,261**	**–**	**800,261**
	28,671,446	**800,261**	**–**	**29,471,707**
Investment securities at amortized cost				
Investment Grade	**19,177,099**	**–**	**–**	**19,177,099**
Standard Grade	**–**	**1,753,532**	**–**	**1,753,532**
	19,177,099	**1,753,532**	**–**	**20,930,631**
Other financial assets*				
Non-Performing	**–**	**–**	**421,695**	**421,695**
	–	**–**	**421,695**	**421,695**
Total	**₱132,768,023**	**₱2,553,793**	**₱421,695**	**₱135,743,511**

**Includes security deposits, derivative assets, downpayments and advanced payments, returned cash and other cash items (RCOCI)*

Credit Score	2019 Gross carrying amount Stage 1	Stage 2	Stage 3	Total
Due from BSP				
Investment Grade	₱34,287,302	₱–	₱–	₱34,287,302
	34,287,302	–	–	34,287,302
Due from other banks				
Investment Grade	3,404,019	–	–	3,404,019
	3,404,019	–	–	3,404,019
Interbank loans receivables and SPURA				
Investment Grade	2,691,882	–	–	2,691,882
	2,691,882	–	–	2,691,882
Financial assets at FVTPL				
Investment Grade	16,840,709	–	–	16,840,709
	16,840,709	–	–	16,840,709
Financial assets at FVTOCI				
Investment Grade	4,650,636	–	–	4,650,636
	4,650,636	–	–	4,650,636
Investment securities at amortized cost				
Investment Grade	48,820,301	–	–	48,820,301
Standard Grade	–	568,034		568,034
	48,820,301	568,034	–	49,388,335
Other financial assets*				
Non-Performing	–	–	471,074	471,074
	–	–	471,074	471,074
Total	₱110,694,849	₱568,034	₱471,074	₱111,733,957

**Includes security deposits, derivative assets, downpayments and advanced payments, returned cash and other cash items (RCOCI)*

The credit quality by class of the Parent Company's financial assets other than loans and receivables (gross of allowance for credit losses) as of December 31, 2020 and 2019 are as follows:

Credit Score	2020 Gross carrying amount Stage 1	Stage 2	Stage 3	Total
Due from BSP				
Investment Grade	**₱48,469,521**	**₱–**	**₱–**	**₱48,469,521**
	48,469,521	**–**	**–**	**48,469,521**
Due from other banks				
Investment Grade	**11,353,609**	**–**	**–**	**11,353,609**
	11,353,609	**–**	**–**	**11,353,609**

Credit Score	2020 Gross carrying amount Stage 1	Stage 2	Stage 3	Total
Interbank loans receivables and SPURA				
Investment Grade	**₱17,111,092**	**₱–**	**₱–**	**₱17,111,092**
	17,111,092	**–**	**–**	**17,111,092**
Financial assets at FVTPL				
Investment Grade	**7,523,592**	**–**	**–**	**7,523,592**
	7,523,592	**–**	**–**	**7,523,592**
Financial assets at FVTOCI				
Investment Grade	**28,671,446**	**–**	**–**	**28,671,446**
Standard Grade		**800,261**		**800,261**
	28,671,446	**800,261**	**–**	**29,471,707**
Investment securities at amortized cost				
Investment Grade	**17,560,288**	**–**	**–**	**17,560,288**
Standard Grade	**–**	**1,753,533**	**–**	**1,753,533**
	17,560,288	**1,753,533**	**–**	**19,313,821**
Other financial assets*				
Non-Performing	**–**	**–**	**416,689**	**416,689**
	–	**–**	**416,689**	**416,689**
Total	**₱130,689,548**	**₱2,553,794**	**₱416,689**	**₱133,660,031**

**Includes security deposits, derivative assets, downpayments and advanced payments, returned cash and other cash items (RCOCI)*

Credit Score	2019 Gross carrying amount Stage 1	Stage 2	Stage 3	Total
Due from BSP				
Investment Grade	₱33,590,486	₱–	₱–	₱33,590,486
	33,590,486	–	–	33,590,486
Due from other banks				
Investment Grade	3,324,495	–	–	3,324,495
	3,324,495	–	–	3,324,495
Interbank loans receivables and SPURA				
Investment Grade	2,691,881	–	–	2,691,881
	2,691,881	–	–	2,691,881
Financial assets at FVTPL				
Investment Grade	16,840,709	–	–	16,840,709
	16,840,709	–	–	16,840,709
Financial assets at FVTOCI				
Investment Grade	4,650,636	–	–	4,650,636
	4,650,636	–	–	4,650,636
Investment securities at amortized cost				
Investment Grade	48,820,301	–	–	48,820,301
Standard Grade	–	568,034		568,034
	48,820,301	568,034	–	49,388,335
Other financial assets*				
Non-Performing	–	–	467,813	467,813
	–	–	467,813	467,813
Total	₱109,918,508	₱568,034	₱467,813	₱110,954,355

**Includes security deposits, derivative assets, downpayments and advanced payments, returned cash and other cash items (RCOCI)*

Analysis of movements of gross carrying amounts

The movements in the Group's total loans and receivables (excluding unamortized premium and allowance for credit and impairment losses) in 2020 and 2019 follow:

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at beginning of year	**₱161,253,816**	**₱89,626,177**	**₱15,765,294**	**₱266,645,287**
Newly originated assets that remained in Stage 1 as at December 31, 2020	**48,947,432**	**–**	**–**	**48,947,432**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	**–**	**35,325,434**	**5,556,329**	**40,881,763**
Movements in receivable balance	**(51,474,499)**	**(47,703,478)**	**(2,613,258)**	**(101,791,235)**
Write-offs (Note 15)	**(288,895)**	**(196,227)**	**(3,451,118)**	**(3,936,240)**
Transfers from Stage 1	**(56,290,478)**	**50,145,679**	**6,144,799**	**–**
Transfers from Stage 2	**10,736,104**	**(17,015,462)**	**6,279,358**	**–**
Transfers from Stage 3	**4,788,352**	**586,136**	**(5,374,488)**	**–**
Others	**–**	**–**	**–**	**–**
Balance at end of year	**₱117,671,832**	**₱110,768,259**	**₱22,306,916**	**₱250,747,007**

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱170,975,004	₱62,755,022	₱12,486,242	₱246,216,268
Newly originated assets that remained in Stage 1 as at December 31, 2019	88,804,240	–	–	88,804,240
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	39,585,980	4,928,556	44,514,536
Movements in receivable balance	(69,623,600)	(35,070,326)	(4,789,223)	(109,483,149)
Write-offs (Note 15)	–	–	(3,386,116)	(3,386,116)
Transfers from Stage 1	(37,073,103)	32,893,909	4,179,194	–
Transfers from Stage 2	7,863,069	(10,879,365)	3,016,296	–
Transfers from Stage 3	308,206	340,957	(649,163)	–
Others	–	–	(20,492)	(20,492)
Balance at end of year	₱161,253,816	₱89,626,177	₱15,765,294	₱266,645,287

The breakdown of the total gross carrying amounts of the Group's loans and receivables (before taking into account any allowance for credit and impairment losses, and unamortized premium) in 2020 and 2019 is as follows:

	2020			
	Gross carrying amount			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans*				
Balance at beginning of year	**₱11,782,742**	**₱54,874,194**	**₱4,002,312**	**₱70,659,248**
Newly originated assets that remained in Stage 1 as at December 31, 2020	**12,595,968**	**–**	**–**	**12,595,968**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	**–**	**25,917,276**	**229,658**	**26,146,934**
Movements in receivable balance	**(10,890,538)**	**(38,366,708)**	**(841,316)**	**(50,098,562)**
Write-offs (Note 15)	**–**	**–**	**(137,861)**	**(137,861)**
Transfers from Stage 1	**(1,171,170)**	**1,000,205**	**170,965**	**–**
Transfers from Stage 2	**7,164,902**	**(8,083,771)**	**918,869**	**–**
Transfers from Stage 3	**2,203,210**	**–**	**(2,203,210)**	**–**
	21,685,114	**35,341,196**	**2,139,417**	**59,165,727**
Auto loans				
Balance at beginning of year	**71,640,010**	**18,014,919**	**4,340,568**	**93,995,497**
Newly originated assets that remained in Stage 1 as at December 31, 2020	**10,229,471**	**–**	**–**	**10,229,471**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	**–**	**4,735,486**	**1,936,908**	**6,672,394**
Movements in receivable balance	**(15,718,927)**	**(4,676,959)**	**(867,182)**	**(21,263,068)**
Write-offs (Note 15)	**–**	**–**	**(226,733)**	**(226,733)**

	2020			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Transfers from Stage 1	**(₱33,401,050)**	**₱29,720,943**	**₱3,680,107**	**₱–**
Transfers from Stage 2	**1,082,696**	**(4,019,012)**	**2,936,316**	**–**
Transfers from Stage 3	**47,648**	**130,017**	**(177,665)**	**–**
	33,879,848	**43,905,394**	**11,622,319**	**89,407,561**
Credit cards				
Balance at beginning of year	**25,114,585**	**8,759,738**	**1,389,553**	**35,263,876**
Newly originated assets that remained in Stage 1 as at December 31, 2020	**698,834**	**–**	**–**	**698,834**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	**–**	**215,981**	**51,032**	**267,013**
Movements in receivable balance	**(2,012,194)**	**(141,634)**	**(11,166)**	**(2,164,994)**
Write-offs (Note 15)	**(61,573)**	**(12,859)**	**(2,510,878)**	**(2,585,310)**
Transfers from Stage 1	**(6,917,446)**	**5,634,233**	**1,283,213**	**–**
Transfers from Stage 2	**1,820,204**	**(3,434,665)**	**1,614,461**	**–**
Transfers from Stage 3	**23,963**	**17,953**	**(41,916)**	**–**
	18,666,373	**11,038,747**	**1,774,299**	**31,479,419**
Mortgage loans				
Balance at beginning of year	**17,430,632**	**3,872,918**	**970,893**	**22,274,443**
Newly originated assets that remained in Stage 1 as at December 31, 2020	**–**	**–**	**–**	**-**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	**–**	**1,636,399**	**20,257**	**1,656,656**
Movements in receivable balance	**(1,499,371)**	**(311,079)**	**(179,077)**	**(1,989,527)**
Write-offs (Note 15)	**–**	**–**	**–**	**–**
Transfers from Stage 1	**(9,709,299)**	**9,477,209**	**232,090**	**–**
Transfers from Stage 2	**387,040**	**(683,760)**	**296,720**	**–**
Transfers from Stage 3	**39,925**	**136,481**	**(176,406)**	**–**
	6,648,927	**14,128,168**	**1,164,477**	**21,941,572**
Other consumer loans**				
Balance at beginning of year	**33,612,640**	**2,080,076**	**2,827,848**	**38,520,564**
Newly originated assets that remained in Stage 1 as at December 31, 2020	**19,762,400**	**–**	**–**	**19,762,400**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	**–**	**1,229,003**	**3,072,276**	**4,301,279**
Movements in receivable balance	**(21,303,945)**	**(2,452,068)**	**(642,934)**	**(24,398,947)**
Write-offs (Note 15)	**(227,322)**	**(183,368)**	**(503,277)**	**(913,967)**
Transfers from Stage 1	**(2,236,991)**	**1,543,475**	**693,516**	**–**
Transfers from Stage 2	**145,928**	**(587,266)**	**441,338**	**–**
Transfers from Stage 3	**2,452,038**	**279,667**	**(2,731,705)**	**–**
	32,204,748	**1,909,519**	**3,157,062**	**37,271,329**
Unquoted debt securities classified as loans and receivables				
Balance at beginning of year	**–**	**–**	**344,188**	**344,188**
Newly originated assets that remained in Stage 1 as at December 31, 2020	**–**	**–**	**–**	**–**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	**–**	**–**	**–**	**–**
Movements in receivable balance	**–**	**–**	**(8,520)**	**(8,520)**
Write-offs (Note 15)	**–**	**–**	**–**	**–**
Transfers from Stage 1	**–**	**–**	**–**	**–**
Transfers from Stage 2	**–**	**–**	**–**	**–**
Transfers from Stage 3	**–**	**–**	**–**	**–**
	–	**–**	**335,668**	**335,668**
Other receivables***				
Balance at beginning of year	**1,673,207**	**2,024,332**	**1,889,932**	**5,587,471**
Newly originated assets that remained in Stage 1 as at December 31, 2020	**5,660,759**	**–**	**–**	**5,660,759**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	**–**	**1,591,289**	**246,198**	**1,837,487**
Movements in receivable balance	**(49,524)**	**(1,755,030)**	**(63,063)**	**(1,867,617)**
Write-offs (Note 15)	**–**	**–**	**(72,369)**	**(72,369)**

	2020			
	Gross carrying amount			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Transfers from Stage 1	**(2,854,522)**	**2,769,614**	**84,908**	**–**
Transfers from Stage 2	**135,334**	**(206,988)**	**71,654**	**–**
Transfers from Stage 3	**21,568**	**22,018**	**(43,586)**	**–**
Others	**–**	**–**	**–**	**–**
	4,586,822	**4,445,235**	**2,113,674**	**11,145,731**
	₱117,671,832	**₱110,768,259**	**₱22,306,916**	**₱250,747,007**

**Include Corporate loans and emerging enterprise loans*
***Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans*
****Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

	2019			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Balance at beginning of year	₱44,499,389	₱27,725,855	₱708,121	₱72,933,365
Newly originated assets that remained in Stage 1 as at December 31, 2019	9,661,527	–	–	9,661,527
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	32,310,377	1,019,914	33,330,291
Movements in receivable balance	(23,201,266)	(21,976,984)	(87,685)	(45,265,935)
Write-offs (Note 15)	–	–	–	–
Transfers from Stage 1	(19,677,647)	17,442,939	2,234,708	–
Transfers from Stage 2	500,739	(628,412)	127,673	–
Transfers from Stage 3	–	419	(419)	–
	11,782,742	54,874,194	4,002,312	70,659,248
Auto loans				
Balance at beginning of year	55,703,011	18,947,035	3,147,676	77,797,722
Newly originated assets that remained in Stage 1 as at December 31, 2019	37,045,472	–	–	37,045,472
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	2,974,896	685,001	3,659,897
Movements in receivable balance	(15,244,675)	(7,571,699)	(1,347,740)	(24,164,114)
Write-offs (Note 15)	–	–	(343,480)	(343,480)
Transfers from Stage 1	(11,946,498)	11,312,699	633,799	–
Transfers from Stage 2	6,054,127	(7,652,763)	1,598,636	–
Transfers from Stage 3	28,573	4,751	(33,324)	–
	71,640,010	18,014,919	4,340,568	93,995,497
Credit cards				
Balance at beginning of year	20,546,567	9,139,337	1,254,595	30,940,499
Newly originated assets that remained in Stage 1 as at December 31, 2019	8,438,224	–	–	8,438,224
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	2,399,833	2,517,334	4,917,167
Movements in receivable balance	(2,727,506)	(3,320,805)	(687,780)	(6,736,091)
Write-offs (Note 15)	–	–	(2,295,923)	(2,295,923)
Transfers from Stage 1	(1,240,877)	895,888	344,989	–
Transfers from Stage 2	90,831	(356,770)	265,939	–
Transfers from Stage 3	7,346	2,255	(9,601)	–
	25,114,585	8,759,738	1,389,553	35,263,876
Mortgage loans				
Balance at beginning of year	₱16,025,290	₱3,533,818	₱731,750	₱20,290,858
Newly originated assets that remained in Stage 1 as at December 31, 2019	4,640,968	–	–	4,640,968
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	61,303	10,552	71,855
Movements in receivable balance	(1,945,746)	(555,659)	(227,808)	(2,729,213)
Write-offs (Note 15)	–	–	(25)	(25)
Transfers from Stage 1	(2,337,252)	2,233,310	103,942	–
Transfers from Stage 2	995,831	(1,406,797)	410,966	–
Transfers from Stage 3	51,541	6,943	(58,484)	–
	17,430,632	3,872,918	970,893	22,274,443

	2019			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Other consumer loans**				
Balance at beginning of year	₱32,752,364	₱1,507,710	₱3,565,206	₱37,825,280
Newly originated assets that remained in Stage 1 as at December 31, 2019	27,516,265	–	–	27,516,265
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	1,606,616	406,197	2,012,813
Movements in receivable balance	(25,444,991)	(1,338,294)	(1,317,940)	(28,101,225)
Write-offs (Note 15)	–	–	(732,569)	(732,569)
Transfers from Stage 1	(1,506,687)	673,657	833,030	–
Transfers from Stage 2	110,607	(402,734)	292,127	–
Transfers from Stage 3	185,082	33,121	(218,203)	–
	33,612,640	2,080,076	2,827,848	38,520,564
Unquoted debt securities classified as loans and receivables				
Balance at beginning of year	–	–	341,890	341,890
Newly originated assets that remained in Stage 1 as at December 31, 2019	–	–	–	–
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	–		
Movements in receivable balance	–	–	2,298	2,298
Write-offs (Note 15)	–	–	–	–
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
	–	–	344,188	344,188
Other receivables***				
Balance at beginning of year	1,448,383	1,901,267	2,737,004	6,086,654
Newly originated assets that remained in Stage 1 as at December 31, 2019	1,501,784	–	–	1,501,784
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	232,955.13	289,557.84	522,513
Movements in receivable balance	(1,059,416)	(306,885)	(1,122,568)	(2,488,869)
Write-offs (Note 15)	–	–	(14,119)	(14,119)
Transfers from Stage 1	(364,142)	335,416	28,726	–
Transfers from Stage 2	110,934	(431,889)	320,955	–
Transfers from Stage 3	35,664	293,468	(329,132)	–
Others	–	–	(20,492)	(20,492)
	1,673,207	2,024,332	1,889,932	5,587,471
Total	₱161,253,816	₱89,626,177	₱15,765,294	₱266,645,287

**Include Corporate loans and emerging enterprise loans*
***Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans*
****Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

The movements in the Parent Company's total loans and receivables (excluding unamortized premium and allowance for credit and impairment losses) in 2020 and 2019 follow:

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at beginning of year	**₱137,638,117**	**₱87,722,275**	**₱13,797,976**	**₱239,158,368**
Newly originated assets that remained in Stage 1 as at December 31, 2020	**34,323,875**	**–**	**–**	**34,323,875**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	**–**	**34,335,669**	**2,887,187**	**37,222,856**
Movements in receivable balance	**(34,458,874)**	**(45,192,505)**	**(2,094,882)**	**(81,746,261)**
Write-offs (Note 15)	**(288,895)**	**(196,227)**	**(3,318,088)**	**(3,803,210)**
Transfers from Stage 1	**(54,546,830)**	**48,798,883**	**5,747,947**	**–**
Transfers from Stage 2	**10,605,217**	**(16,519,727)**	**5,914,510**	**–**
Transfers from Stage 3	**2,340,732**	**312,765**	**(2,653,497)**	**–**
Others	**-**	**-**	**-**	**–**
Balance at end of year	**₱95,613,342**	**₱109,261,133**	**₱20,281,153**	**₱225,155,628**

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱149,647,779	₱61,570,581	₱10,170,238	₱221,388,598
Newly originated assets that remained in Stage 1 as at December 31, 2019	68,566,082	–	–	68,566,082
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	38,079,516	4,552,656	42,632,172
Movements in receivable balance	(52,247,336)	(34,217,037)	(3,702,530)	(90,166,903)
Write-offs (Note 15)	–	–	(3,241,089)	(3,241,089)
Transfers from Stage 1	(36,266,612)	32,575,211	3,691,401	–
Transfers from Stage 2	7,793,792	(10,605,461)	2,811,669	–
Transfers from Stage 3	144,412	319,465	(463,877)	–
Others	–	–	(20,492)	(20,492)
Balance at end of year	₱137,638,117	₱87,722,275	₱13,797,976	₱239,158,368

The breakdown of the total gross carrying amounts of the Parent Company's loans and receivables (before taking into account any allowance for credit and impairment losses and unamortized premium) in 2020 and 2019 is as follows:

	2020			
	Gross carrying amount			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans*				
Balance at beginning of year	**₱11,782,742**	**₱54,874,194**	**₱3,923,176**	**₱70,580,112**
Newly originated assets that remained in Stage 1 as at December 31, 2020	**12,591,649**	**–**	**–**	**12,591,649**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	**–**	**25,917,276**	**229,658**	**26,146,934**
Movements in receivable balance	**(10,906,664)**	**(38,366,480)**	**(814,630)**	**(50,087,774)**
Write-offs (Note 15)	**–**	**–**	**(137,861)**	**(137,861)**
Transfers from Stage 1	**(1,170,856)**	**999,891**	**170,965**	**–**
Transfers from Stage 2	**7,164,901**	**(8,083,771)**	**918,870**	**–**
Transfers from Stage 3	**2,203,210**	**–**	**(2,203,210)**	**–**
	21,664,982	**35,341,110**	**2,086,968**	**59,093,060**
Auto loans				
Balance at beginning of year	**71,640,010**	**18,014,919**	**4,340,568**	**93,995,497**
Newly originated assets that remained in Stage 1 as at December 31, 2020	**10,229,472**	**–**	**–**	**10,229,472**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	**–**	**4,735,486**	**1,936,907**	**6,672,393**
Movements in receivable balance	**(15,718,927)**	**(4,676,959)**	**(867,182)**	**(21,263,068)**
Write-offs (Note 15)	**-**	**–**	**(226,733)**	**(226,733)**
Transfers from Stage 1	**(33,401,050)**	**29,720,943**	**3,680,107**	**–**
Transfers from Stage 2	**1,082,696**	**(4,019,012)**	**2,936,316**	**–**
Transfers from Stage 3	**47,647**	**130,017**	**(177,664)**	**–**
	33,879,848	**43,905,394**	**11,622,319**	**89,407,561**
Credit cards				
Balance at beginning of year	**25,114,585**	**8,759,738**	**1,389,553**	**35,263,876**
Newly originated assets that remained in Stage 1 as at December 31, 2020	**698,834**	**–**	**–**	**698,834**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	**–**	**215,981**	**51,032**	**267,013**
Movements in receivable balance	**(2,012,194)**	**(141,634)**	**(11,166)**	**(2,164,994)**
Write-offs (Note 15)	**(61,573)**	**(12,859)**	**(2,510,878)**	**(2,585,310)**
Transfers from Stage 1	**(6,917,446)**	**5,634,233**	**1,283,213**	**–**
Transfers from Stage 2	**1,820,204**	**(3,434,665)**	**1,614,461**	**–**
Transfers from Stage 3	**23,963**	**17,953**	**(41,916)**	**–**
	18,666,373	**11,038,747**	**1,774,299**	**31,479,419**
Mortgage loans				
Balance at beginning of year	**17,430,632**	**3,872,918**	**970,893**	**22,274,443**
Newly originated assets that remained in Stage 1 as at December 31, 2020	**–**	**–**	**–**	**–**

	2020			
	Gross carrying amount			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	**–**	**1,636,399**	**20,257**	**1,656,656**
Movements in receivable balance	**(1,499,371)**	**(311,079)**	**(179,077)**	**(1,989,527)**
Write-offs (Note 15)	**–**	**–**	**–**	**–**
Transfers from Stage 1	**(9,709,299)**	**9,477,209**	**232,090**	**–**
Transfers from Stage 2	**387,040**	**(683,760)**	**296,720**	**–**
Transfers from Stage 3	**39,925**	**136,481**	**(176,406)**	**–**
	6,648,927	**14,128,168**	**1,164,477**	**21,941,572**
Other consumer loans**				
Balance at beginning of year	**10,032,385**	**340,364**	**1,052,051**	**11,424,800**
Newly originated assets that remained in Stage 1 as at December 31, 2020	**5,384,689**	**–**	**–**	**5,384,689**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	**–**	**251,433**	**353,810**	**605,243**
Movements in receivable balance	**(4,188,720)**	**(51,836)**	**(195,980)**	**(4,436,536)**
Write-offs (Note 15)	**(227,322)**	**(183,368)**	**(381,874)**	**(792,564)**
Transfers from Stage 1	**(499,428)**	**198,655**	**300,773**	**–**
Transfers from Stage 2	**16,414**	**(93,853)**	**77,439**	**–**
Transfers from Stage 3	**5,343**	**6,324**	**(11,667)**	**–**
	10,523,361	**467,719**	**1,194,552**	**12,185,632**
Unquoted debt securities classified as loans and receivables				
Balance at beginning of year	–	–	**334,188**	**334,188**
Newly originated assets that remained in Stage 1 as at December 31, 2020	–	–	–	–
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	–	–	–	–
Movements in receivable balance	–	–	**(8,520)**	**(8,520)**
Write-offs (Note 15)	–	–	–	–
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
	–	–	**325,668**	**325,668**
Other receivables***				
Balance at beginning of year	**1,637,763**	**1,860,142**	**1,787,547**	**5,285,452**
Newly originated assets that remained in Stage 1 as at December 31, 2020	**5,419,231**	**–**	**–**	**5,419,231**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2020	**–**	**1,579,094**	**295,523**	**1,874,617**
Movements in receivable balance	**(132,998)**	**(1,644,517)**	**(18,327)**	**(1,795,842)**
Write-offs (Note 15)	**-**	**-**	**(60,742)**	**(60,742)**
Transfers from Stage 1	**(2,848,751)**	**2,767,952**	**80,799**	**–**
Transfers from Stage 2	**133,962**	**(204,666)**	**70,704**	**–**
Transfers from Stage 3	**20,644**	**21,990**	**(42,634)**	**–**
Others	**–**	**–**	**–**	**–**
	4,229,851	**4,379,995**	**2,112,870**	**10,722,716**
	₱95,613,342	**₱109,261,133**	**₱20,281,153**	**₱225,155,628**

**Include Corporate loans and emerging enterprise loans*
***Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans*
****Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

	2019			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Balance at beginning of year	₱44,474,452	₱27,725,855	₱648,372	₱72,848,679
Newly originated assets that remained in Stage 1 as at December 31, 2019	9,648,297	–	–	9,648,297
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	32,310,377	1,019,914	33,330,291
Movements in receivable balance	(23,163,099)	(21,976,984)	(107,072)	(45,247,155)
Write-offs (Note 15)	–	–	–	–
Transfers from Stage 1	(19,677,647)	17,442,939	2,234,708	–
Transfers from Stage 2	500,739	(628,412)	127,673	–
Transfers from Stage 3	–	419	(419)	–
	11,782,742	54,874,194	3,923,176	70,580,112
Auto loans				
Balance at beginning of year	55,703,011	18,947,035	3,147,676	77,797,722
Newly originated assets that remained in Stage 1 as at December 31, 2019	37,045,472	–	–	37,045,472
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	2,974,896	685,001	3,659,897
Movements in receivable balance	(15,244,675)	(7,571,699)	(1,347,740)	(24,164,114)
Write-offs (Note 15)	–	–	(343,480)	(343,480)
Transfers from Stage 1	(11,946,498)	11,312,699	633,799	–
Transfers from Stage 2	6,054,127	(7,652,763)	1,598,636	–
Transfers from Stage 3	28,573	4,751	(33,324)	–
	71,640,010	18,014,919	4,340,568	93,995,497
Credit cards				
Balance at beginning of year	20,546,567	9,139,337	1,254,595	30,940,499
Newly originated assets that remained in Stage 1 as at December 31, 2019	8,438,224	–	–	8,438,224
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	2,399,833	2,517,334	4,917,167
Movements in receivable balance	(2,727,506)	(3,320,805)	(687,780)	(6,736,091)
Write-offs (Note 15)	–	–	(2,295,923)	(2,295,923)
Transfers from Stage 1	(1,240,877)	895,888	344,989	–
Transfers from Stage 2	90,831	(356,770)	265,939	–
Transfers from Stage 3	7,346	2,255	(9,601)	–
	25,114,585	8,759,738	1,389,553	35,263,876
Mortgage loans				
Balance at beginning of year	16,025,290	3,533,818	731,750	20,290,858
Newly originated assets that remained in Stage 1 as at December 31, 2019	4,640,968	–	–	4,640,968
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	61,303	10,552	71,855
Movements in receivable balance	(1,945,746)	(555,659)	(227,808)	(2,729,213)
Write-offs (Note 15)	–	–	(25)	(25)
Transfers from Stage 1	(2,337,252)	2,233,310	103,942	–
Transfers from Stage 2	995,831	(1,406,797)	410,966	–
Transfers from Stage 3	51,541	6,943	(58,484)	–
	17,430,632	3,872,918	970,893	22,274,443
Other consumer loans**				
Balance at beginning of year	₱11,532,534	₱461,540	₱1,385,872	₱13,379,946
Newly originated assets that remained in Stage 1 as at December 31, 2019	7,373,572	–	–	7,373,572
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	130,451	85,705	216,156
Movements in receivable balance	(8,239,991)	(485,293)	(226,501)	(8,951,785)
Write-offs (Note 15)	–	–	(593,089)	(593,089)
Transfers from Stage 1	(704,943)	355,584	349,359	–
Transfers from Stage 2	43,117	(133,649)	90,532	–
Transfers from Stage 3	28,096	11,731	(39,827)	–
	10,032,385	340,364	1,052,051	11,424,800

	2019			
	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities classified as loans and receivables				
Balance at beginning of year	₱–	₱–	₱341,890	₱341,890
Newly originated assets that remained in Stage 1 as at December 31, 2019	–	–	–	–
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	–		
Movements in receivable balance	–	–	(7,702)	(7,702)
Write-offs (Note 15)	–	–	–	–
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
	–	–	334,188	334,188
Other receivables****				
Balance at beginning of year	1,365,925	1,762,996	2,660,083	5,789,004
Newly originated assets that remained in Stage 1 as at December 31, 2019	1,419,549	–	–	1,419,549
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	202,656	234,150	436,806
Movements in receivable balance	(926,319)	(306,597)	(1,097,927)	(2,330,843)
Write-offs (Note 15)	–	–	(8,572)	(8,572)
Transfers from Stage 1	(359,395)	334,791	24,604	–
Transfers from Stage 2	109,147	(427,070)	317,923	–
Transfers from Stage 3	28,856	293,366	(322,222)	–
Others	–	–	(20,492)	(20,492)
	1,637,763	1,860,142	1,787,547	5,285,452
	₱137,638,117	₱87,722,275	₱13,797,976	₱239,158,368

**Include Corporate loans and emerging enterprise loans*
***Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans*
****Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

<u>Modification</u>

On March 25, 2020, President Rodrigo R. Duterte signed into law the *Bayanihan to Heal as One Act* (RA 11469), which grants the President special powers to address the COVID-19 outbreak in the country. Bayanihan Act 1 advisory on loan moratorium was applied to loan amortization from March 17 to May 31, 2020. The Group fully supported this law, providing its employees and customers with payment extension for loans with payment due dates during the ECQ cutting off the penalty fees and interest charges. With the favorable effect of Bayanihan Act 1 to the lives of our countrymen, in September 2020, Bayanihan to Recover as One Act or also known as Bayanihan 2 was followed and enacted. This covers loan payments for principal and interest, including amortizations, that fall due between September 15 to December 31, 2020.

The following terms and conditions included in the Bayanihan Act program were observed by the Bank:

1. Availment of the grace period shall have a corresponding loan maturity date extension equivalent to the availed grace period;
2. Payments were not processed on qualified accounts during the grace period. Auto-debit arrangements were suspended and post-dated checks were either rescheduled later (Bayanihan Act 1) or cancelled (Bayanihan Act 2).
3. The loan will not incur any late payment charges during the grace period; and
4. Due to payment deferrals, there shall be accrual of interest on the unpaid principal portion of the loans which shall be added to the loan's outstanding balance. Any remaining unpaid amount resulting from the deferment of the loan payments during the grace period shall be due together with the last monthly amortization.

In 2020, the Parent Company, in addition to the reliefs provided under Bayanihan 1 Act and Bayanihan 2 Act, has offered financial reliefs to its borrowers/counterparties as a response to the effect of the COVID-19 pandemic. These relief measures included special payment deferment programs and loan restructuring.

Based on the Group's assessment, the modifications in the contractual cash flows as a result of the payment moratorium above are not significant and therefore do not result in the derecognition of the affected loans. The impact of loan modification amounted to a loss of ₱2.72 billion for the Group and Parent Company. For the year ended December 31, 2020, the gross and net impact of the loan modifications, after deducting accretion for this year (i.e. after the accretion of the modified loans) amounted to a loss of ₱2.45 billion for the Group and Parent Company.

Credit Risk Weighting as of December 31, 2020, and 2019

Total credit risk exposure after risk mitigation
The table below shows the different credit risk exposures of the Group and of the Parent Company after credit risk mitigation, by risk weight applied in accordance with BSP Circular No. 538:

	Consolidated							
	2020							
	Capital	**Risk Buckets**						
	Deduction	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Total**
Credit risk exposure after risk mitigation	**₱12,769,756**	**₱78,473,165**	**₱ 5,844,787**	**₱ 55,837,112**	**₱12,298,983**	**₱216,084,065**	**₱11,868,878**	**₱380,406,990**
On-balance sheet assets	–	–	–	–	–	**2,459,771**	–	**2,459,771**
Off-balance sheet assets	–	–	–	**575,668**	–	–	–	**575,668**
Counterparty in the banking book (derivatives and repo-style transactions)	–	–	–	–	–	–	–	**0**
Counterparty in the trading book (derivatives and repo-style transactions)	–	–	–	–	–	–	–	**0**
Credit-linked notes in the banking book	–	–	–	–	–	–	–	**0**
Securitization exposures	–	–	–	–	–	–	–	–
	₱12,769,756	**₱78,473,165**	**₱5,844,787**	**₱56,412,780**	**₱12,298,983**	**₱218,543,836**	**₱11,868,878**	**₱383,442,429**
Credit Risk Weighted Assets	**₱–**	**₱–**	**₱1,168,957**	**₱28,206,390**	**₱ 9,224,237**	**₱218,543,836**	**₱17,803,317**	**₱274,946,738**

	Consolidated							
	2019							
	Capital	Risk Buckets						
	Deduction	0%	20%	50%	75%	100%	150%	Total
Credit risk exposure after risk mitigation								
On-balance sheet assets	₱11,609,246	₱57,435,164	₱6,210,279	₱39,773,465	₱14,761,346	₱235,077,023	₱9,593,811	₱362,851,088
Off-balance sheet assets	–	–	–	–	–	3,557,318	–	3,557,318
Counterparty in the banking book (derivatives and repo-style transactions)	–	–	–	6,765,843	–	–	–	6,764,843
Counterparty in the trading book (derivatives and repo-style transactions)	–	–	–	–	–	–	–	–
Credit-linked notes in the banking book	–	–	–	–	–	–	–	–
Securitization exposures	–	–	–	–	–	–	–	–
	11,609,246	57,435,164	6,210,279	46,539,308	14,761,346	238,634,341	9,593,811	373,173,249
Credit Risk Weighted Assets	₱–	₱–	₱1,242,056	₱23,269,654	₱11,071,010	₱238,634,341	₱14,390,717	₱288,607,277

	Parent Company							
	2020							
	Capital	Risk Buckets						
	Deduction	**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Total**
Credit risk exposure after risk mitigation	**₱16,833,594**	**₱ 77,977,245**	**₱ 5,844,764**	**₱55,837,112**	**₱ 12,298,983**	**₱ 190,457,380**	**₱ 11,177,337**	**₱353,592,823**
On-balance sheet assets	–	–	–	**-**	–	**2,459,771**	–	**2,459,771**
Off-balance sheet assets	–	–	–	**575,668**	–	–	–	**575,668**
Counterparty in the banking book (derivatives and repo-style transactions)	–	–	–	–	–	–	–	–
Counterparty in the trading book (derivatives and repo-style transactions)	–	–	–	–	–	–	–	–
Credit-linked notes in the banking book	–	–	–	–	–	–	–	–
Securitization exposures	–	–	–	–	–	–	–	–
	₱16,833,594	**₱77,977,245**	**₱ 5,844,764**	**₱56,412,782**	**₱ 12,298,983**	**₱ 192,917,151**	**₱11,177,337**	**₱356,628,262**
Credit Risk Weighted Assets	–	–	**₱ 1,168,953**	**₱28,206,390**	**₱ 9,224,237**	**₱ 192,917,151**	**₱16,766,005**	**₱248,282,737**

	Parent Company							
	2019							
	Capital	Risk Buckets						
	Deduction	0%	20%	50%	75%	100%	150%	Total
Credit risk exposure after risk mitigation								
On-balance sheet assets	₱13,872,545	₱56,639,974	₱6,207,698	₱39,773,465	₱14,758,120	₱211,515,466	₱7,755,980	₱336,650,703
Off-balance sheet assets	–	–	–	–	–	3,557,318	–	3,557,318
Counterparty in the banking book (derivatives and repo-style transactions)	–	–	–	6,764,843	–	–	–	6,764,843
Counterparty in the trading book (derivatives and repo-style transactions)	–	–	–	–	–	–	–	–
Credit-linked notes in the banking book	–	–	–	–	–	–	–	–
Securitization exposures	–	–	–	–	–	–	–	–
	13,872,545	56,639,974	6,207,698	46,538,308	14,758,120	215,072,784	7,755,980	346,972,864
Credit Risk Weighted Assets	₱–	₱–	₱1,241,540	₱23,269,154	₱11,068,590	₱215,072,784	₱11,633,970	₱₱262,286,038

Liquidity Risk

Liquidity risk is the risk that sufficient funds are unavailable to adequately meet all maturing liabilities, including demand deposits and off-balance sheet commitments. The main responsibility of daily asset liability management lies with the Parent Company's Treasury Group, specifically the Liquidity Desk, which are tasked to manage the balance sheet and have thorough understanding of the risk elements involved in the respective businesses. Only the Parent Company and EWRB are potentially exposed to liquidity risk exposures, where their liquidity risk management are monitored by their respective ALCOs. Resulting analysis of the balance sheet along with the recommendation is presented during the weekly ALCO meeting where deliberations, formulation of actions and decisions are made to minimize risk and maximize returns. Discussions include actions taken in the previous ALCO meeting, economic and market status and outlook, liquidity risk, pricing and interest rate structure, limit status and utilization. To ensure that both the Parent Company and EWRB have sufficient liquidity at all times, the respective ALCO formulates a contingency funding plan which sets out the amount and the sources of funds (such as unutilized credit facilities) available to both entities and the circumstances under which such funds will be used.

By way of the Maximum Cumulative Outflow (MCO) limit, the Group is able to manage its long-term liquidity risks by placing a cap on the outflow of cash on a cumulative basis. The Group takes a multi-tiered approach to maintaining liquid assets. The Group's principal source of liquidity is comprised of Cash and other cash items, Due from BSP, Due from other banks and Interbank loans receivables and SPURA with maturities of less than one year. In addition to regulatory reserves, the Parent Company maintains a sufficient level of secondary reserves in the form of liquid assets such as short-term trading and investment securities that can be realized quickly.

Analysis of financial assets and liabilities by remaining contractual maturities
The tables below present the maturity profile of the financial assets and liabilities of the Group and of the Parent Company (reflected in thousands) which it uses to manage its liquidity risk. It is based on its internal methodology to determine the expected date the financial asset will be realized, or the financial liability will be settled. This is done through cash flow measurement and projections using contractual undiscounted cash flows or derived from the behavioral assumptions for the assets or liabilities. This approach is used to properly estimate future cash flows and enable the Group to proactively manage its liquidity requirement.

	Consolidated						
	2020						
	On demand	**Up to 1 month**	**>1 to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**Beyond 1 year**	**Total**
Financial Assets							
Cash and cash equivalents*	**₱50,153,480**	**₱35,811,092**	**₱–**	**₱–**	**₱–**	**₱–**	**₱85,964,572**
Investments and trading securities**	**–**	**22,452,377**	**4,472,043**	**1,401,939**	**637,478**	**49,465,770**	**78,429,607**
Loans and receivables***	**–**	**29,241,457**	**21,368,067**	**20,431,855**	**34,879,526**	**175,180,006**	**281,100,911**
Other assets	**–**	**140,536**	**–**	**–**	**–**	**281,159**	**421,695**
	50,153,480	**87,645,462**	**25,840,110**	**21,833,794**	**35,517,004**	**224,926,935**	**445,916,785**
Financial Liabilities							
Deposit liabilities****	**210,745,306**	**75,923,595**	**19,437,740**	**5,364,401**	**1,630,580**	**20,066,669**	**333,168,291**
Bills and acceptances payable	**678,795**	**5,578,412**	**7,367**	**179**	**13,412**	**126,091**	**6,404,256**
Bonds payable	**–**	**13,875**	**27,750**	**41,625**	**83,250**	**3,885,559**	**4,052,059**
Subordinated debt	**–**	**5,729**	**11,458**	**17,188**	**34,375**	**1,636,098**	**1,704,848**
Lease liability	**–**	**152,624**	**177,179**	**260,215**	**518,306**	**3,037,817**	**4,146,141**
Other liabilities	**26,786**	**587,167**	**–**	**–**	**4,529,275**	**40,794**	**5,184,022**
Contingent liabilities*****	**–**	**5,745,731**	**9,375,179**	**6,144,218**	**2,773,621**	**1,127**	**24,039,876**
	₱211,450,887	**₱88,007,133**	**₱29,036,673**	**₱11,827,826**	**₱9,582,819**	**₱28,794,155**	**₱378,699,493**

* Consist of cash and cash other items, due from BSP, due from other banks and Interbank loans receivables and SPURA
** Consist of financial assets at FVTPL, investment securities at amortized cost, financial assets at FVTOCI and interest receivables from investment securities at amortized cost
*** Consist of loans and receivables, sales contract receivables, bills purchased, accrued interest receivables, accounts receivables, and unearned discounts classified as financial assets
**** Consist of demand and savings deposit, time certificate of deposit, long term negotiable certificates of deposit and interest payable for these deposit liabilities
***** Consists of interest rate swap receivables, forecasted utilization from credit cards lines, and forecasted utilization from CBG credit lines

	Consolidated						
	2019						
	On demand	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	Beyond 1 year	Total
Financial Assets							
Cash and cash equivalents*	₱45,850,939	₱2,079,796	₱–	₱–	₱–	₱–	₱47,930,735
Investments and trading securities**	–	16,798,853	4,767,752	965,046	1,917,694	81,422,000	105,871,345
Loans and receivables***	–	38,312,283	28,706,658	25,139,779	36,810,868	185,288,850	314,258,438
Other assets	–	202,744	–	–	–	268,330	471,074
	₱45,850,939	₱57,393,676	₱33,474,410	₱26,104,825	₱38,728,562	₱266,979,180	₱468,531,592
Financial Liabilities							
Deposit liabilities****	₱186,785,419	₱41,474,984	₱33,948,750	₱3,016,758	₱10,414,946	₱50,579,214	₱326,220,071
Bills and acceptances payable	36,823	29,950,625	979,817	–	–	–	30,967,265
Subordinated debt	–	5,005,729	11,459	17,188	34,375	1,714,063	6,782,814
Lease liability	–	95,882	181,290	269,204	506,353	2,834,572	3,887,301
Other liabilities	135,461	642,712	–	–	4,138,426	42,571	4,959,170
Contingent liabilities*****	–	6,400,485	13,388,913	5,660,493	1,830,080	–	27,279,971
	₱186,957,703	₱83,570,417	₱48,510,229	₱8,963,643	₱16,924,180	₱55,170,420	₱400,096,592

* Consist of cash and cash other items, due from BSP, due from other banks and Interbank loans receivables and SPURA
** Consist of financial assets at FVTPL, investment securities at amortized cost, financial assets at FVTOCI and interest receivables from investment securities at amortized cost
*** Consist of loans and receivables, sales contract receivables, bills purchased, accrued interest receivables, accounts receivables, unearned discounts and other assets classified as financial assets
**** Consist of demand and savings deposit, time certificate of deposit, long term negotiable certificates of deposit and interest payable for these deposit liabilities
***** Consists of interest rate swap receivables, forecasted utilization from credit cards lines, and forecasted utilization from CBG credit lines

	Parent Company						
	2020						
	On demand	**Up to 1 month**	**>1 to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**Beyond 1 year**	**Total**
Financial Assets							
Cash and cash equivalents*	**₱49,199,254**	**₱35,811,092**	**₱–**	**₱–**	**₱–**	**₱–**	**₱85,010,346**
Investments and trading securities**	**–**	**22,452,377**	**4,472,043**	**1,401,939**	**637,478**	**47,848,994**	**76,812,831**
Loans and receivables***	**–**	**28,279,690**	**19,615,638**	**17,858,088**	**29,533,521**	**157,615,732**	**252,902,669**
Other assets	**–**	**140,536**	**–**	**–**	**–**	**276,153**	**416,689**
	49,199,254	**86,683,695**	**24,087,681**	**19,260,027**	**30,170,999**	**205,740,879**	**415,142,535**
Financial Liabilities							
Deposit liabilities****	**208,911,973**	**58,482,299**	**17,878,785**	**5,349,714**	**1,628,138**	**20,066,669**	**312,317,579**
Bills and acceptances payable	**678,795**	**5,578,412**	**7,367**	**179**	**13,412**	**126,091**	**6,404,255**
Bonds Payable	**–**	**13,875**	**27,750**	**41,625**	**83,250**	**3,885,559**	**4,052,059**
Subordinated debt	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Lease liability	**–**	**143,855**	**159,866**	**235,164**	**468,591**	**2,723,878**	**3,731,354**
Other liabilities	**26,786**	**587,167**	**–**	**–**	**4,214,609**	**40,974**	**4,869,536**
Contingent liabilities*****	**–**	**5,745,731**	**9,375,179**	**6,144,218**	**2,773,621**	**1,127**	**24,039,876**
	₱209,617,554	**₱70,551,339**	**₱27,448,947**	**₱11,770,900**	**₱9,181,621**	**₱26,844,298**	**₱355,414,479**

* Consist of cash and cash other items, due from BSP, due from other banks and Interbank loans receivables and SPURA
** Consist of financial assets at FVTPL, investment securities at amortized cost, financial assets at FVTOCI and interest receivables from investment securities at amortized cost
*** Consist of loans and receivables, sales contract receivables, bills purchased, accrued interest receivables, accounts receivables, unearned discounts and other assets classified as financial assets
**** Consist of demand and savings deposit, time certificate of deposit, long term negotiable certificates of deposit and interest payable for these deposit liabilities
***** Consists of interest rate swap receivables, forecasted utilization from credit cards lines, and forecasted utilization from CBG credit lines

	Parent Company						
	2019						
	On demand	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	Beyond 1 year	Total
Financial Assets							
Cash and cash equivalents*	₱44,214,077	₱2,199,796	₱–	₱–	₱–	₱–	₱46,413,873
Investments and trading securities**	–	16,798,853	4,767,752	965,046	1,917,694	81,422,000	105,871,345
Loans and receivables***	–	37,353,958	26,829,878	22,346,587	31,261,862	165,824,323	283,616,608
Other assets	–	202,743	–	–	–	265,070	467,813
	₱44,214,077	₱56,555,350	₱31,597,630	₱23,311,633	₱33,179,556	₱247,511,393	₱436,369,639
Financial Liabilities							
Deposit liabilities****	₱165,741,479	₱41,474,984	₱33,948,750	₱3,016,758	₱10,414,946	₱50,579,214	₱305,176,131
Bills and acceptances payable	36,823	29,950,625	979,817	–	–	–	30,967,265
Subordinated debt	–	5,000,000	–	–	–	–	5,000,000
Lease liability		85,797	171,189	254,053	476,051	2,674,581	3,661,671
Other liabilities	111,694	546,084	–	–	3,542,869	42,571	4,243,218
Contingent liabilities*****	–	6,400,485	13,388,913	5,660,493	1,830,080	–	27,279,971
	₱165,889,996	₱83,457,975	₱48,488,669	₱8,931,304	₱16,263,946	₱53,296,366	₱376,328,256

* Consist of cash and cash other items, due from BSP, due from other banks and Interbank loans receivables and SPURA
** Consist of financial assets at FVTPL, investment securities at amortized cost, financial assets at FVTOCI and interest receivables from investment securities at amortized cost
*** Consist of loans and receivables, sales contract receivables, bills purchased, accrued interest receivables, accounts receivables, unearned discounts and other assets classified as financial assets
**** Consist of demand and savings deposit, time certificate of deposit, long term negotiable certificates of deposit and interest payable for these deposit liabilities
***** Consists of interest rate swap receivables, forecasted utilization from credit cards lines, and forecasted utilization from CBG credit lines

The Parent Company manages liquidity by maintaining sufficient liquid assets in the form of cash and cash equivalents, investment securities and loan receivables. As of December 31, 2020, and 2019, ₱111.11 billion (44.65%) and ₱117.79 billion (42.92%) respectively, of the Parent Company's total gross loans and receivables had remaining maturities of less than one (1) year. The total portfolio of trading and investment securities is comprised mostly of sovereign-issued securities that have high market liquidity. With the above presented liquidity profile, the Group remains to be inhibited from liquidity risk that it cannot adequately manage.

Market Risk
Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Parent Company treats exposures to market risk as either for trading or accrual or balance sheet exposure. The market risk for the trading portfolio is measured using Value at Risk (VaR). Interest rate risk of accrual portfolios in the Banking Book are measured using Earnings at Risk (EaR).

Market risk in the trading book
The BOD has set limits on the level of market risk that may be accepted. VaR limits are applied at the instrument level and approved by the BOD based on, among other things, a business unit's capacity to manage price risks, the size and distribution of the aggregate exposure to price risks and the expected return relative to price risks.

The Parent Company applies the VaR methodology to assess the market sensitive positions held for trading and to estimate the potential economic loss based on parameters and assumptions. VaR is a method used in measuring market risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon.

Objectives and limitations of the VaR Methodology
The Parent Company uses the VaR model of Bloomberg Portfolio Analytics using one-year historical data set to assess possible changes in the market value of the fixed income, equities, and foreign exchange trading portfolio. VaR for the US treasury futures is measured using Historical Simulation using an internally developed Excel spreadsheet. The interest rate swaps (IRS) and foreign exchange (FX) forwards (outright and forward leg of FX Swaps) trading portfolio's interest rate risk is measured using Monte Carlo VaR using OPICS Risk Plus System.

The VaR models are designed to measure market risk in a normal market environment. The use of VaR has limitations because correlations and volatilities in market prices are based on historical data and VaR assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated.

VaR may also be under or overestimated due to assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, VaR only represents the risk of the portfolio at the close of each business day, and it does not account for any losses that may occur beyond the specified confidence level.

In practice, actual trading results will differ from the VaR calculation and the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR model, actual outcomes are monitored through hypothetical and actual backtesting to test the accuracy of the VaR model.

Stress testing provides a means of complementing VaR by simulating the potential loss impact on market risk positions from extreme market conditions, such as risk factor movements based on historical financial market stress conditions and scenarios adopted from the uniform stress testing framework of the BSP.

VaR assumptions
The VaR that the Parent Company uses majority of its trading exposures is at 99% confidence level, while FX uses a confidence level of 90% with a premise that this potential loss estimate is not expected to be exceeded if the current market risk positions were to be held unchanged for a given holding period. Foreign exchange and US Treasury Futures VaR is measured using one (1) day holding period while fixed income VaR has a holding period of five (5) days. Furthermore, the Parent Company's equity and IRS trading positions are assumed to be closed out in ten (10) days. The use of a 99% confidence level means that within the set time horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days.

VaR is an integral part of the Parent Company's market risk management and encompasses investment positions held for trading. VaR exposures form part of the market risk monitoring which is reviewed daily against the limit approved by the BOD. The trading activities are controlled through the Market Risk Limit (MRL), which is a dynamic risk limit anchored on the principle of risk and return which is adjusted by net trading gains (added in half) or losses subtracted in whole. RMD reports compliance to the MRL and trader's VaR limits daily. If the MRL or individual trader's limit is exceeded, such occurrence is promptly reported to the Treasurer, President, Chief Risk Officer and the Chief Executive Officer, and further to the BOD through the RMC.

The table below pertains to interest rate risk of the Parent Company's fixed income trading portfolio:

	2020	2019
Year-end VaR	**₱408,051**	₱773,557
Average VaR	**633,071**	321,085
Highest VaR	**952,048**	880,070
Lowest VaR	**186,625**	16,371

The year-end VaR for 2020 was based on the Parent Company's fixed income trading book valued at ₱9.48 billion with average yields of 3.46% and 3.32% for the peso and foreign currency denominated bonds, respectively. Its average maturities are 9 years and 5 months for the peso portfolio and 18 years and 8 months for the foreign currency portfolio.

The year-end VaR for 2019 was based on the Parent Company's fixed income trading book valued at ₱21.44 billion with average yields of 4.66% and 3.15% for the peso and foreign currency denominated bonds, respectively. Its average maturities are 9 years and 8 months for the peso portfolio and 18 years and 9 months for the foreign currency portfolio.

The market risk in the Parent Company's US treasury futures trading positions is shown in the table below:

	2020	2019
Year-end VaR	**₱2,254**	₱5,576
Average VaR	**12,234**	6,471
Highest VaR	**89,329**	58,042
Lowest VaR	**2,152**	3,126

The market risk in the Parent Company's IRS trading positions is shown in the table below:

	2020	2019
Year-end VaR	**₱4,181**	₱11,799
Average VaR	**8,744**	9,766
Highest VaR	**25,039**	12,318
Lowest VaR	**2,979**	7,695

The Parent Company's end-2020 and end-2019 IRS positions have a notional amount of US$20.00 million where it pays fixed rate and receives floating rate interest.

The interest rate risk in the Parent Company's FX forwards positions is shown in the table below:

	2020	2019
Year-end VaR	**₱396**	₱735
Average VaR	**802**	582
Highest VaR	**2,993**	1,849
Lowest VaR	**–**	80

Foreign Currency Risk
The Parent Company holds foreign currency denominated assets and liabilities, thus, foreign exchange rate fluctuations can affect the financials and cash flows of the Parent Company. Managing the foreign exchange exposure is important for banks with exposures in foreign currencies. For the Parent Company, this includes purchase or sell of foreign currency to control the impact of changes in exchange rates on its financial position.

The table below pertains to the foreign exchange risk of the Parent Company:

	2020	2019
Year-end VaR	**₱15,009**	₱7,229
Average VaR	**10,251**	8,022
Highest VaR	**15,009**	17,889
Lowest VaR	**4,918**	1,807

The Parent Company's foreign currency exposures emanate from its net open spot and forward FX purchase and sell transactions and net foreign currency income accumulated over the years of its operations. Foreign currency-denominated deposits are generally used to fund the Parent Company's foreign currency-denominated loan and investment portfolios in the FCDU.

In the FCDU books, BSP requires banks to match the foreign currency assets with the foreign currency liabilities. Thus, banks are required to maintain at all times a 100.00% cover for their foreign currency liabilities held through FCDU.

Total foreign currency position is monitored through the daily BSP FX position reports, which are subject to the overbought and oversold limits set by the BSP at 20.00% of unimpaired capital or US$50.00 million, whichever is lower. Internal limits regarding the intraday trading and end-of-day trading positions in FX, which consider the trading desk and the branch FX transactions, are also monitored.

The tables below summarize the exposure to foreign currencies of the Parent Company as of December 31, 2020 and 2019:

	2020					
	USD	**SGD**	**JPY**	**EUR**	**Other Currencies***	**Total**
Assets						
Gross FX assets	**$1,195,048**	**$1,431**	**$8,151**	**$102,586**	**$28,051**	**$1,335,267**
Contingent FX assets	**48,861**	**–**	**–**	**2,448**	**2,757**	**$54,066**
	1,243,909	**1,431**	**8,151**	**105,034**	**30,808**	**1,389,333**
Liabilities						
Gross FX liabilities	**1,081,212**	**1,905**	**5,412**	**82,417**	**30,148**	**$1,201,094**
Contingent FX liabilities	**171,941**	**–**	**2,008**	**23,258**	**74**	**$197,281**
	1,253,153	**1,905**	**7,420**	**105,675**	**30,222**	**1,398,375**
Net exposure	**($9,244)**	**($474)**	**$731**	**($641)**	**$586**	**($9,042)**

**Other currencies include GBP, HKD, AUD, CNY and NZD.*

	2019					
	USD	SGD	JPY	EUR	Other Currencies*	Total
Assets						
Gross FX assets	$1,167,384	$967	$5,759	$5,338	$6,492	$1,185,940
Contingent FX assets	61,550	–	–	–	15,003	76,553
	1,228,934	967	5,759	5,338	21,495	1,262,493
Liabilities						
Gross FX liabilities	1,120,216	1,501	8,217	6,710	22,315	1,158,959
Contingent FX liabilities	116,067	–	37	–	–	116,104
	1,236,283	1,501	8,254	6,710	22,315	1,275,063
Net exposure	($7,349)	($534)	($2,495)	($1,372)	($820)	($12,570)

The Parent Company's positions in other currencies are not individually significant.

The tables below indicate the sensitivity of the currencies which the Parent Company had significant exposures as of December 31, 2020 and 2019:

Foreign currency appreciates	**2020**			
(depreciates)	**USD**	**SGD**	**JPY**	**EUR**
+10.00%	**(₱44,391)**	**(₱2,278)**	**₱3,509**	**(₱3,077)**
-10.00%	**₱44,391**	**₱2,278**	**(₱3,509)**	**₱3,077**

Foreign currency appreciates	2019			
(depreciates)	USD	SGD	JPY	EUR
+10.00%	(₱37,209)	(₱2,704)	(₱12,634)	(₱6,948)
-10.00%	₱37,209	₱2,704	₱12,634	₱6,948

The analysis calculates the effect of a reasonably possible movement of the foreign currency rate against Peso, with all other variables held constant, on the statement of income. A negative amount reflects a potential net reduction in statement of income while a positive amount reflects a net potential increase. There is no other impact on the Parent Company's equity other than those already affecting the statements of income.

Market Risk in the Banking Book

Interest rate risk
Interest rate risk in the banking book (IRRBB) is inherent in the Groups' traditional banking activities that include taking deposits to invest or grant loans. The future cash flows from these activities are exposed to variations in interest rates, largely from mismatch in tenors and prices, IRRBB is measured with Earnings-at-Risk (EaR) which is a measure of the net interest income movement due to changes in prevailing interest rates and the balance sheet re-pricing profile of the Group. The EaR limit is set as a function of the Group's net interest margin (NIM). The EaR limit preserves the Group's capital and competitive position by restricting the impact of interest rate sensitivities to NIM within the corridor of above average and within the first quartile of its peer banks. In measuring EaR, the Group's interest re-pricing assets and liabilities are matched by re-pricing (or maturity if non-repricing) buckets covering tenors within a one-year horizon, and corresponding gaps determined. If positive gap is noted, it implies that an increase in interest rates will positively affect the net interest income. Conversely, a negative gap implies that an increase in interest rates will negatively affect the net interest income. The estimated nominal impact to the Bank's earnings is derived by multiplying the volatility of benchmark yields for each tenor bucket to the repricing gap profile. The result is compared vs EaR limit to monitor the compliance with the limit and is reported to the RMC on a monthly basis. Additionally, EaR limit is reviewed and updated annually to ensure its continued relevance and alignment with the Group's financial targets, strategies, and overall risk appetite.

To complement EaR and provide Management a more holistic view, the Group performs forward looking scenario and sensitivity analysis as well as stress testing activities to identify any vulnerabilities. The Bank employs three (3) methodologies in the conduct of stress testing a) economic/historical stress test which assumes a parallel shift in interest yield curves of 660.00 basis points for PhP-denominated assets and liabilities and 270.00 basis points for USD-denominated, b) uniform stress test, a regulatory-prescribed stress test, has three (3) scenarios with assumed parallel shift in interest rates for both PhP (from 300.00 bps to 500.00 bps) and USD (from 100.00 bps to 300.00 bps), c) reverse stress test, which primarily measures the highest swing in interest rates that can potentially wipe out the Banks targeted net income and net interest income.

All IRRBB reports are also presented to the ALCO. The ALCO deliberates on matters pertaining to the management of the Bank's assets and liabilities, such as achieving optimum asset and liability mix, pricing, liquidity levels, repricing gap positions, and asset quality. The Bank's ALCO meets on a weekly basis.

The Bank manages its IRRBB through effective diversification of funding sources. By offering various deposit, investment and loan products with differing maturities, the Bank is able to meet its short, medium and long-term obligations, optimize returns, and provide options that cater to differing preferences of its target market. The Bank's target funding mix is aligned with the Bank's overall growth plans. While the Bank mainly manages IRRBB through careful planning of its cashflows, it also has access to various derivative products that provide flexibility in responding to more abrupt market developments.

The following tables provide for the average interest rates by period of re-pricing (or by period of maturity if there is no re-pricing) of the Group as of December 31, 2020 and 2019:

	2020				
	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>12 months
RBU					
Financial assets:					
Cash and cash equivalents*	1.73%	–	–	–	–
Investment securities**	4.09%	–	4.88%	–	6.49%
Loans and receivables	5.92%	7.40%	11.00%	12.50%	12.47%
Financial liabilities:					
Deposit liabilities	0.84%	0.95%	1.38%	2.16%	1.35%
Bills payable and SSURA	–	–	–	–	–
Bonds payable	–	–	–	–	4.50%
Subordinated debt	–	–	–	–	5.50%
FCDU					
Financial assets:	0.05%	–	–	–	–
Cash and cash equivalents*	0.51%	–	4.88%	2.88%	4.42%
Investment securities**	2.54%	4.17%	3.75%	4.00%	7.52%
Loans and receivables					
Financial liabilities:					
Deposit liabilities	0.93%	1.12%	1.07%	1.34%	2.42%
Bills payable and SSURA	0.30%	–	–	–	–

**Pertain to Due from BSP, Due from other banks, Interbank loans receivables and SPURA*
***Pertain to financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost*

	2019				
	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>12 months
RBU					
Financial assets:					
Cash and cash equivalents*	4.02%	–	–	–	–
Investment securities**	6.02%	–	–	–	6.08%
Loans and receivables	6.43%	7.37%	5.84%	11.04%	16.91%
Financial liabilities:					
Deposit liabilities	3.05%	3.31%	3.67%	3.17%	3.73%
Bills payable and SSURA	4.50%				
Subordinated debt	5.50%	–	–	–	5.50%
FCDU					
Financial assets:					
Cash and cash equivalents*	1.55%	–	–	–	–
Investment securities**	3.83%	3.95%	–	–	5.23%
Loans and receivables	2.91%	3.75%	4.81%	4.00%	7.31%
Financial liabilities:					
Deposit liabilities	1.71%	1.86%	2.38%	2.19%	2.49%
Bills payable and SSURA	2.23%	2.21%	–	–	–

The following tables provide for the average interest rates by period of re-pricing (or by period of maturity if there is no re-pricing) of the Parent Company as of December 31, 2020 and 2019:

	2020				
	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>12 months
RBU					
Financial assets:					
Cash and cash equivalents*	1.73%	–	–	–	–
Investment securities**	4.09%	–	4.88%	–	6.41%
Loans and receivables	5.93%	7.56%	11.16%	12.76%	13.52%
Financial liabilities:					
Deposit liabilities	0.71%	0.88%	1.37%	1.67%	1.40%
Bills payable and SSURA	–	–	–	–	–
Bonds payable	–	–	–	–	4.50%
Subordinated debt	–	–	–	–	–

(Forward)

	2020				
	Up to 1 month	**>1 month to 3 months**	**>3 months to 6 months**	**>6 months to 12 months**	**>12 months**
FCDU					
Financial assets:					
Cash and cash equivalents*	**0.05%**	–	–	–	–
Investment securities**	**0.51%**	–	**4.88%**	**2.88%**	**4.42%**
Loans and receivables	**2.54%**	**4.17%**	**3.75%**	**4.00%**	**7.52%**
Financial liabilities:					
Deposit liabilities	**0.93%**	**1.12%**	**1.07%**	**1.34%**	**2.42%**
Bills payable and SSURA	**0.30%**	–	–	–	–

**Pertain to Due from BSP, Due from other banks, Interbank loans receivables and SPURA*
***Pertain to financial assets at FVTPL, financial assets at FVOCI and investment securities at amortized cost*

	2019				
	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>12 months
RBU					
Financial assets:					
Cash and cash equivalents*	4.02%	–	–	–	–
Investment securities**	6.02%	–	–	–	6.08%
Loans and receivables	6.43%	7.36%	5.74%	12.09%	19.55%
Financial liabilities:					
Deposit liabilities	2.94%	3.18%	3.68%	3.18%	4.08%
Bills payable and SSURA	4.50%	–	–	–	–
Subordinated debt	5.50%	–	–	–	–
FCDU					
Financial assets:					
Cash and cash equivalents*	1.55%	–	–	–	–
Investment securities**	3.83%	3.95%	–	–	5.23%
Loans and receivables	2.91%	3.75%	4.81%	4.00%	7.31%
Financial liabilities:					
Deposit liabilities	1.71%	1.86%	2.38%	2.19%	2.49%
Bills payable and SSURA	2.23%	2.21%	–	–	–

The following tables set forth the interest rate re-pricing gap of the Group as of December 31, 2020 and 2019:

	2020					
	Up to 1 month	**> 1 to 3 months**	**> 3 to 6 months**	**>6 to 12 months**	**>12 months**	**Total**
Financial assets:						
Cash and cash equivalents	**₱35,811,092**	**₱–**	**₱–**	**₱–**	**₱–**	**₱35,811,092**
Investment securities	**22,507,107**	**4,482,697**	**1,414,036**	**637,596**	**27,685,678**	**56,727,114**
Loans and receivables	**31,574,160**	**11,652,638**	**12,893,252**	**24,033,418**	**104,597,587**	**184,751,055**
Contingent assets*	–	**960,460**	–	–	–	**960,460**
Total financial assets	**89,892,359**	**17,095,795**	**14,307,288**	**24,671,014**	**132,283,265**	**278,249,721**
Financial liabilities:						
Deposit liabilities	**108,749,784**	**20,405,711**	**5,520,432**	**1,157,895**	**18,189,523**	**154,023,345**
Bills payable and SSURA	**3,491,024**	–	–	–	–	**3,491,024**
Bonds Payable	–	–	–	–	**3,677,434**	**3,677,434**
Subordinated debt	–	–	–	–	**1,250,000**	**1,250,000**
Other Liabilities	–	–	–	–	**14,589**	**14,589**
Contingent liabilities**	–	–	–	–	**960,460**	**960,460**
Total financial liabilities	**112,240,808**	**20,405,711**	**5,520,432**	**1,157,895**	**24,092,006**	**163,416,852**
Asset-liability gap	**(₱22,348,449)**	**(₱3,309,916)**	**₱8,786,856**	**₱23,513,119**	**₱108,191,259**	**₱114,832,869**

* *Consist of interest rate swap receivables*
** *Consist of interest rate swap payables*

	2019					
	Up to 1 month	> 1 to 3 months	> 3 to 6 months	>6 to 12 months	>12 months	Total
Financial assets:						
Cash and cash equivalents	₱2,691,882	₱–	₱–	₱–	₱–	₱2,691,882
Investment securities	16,799,979	434,286	–	–	54,219,537	71,453,802
Loans and receivables	37,841,333	4,446,187	10,453,784	6,476,761	154,111,407	213,329,472
Contingent assets*	–	759,525	253,175	–	–	1,012,700
Total financial assets	57,333,194	5,639,998	10,706,959	6,476,761	208,330,944	288,487,856
Financial liabilities:						
Deposit liabilities	83,447,163	47,388,399	16,084,590	2,193,420	13,828,598	162,942,170
Bills payable and SSURA	29,950,625	962,306	–	–	–	30,912,931
Subordinated debt	5,000,000	–	–	–	1,250,000	6,250,000
Contingent liabilities**	–	–	–	–	1,012,700	1,012,700
Total financial liabilities	118,397,788	48,350,705	16,084,590	2,193,420	16,091,298	201,117,801
Asset-liability gap	(₱61,064,594)	(₱42,710,707)	(₱5,377,631)	₱4,283,341	₱192,239,646	₱87,370,055

* *Consist of interest rate swap receivables*
** *Consist of interest rate swap payables*

The following tables set forth the interest rate re-pricing gap of the Parent Company as of December 31, 2020 and 2019:

	2020					
	Up to 1 month	**> 1 to 3 months**	**> 3 to 6 months**	**>6 to 12 months**	**>12 months**	**Total**
Financial assets:						
Cash and cash equivalents	**₱35,811,092**	**₱–**	**₱–**	**₱–**	**₱–**	**₱35,811,092**
Investment securities	**22,507,106**	**4,482,697**	**1,414,037**	**637,596**	**26,068,868**	**55,110,304**
Loans and receivables	**30,617,975**	**9,931,470**	**10,411,083**	**19,057,523**	**90,944,913**	**160,962,964**
Contingent assets*	**–**	**960,460**	**–**	**–**	**–**	**960,460**
Total financial assets	**88,936,173**	**15,374,627**	**11,825,120**	**19,695,119**	**117,013,781**	**252,844,820**
Financial liabilities:						
Deposit liabilities	**91,556,737**	**18,846,206**	**5,478,373**	**1,156,910**	**18,189,523**	**135,227,749**
Bills payable and SSURA	**3,491,024**	**–**	**–**	**–**	**–**	**3,491,024**
Bonds payable	**–**	**–**	**–**	**–**	**3,677,434**	**3,677,434**
Subordinated debt	**–**	**–**	**–**	**–**	**–**	**–**
Other Liabilities	**–**	**–**	**–**	**–**	**14,589**	**14,589**
Contingent liabilities**	**–**	**–**	**–**	**–**	**960,460**	**960,460**
Total financial liabilities	**95,047,761**	**18,846,206**	**5,478,373**	**1,156,910**	**22,842,006**	**143,371,256**
Asset-liability gap	**(₱6,111,588)**	**(₱3,471,579)**	**₱6,346,747**	**₱18,538,209**	**₱94,171,775**	**₱109,473,564**

* *Consist of interest rate swap receivables*
** *Consist of interest rate swap payables*

	2019					
	Up to 1 month	> 1 to 3 months	> 3 to 6 months	>6 to 12 months	>12 months	Total
Financial assets:						
Cash and cash equivalents	₱2,691,882	₱–	₱–	₱–	₱–	₱2,691,882
Investment securities	16,799,979	434,286	–	–	54,219,537	71,453,802
Loans and receivables	37,779,375	4,368,482	10,253,023	5,402,435	129,095,210	186,898,525
Contingent assets*	–	759,525	253,175	–	–	1,012,700
Total financial assets	57,271,236	5,562,293	10,506,198	5,402,435	183,314,747	262,056,909
Financial liabilities:						
Deposit liabilities	72,259,561	38,094,374	16,044,566	2,186,793	13,828,598	142,413,892
Bills payable and SSURA	29,950,652	962,306	–	–	–	30,912,931
Subordinated debt	5,000,000	–	–	–	–	5,000,000
Contingent liabilities**	–	–	–	–	1,012,700	1,012,700
Total financial liabilities	107,210,186	39,056,680	16,044,566	2,186,793	14,841,298	179,339,523
Asset-liability gap	(₱49,938,950)	(₱33,494,387)	(₱5,538,368)	₱3,215,642	₱168,473,449	₱82,717,386

* *Consist of interest rate swap receivables*
** *Consist of interest rate swap payables*

The Group also monitors its exposure to fluctuations in interest rates by using scenario analysis to estimate the impact of interest rate movements on its interest income. This is done by modeling the impact to the Group's interest income and interest expenses of different parallel changes in the interest rate curve, assuming the parallel change only occurs once and the interest rate curve after the parallel change does not change again for the next twelve months.

The following table sets forth, for the period indicated, the impact of changes in interest rates on the Group's non-trading net interest income. There is no other impact on the Group's equity other than those already affecting the statements of income.

Change in basis points	**2020**	2019
+100.00 bps	**(₱128,055)**	(₱964,027)
-100.00 bps	**128,055**	964,027

The following table sets forth, for the period indicated, the impact of changes in interest rates on the Parent Company's non-trading net interest income. There is no other impact on the Parent Company's equity other than those already affecting the statements of income.

Change in basis points	**2020**	2019
+100.00 bps	**(₱1,487)**	(₱784,277)
-100.00 bps	**1,487**	784,277

Market Risk Weighting as of December 31, 2020 and 2019

The table below shows the different market risk-weighted assets of the Parent Company using the standardized approach which is based on the standard weight per segment or asset class:

Type of Market Risk Exposure	**2020**	2019
Interest rate exposures	**₱8,228,142**	₱13,388,521
Foreign exchange exposures	**513,712**	286,768
	₱8,741,854	₱13,675,289

Only the Parent Company has a trading book portfolio.

Operational Risk

Operational risk is the loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal, compliance and reputational risks but excludes strategic risk.

Adopting the Basic Indicator Approach below, where computation is based on the 15.00% of the average gross income for the past three years, it shows the total operational risk-weighted assets of the Group and Parent Company.

	2020	2019
Group	**₱48,685,454**	₱44,636,287
Parent Company	**₱44,976,695**	₱40,694,212

Other Risk Exposures

Group risk exposures other than credit, market, liquidity and operational, while existent, are deemed insignificant relative to the mentioned risks and if taken in isolation. Hence, management of these risks are instead collectively performed and made an integral part of the Group's internal capital adequacy assessment process (ICAAP) and enterprise risk management initiatives.

5. **Fair Value Measurement**

The Group has assets and liabilities in the consolidated and Parent Company statements of financial position that are measured at fair value on a recurring and non-recurring basis after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized on the statements of financial position at the end of the year. These include financial assets and liabilities at FVTPL and Financial assets at FVTOCI.

The methods and assumptions used by the Group in estimating the fair values of the financial instruments are:

Cash and other cash items, due from BSP and other banks, Interbank loans receivables and SPURA and accrued interest receivables – The carrying amounts approximate their fair values in view of the relatively short-term maturities of these instruments.

Debt securities - Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using the discounted cash flow methodology.

Equity securities - Fair values of quoted equity securities are based on quoted market prices.

Derivative instruments (presented as other financial assets and liabilities in 'Other assets' and 'Other liabilities') - Fair values of derivative instruments, mainly currency forwards and swaps and interest rate swaps, are valued using a valuation technique using market observable inputs. The valuation technique applied includes forward pricing and swap models using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates, yield curves of the respective currencies and interest rate curves prevailing at the statement of financial position date. For futures, these are valued considering the prevailing futures prices on the exchange as of the statement of financial position date.

Receivable from customers and unquoted debt securities classified as loans - Fair values of loans and receivables are estimated using the discounted cash flow methodology, using the Group's current incremental lending rates for similar types of loans and receivables.

Accounts receivable, sales contract receivable and other financial assets included in other assets – quoted market prices are not readily available for these assets. These are reported at cost and are not significant in relation to the Group's total portfolio of securities

Investment properties – Fair value of investment properties are determined by independent or in-house appraisers using the market data approach. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made, and comparability of similar properties sold with the property being valued. Significant unobservable inputs in determining fair values include the following:

- **Location**: Location of comparative properties whether on a main road, or secondary road. Road width could als o be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
- **Size**: Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
- **Time element**: An n adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time, in which case, the current data is superior to historic data.

- **Discount**: Generally, asking prices in advertisements posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

Deposit liabilities (demand, savings and time) – For demand and savings deposit, carrying amounts approximate fair values considering that these are due and demandable. Fair value of time deposit liabilities is estimated using the discounted cash flow methodology using the Group's incremental borrowing rates for similar borrowing with maturities consistent with those for the liabilities being valued.

LTNCDs and subordinated debt - Fair values of LTNCD and subordinated debt are estimated using adjusted quoted market prices of comparable investments. The adjustments on market quoted prices are unobservable inputs.

Bonds Payable – Fair value of Bonds Payable are measured using the Present Value (PV) of the computed cash flows by the PV factor.

Lease Liabilities – Fair value of lease liabilities are measured using the Bloomberg valuation (Bval) rate as of the reporting period plus the spread which is the derived difference between the actual market rate and the Bval rate.

Bills and acceptances payable, cashier's checks and demand draft payable – Carrying amounts approximate fair values due to the short-term nature of the accounts.

Other financial liabilities included in 'Other liabilities' – Quoted market prices are not readily available for these liabilities. These are reported at cost and are not significant in relation to the Group's total portfolio.

The following tables provide the fair value hierarchy of the Group's and of the Parent Company's assets and liabilities measured at fair value and those for which fair values are required to be disclosed:

	Consolidated				
	2020				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
Government securities	**₱7,475,347**	**₱7,475,347**	**₱7,475,347**	**₱–**	**₱–**
Private bonds	**37,907**	**37,907**	**37,907**	–	–
Equity securities	**10,338**	**10,338**	**10,338**	–	–
	7,523,592	**7,523,592**	**7,523,592**	**-**	
Derivative assets*	**30,037**	**30,037**		**30,037**	–
Financial assets at FVTOCI:					
Government securities	**29,021,536**	**29,021,536**	**29,021,536**	–	–
Private bonds	**450,170**	**450,170**	**450,170**	–	–
Equity Securties	**1**	**1**	**1**	–	–
	29,471,707	**29,471,707**	**29,471,707**	–	–
	37,025,336	**37,025,336**	**36,995,299**	**30,037**	**-**

	Consolidated				
	2020				
		Fair Value			
	Carrying Value	**Total**	**Quoted Prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	**₱14,842,794**	**₱17,504,706**	**₱17,504,706**	**₱–**	**₱–**
Private bonds	**6,056,905**	**6,882,745**	**6,882,745**	**–**	**–**
	20,899,699	**24,387,451**	**24,387,451**	**–**	**–**
Loans and receivables					
Receivable from customers:					
Corporate lending	**57,753,293**	**62,098,219**	**–**	**–**	**62,098,219**
Consumer lending	**176,062,128**	**229,498,619**	**–**	**–**	**229,498,619**
Unquoted debt securities	**258,617**	**335,668**	**–**	**–**	**335,668**
Other receivables	**9,642,391**	**11,145,731**	**–**	**–**	**11,145,731**
	243,716,429	**303,078,237**	**–**	**–**	**303,078,237**
Other financial assets	**391,658**	**391,658**	**–**	**–**	**391,658**
Non-financial assets					
Investment properties	**981,147**	**2,011,997**			**2,011,997**
	₱303,014,269	**₱366,894,679**	**₱61,382,750**	**₱30,037**	**₱305,481,892**
Financial liabilities					
Derivative liabilities**	**₱97,042**	**₱97,042**	**₱–**	**₱97,042**	**₱–**
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Demand	**106,938,343**	**106,938,343**	**–**	**–**	**106,938,343**
Savings	**121,848,341**	**121,848,341**	**–**	**–**	**121,848,341**
Time	**87,846,290**	**88,107,593**	**–**	**–**	**88,107,593**
LTNCD	**12,422,976**	**15,507,275**	**–**	**–**	**15,507,275**
	329,055,950	**332,401,552**	**–**	**–**	**332,401,552**
Lease liability	**3,466,742**	**3,565,459**	**–**	**–**	**3,565,459**
Bills and acceptances payable and SSURA	**3,568,803**	**3,568,803**	**–**	**–**	**3,568,803**
Bonds payable	**3,677,434**	**3,705,248**	**–**	**–**	**3,705,248**
Subordinated debt	**1,240,785**	**1,465,592**	**–**	**–**	**1,465,592**
	₱341,106,756	**₱344,803,696**	**₱–**	**₱97,042**	**₱344,706,654**

**Presented under 'Other Assets'*
***Presented under 'Other Liabilities'*

	Consolidated				
	2019				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
Government securities	₱16,768,178	₱16,768,178	₱16,768,178	–	–
Private bonds	62,188	62,188	62,188	–	–
Equity securities	10,343	10,343	10,343	–	–
	16,840,709	16,840,709	16,840,709	–	–
Derivative assets*	104,313	104,313	–	104,313	–
Financial assets at FVTOCI:					
Government securities	4,650,635	4,650,635	4,650,635	–	–
Equity securities	1	1	1	–	–
	4,650,636	4,650,636	4,650,636	–	–
	21,595,658	21,595,658	21,491,345	104,313	–

	Consolidated				
	2019				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities measured at fair value					
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	40,244,099	44,358,323	44,358,323	–	–
Private bonds	9,141,971	10,060,962	10,060,962	–	–
	49,386,070	54,419,285	54,419,285	–	–
Loans and receivables					
Receivable from customers:					
Corporate lending	69,323,969	71,898,694	–	–	71,898,694
Consumer lending	188,996,450	251,055,596	–	–	251,055,596
Unquoted debt securities	264,515	344,188	–	–	344,188
Other receivables	5,587,471	5,587,471	–	–	5,587,471
	264,172,405	328,885,949	–	–	328,885,949
Other financial assets	366,761	366,761	–	–	366,761
Non-financial assets					
Investment properties	949,138	1,590,237	–	–	1,590,237
	₱336,470,032	₱406,857,890	₱75,910,630	₱104,313	₱330,842,947
Financial liabilities					
Derivative liabilities**	₱128,004	₱128,004	₱–	₱128,004	₱–
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Demand	88,757,787	88,757,787	–	–	88,757,787
Savings	98,027,632	98,027,632	–	–	98,027,632
Time	104,605,705	108,535,667	–	–	108,535,667
LTNCD	13,335,031	13,371,600	–	–	13,371,600
	304,726,155	308,692,686	–	–	308,692,686
Lease liability	3,302,981	3,507,684	–	–	3,507,684
Bills and acceptances payable and SSURA	30,949,753	30,949,753	–	–	30,949,753
Subordinated debt	6,219,011	6,134,819	–	–	6,134,819
	₱345,325,904	₱349,412,946	₱–	₱128,004	₱349,284,942

**Presented under 'Other Assets'*
***Presented under 'Other Liabilities'*

	Parent Company				
	2020				
		Fair Value			
	Carrying Value	**Total**	**Quoted Prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
Government securities	**₱7,475,347**	**₱7,475,347**	**₱7,475,347**	**₱–**	**₱–**
Private bonds	**37,907**	**37,907**	**37,907**	**–**	**–**
Equity securities	**10,338**	**10,338**	**10,338**	**–**	**–**
	7,523,592	**7,523,592**	**7,523,592**	**–**	**–**
Derivative assets*	**30,037**	**30,037**	**–**	**30,037**	**–**
Financial assets at FVTOCI:					
Government securities	**29,021,536**	**29,021,536**	**29,021,536**	**–**	**–**
Private bonds	**450,170**	**450,170**	**450,170**	**–**	**–**
Equity securities	**1**	**1**	**1**		
	29,471,707	**29,471,707**	**29,471,707**	**–**	**–**
	37,025,336	**37,025,336**	**36,995,299**	**30,037**	**–**

	Parent Company				
	2020				
		Fair Value			
	Carrying Value	**Total**	**Quoted Prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	**₱13,225,984**	**₱15,854,248**	**₱15,854,248**	**₱–**	**₱–**
Private bonds	**6,056,905**	**6,882,745**	**6,882,745**	**–**	**–**
	19,282,889	**22,736,993**	**22,736,993**	**–**	**–**
Loans and receivables					
Receivable from customers:					
Corporate lending	**57,681,160**	**62,021,565**	**–**	**–**	**62,021,565**
Consumer lending	**152,722,282**	**200,459,462**	**–**	**–**	**200,459,462**
Unquoted debt securities	**258,617**	**325,668**	**–**	**–**	**325,668**
Other receivables	**9,256,455**	**10,722,716**	**–**	**–**	**10,722,716**
	219,918,514	**273,529,411**	**–**	**–**	**273,529,411**
Other financial assets	**386,652**	**386,652**	**–**	**–**	**386,652**
Non-financial assets					
Investment properties	**979,914**	**2,008,762**	**–**	**–**	**2,008,762**
	₱277,593,305	**₱335,687,154**	**₱59,732,292**	**₱30,037**	**₱275,924,825**
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities**	**₱97,042**	**₱97,042**	**₱–**	**₱97,042**	**₱–**
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Demand	**107,609,113**	**107,609,113**	**–**	**–**	**107,609,113**
Savings	**101,302,860**	**101,302,860**	**–**	**–**	**101,302,860**
Time	**87,846,290**	**88,107,593**	**–**	**–**	**88,107,593**
LTNCD	**12,422,976**	**15,507,275**	**–**	**–**	**15,507,275**
	309,181,239	**312,526,841**	**–**	**–**	**312,526,841**
Lease liability	**3,105,100**	**3,193,172**	**–**	**–**	**3,193,172**
Bills and acceptances payable and SSURA	**3,568,803**	**3,568,803**	**–**	**–**	**3,568,803**
Bonds payable	**3,677,434**	**3,705,248**	**–**	**–**	**3,705,248**
	₱319,629,618	**₱323,091,106**	**₱–**	**₱97,042**	**₱322,994,064**

**Presented under 'Other Assets'*
***Presented under 'Other Liabilities'*

	Parent Company				
	2019				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL:					
Government securities	₱16,768,178	₱16,768,178	₱16,768,178	₱–	₱–
Private bonds	62,188	62,188	62,188	–	–
Equity securities	10,343	10,343	10,343	–	–
	16,840,709	16,840,709	16,840,709	–	–
Derivative assets*	104,313	104,313	–	104,313	–
Financial assets at FVTOCI:					
Government securities	4,650,635	4,650,635	4,650,635	–	–
Equity securities	1	1	1	–	–
	4,650,636	4,650,636	4,650,636	–	–
	21,595,658	21,595,658	21,491,345	104,313	–

	Parent Company 2019				
		Fair Value			
	Carrying Value	Total	Quoted Prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed					
Financial assets					
Investment securities at amortized cost:					
Government securities	₱40,244,099	₱44,358,323	₱44,358,323	₱–	₱–
Private bonds	9,141,971	10,060,962	10,060,962	–	–
	49,386,070	54,419,285	54,419,285	–	–
Loans and receivables					
Receivable from customers:					
Corporate lending	69,378,774	71,898,694	–	–	71,898,694
Consumer lending	167,961,011	223,576,484	–	–	223,576,484
Unquoted debt securities	264,515	334,188	–	–	334,188
Other receivables	4,255,100	5,587,471	–	–	5,587,471
	241,859,400	301,396,837	–	–	301,396,837
Other financial assets	363,500	363,500	–	–	363,500
Non-financial assets					
Investment properties	947,836	1,586,848	–	–	1,586,848
	₱314,152,634	₱379,362,128	₱75,910,630	₱104,313	₱303,347,185
Liabilities measured at fair value					
Financial liabilities					
Derivative liabilities**	₱128,004	₱128,004	₱–	₱128,004	₱–
Liabilities for which fair values are disclosed					
Financial liabilities					
Deposit liabilities					
Demand	₱89,587,063	₱89,587,063	₱–	₱–	₱89,587,063
Savings	76,154,416	76,154,416	–	–	76,154,416
Time	104,605,705	108,535,667	–	–	108,535,667
LTNCD	13,335,031	13,371,600	–	–	13,371,600
	283,682,215	287,648,746			287,648,746
Lease liability	3,121,443	3,312,669			3,312,669
Bills and acceptances payable and SSURA	30,949,753	30,949,753			30,949,753
Subordinated debt	4,979,340	4,979,340	–	–	4,979,340
	₱322,860,755	₱327,018,512	₱–	₱128,004	₱326,890,508

**Presented under 'Other Assets'*
***Presented under 'Other Liabilities'*

In 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Derivative Financial Instruments

The Parent Company's freestanding derivative financial instruments, which mainly consist of foreign currency forwards, foreign currency swaps, US Treasury futures and interest rate swaps, are transactions not designated as accounting hedges. The tables below set out information about the Parent Company's derivative financial instruments and their related fair values as of December 31, 2020 and 2019:

Interest Rate Swaps	**2020**	2019
Notional amount	**$20,000**	$20,000
Derivative assets	**₱21,930**	₱96,212
Derivative liabilities	**92,147**	114,995

Futures	**2020**	2019
Notional amount	**$16,993**	$23,877
Derivative assets	**₱1,874**	₱–
Derivative liabilities	–	7,832

Foreign Currency Forwards and Swaps	2020	2019
Notional amount	**$165,191**	$44,699
Derivative assets	**₱6,232**	₱8,101
Derivative liabilities	**4,895**	5,177

The net movements in fair values of all derivative instruments are as follows:

	2020	2019
Derivative assets (liabilities) - net at beginning of year	**(₱23,691)**	₱54,485
Changes in fair value of derivatives	**(49,110)**	59,675
Fair value of settled instruments	**5,795**	(137,851)
Derivative assets (liabilities) - net at end of year	**(₱67,006)**	(₱23,691)

Fair value changes of foreign currency forwards and swaps are recognized as Foreign exchange gain in the statements of income while fair value changes of interest rate swaps and futures are recognized as part of 'Trading and securities gain (loss)' in the statements of income (Note 8).

6. Segment Reporting

The Group's main operating businesses are organized and managed primarily according to the current organizational structure. Each segment represents a strategic business unit that caters to the Group's identified markets. The Group's business segments are:

(a) *Retail banking* - this segment mainly covers traditional branch banking products and services such as deposits, back-to-back/emerging market loans and other over-the-counter (OTC) transactions. It likewise caters to the needs of high net-worth clients for alternative investment channels. It includes entire transaction processing, service delivery and infrastructure consisting of the Group's network of branches, automated teller machines as well as its internet banking platform;

(b) *Corporate banking* - this segment handles lending and trade financing for both large corporations and middle market clients;

(c) *Consumer banking* - this segment primarily caters to loans for individuals; and

(d) *Treasury and Trust* - this segment consists of Treasury and Trust operations of the Group. Treasury focuses on providing money market, trading and treasury services, as well as the management of the Group's funding operations through debt securities, placements and acceptances with other banks. Trust includes fund management, investment management services, custodianship, administration and collateral agency services, and stock and transfer agency services. In addition, the Parent Company through Trust, provides retail customers with alternative investment opportunities through its unit investment fund products.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment assets are those operating assets employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross income and expense.

The Group's revenue-producing assets are located in the Philippines (i.e., one geographical location); therefore, geographical segment information is no longer presented. The Group has no significant customers which contribute 10.00% or more of the consolidated revenue, net of interest expense.

The segment results include internal transfer pricing adjustments across business units as deemed appropriate by management. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to the business units based on a pool rate which approximates the marginal cost of funds.

Segment information of the Group as of and for the years ended December 31, 2020, 2019 and 2018 follow:

	2020					
	Retail Banking	**Corporate Banking**	**Consumer Banking**	**Treasury and Trust**	**Elimination Items**	**Total**
Statement of Income						
Net Interest Income:						
Third Party	**₱6,349**	**₱1,134**	**₱14,166**	**(₱106)**	**₱4,960**	**₱26,503**
Intersegment	–	**987**	–	**506**	**(1,493)**	–
	6,349	**2,121**	**14,166**	**400**	**3,467**	**26,503**
Non-interest Income	**1,462**	**25**	**(84)**	**5,570**	**(393)**	**6,580**
Revenue - Net of Interest Expense	**7,811**	**2,146**	**14,082**	**5,970**	**3,074**	**33,083**
Non-interest Expense	**(6,843)**	**(1,119)**	**(15,812)**	**(980)**	**(1,311)**	**(26,065)**
Income Before Income Tax	**968**	**1,027**	**(1,730)**	**4,990**	**1,763**	**7,018**
Provision for Income Tax	**(470)**	**(264)**	**1,039**	**(323)**	**(492)**	**(510)**
Net Income for the Year	**₱498**	**₱763**	**(₱691)**	**₱4,667**	**₱1,271**	**₱6,508**
Statement of Financial Position						
Total Assets	**₱43,722**	**₱63,468**	**₱166,817**	**₱88,436**	**₱45,759**	**₱ 408,202**
Total Liabilities	**299,993**	**45,389**	**5,254**	**41,069**	**(38,986)**	**352,719**
Statement of Income						
Depreciation and Amortization	**1,088**	**21**	**779**	**61**	**195**	**2,144**
Provision for Impairment and Credit Losses	**82**	**519**	**8,770**	**29**	**434**	**9,834**

	2019					
	Retail Banking	Corporate Banking	Consumer Banking	Treasury and Trust	Elimination Items	Total
Statement of Income						
Net Interest Income:						
Third Party	₱5,131	₱895	₱13,740	(₱109)	₱1,810	₱21,467
Intersegment	–	1,215	–	360	(1,575)	–
	5,131	2,110	13,740	251	235	21,467
Non-interest Income	1,865	309	3,370	1,368	(20)	6,892
Revenue - Net of Interest Expense	6,996	2,419	17,110	1,619	215	28,359
Non-interest Expense	(7,339)	(837)	(10,405)	(857)	(1,010)	(20,448)
Income Before Income Tax	(343)	1,582	6,705	762	(795)	7,911
Provision for Income Tax	(276)	(396)	(1,175)	(192)	370	(1,669)
Net Income for the Year	(₱619)	₱1,186	₱5,530	₱570	(₱425)	₱6,242
Statement of Financial Position						
Total Assets	₱50,200	₱77,356	₱173,388	₱28,226	₱77,154	₱406,324
Total Liabilities	270,377	47,087	4,845	66,981	(32,033)	357,257
Statement of Income						
Depreciation and Amortization	1,105	22	647	52	58	1,884
Provision for Impairment and Credit Losses	299	93	3,375	–	275	4,042

	2018					
	Retail Banking	Corporate Banking	Consumer Banking	Treasury and Trust	Elimination Items	Total
Statement of Income						
Net Interest Income:						
Third Party	₱5,120	₱629	₱12,357	₱77	₱1,094	₱19,277
Intersegment	–	984	–	331	(1,315)	–
	5,120	1,613	12,357	408	(221)	19,277
Non-interest Income	1,701	220	4,051	64	(212)	5,824
Revenue - Net of Interest Expense	6,821	1,833	16,408	472	(433)	25,101
Non-interest Expense	(6,772)	(783)	(9,830)	(818)	(922)	(19,125)
Income Before Income Tax	49	1,050	6,578	(346)	(1,355)	5,976
Provision for Income Tax	(340)	(315)	(1,325)	138	374	(1,468)
Net Income for the Year	(₱291)	₱735	₱5,253	(₱208)	(₱981)	₱4,508
Statement of Financial Position						
Total Assets	₱48,508	₱79,674	₱149,693	₱25,349	₱64,115	₱367,339
Total Liabilities	250,738	47,223	3,168	50,296	(26,743)	324,682
Statement of Income						
Depreciation and Amortization	448	17	434	28	150	1,077
Provision for Impairment and Credit Losses	869	50	3,127	6	(146)	3,906

The 'Elimination Items' includes the Group's executive office and elimination items related to the Group's segment reporting framework.

Non-interest income consists of service charges, fees and commissions, gain on sale of assets, gain (loss) on asset foreclosure and dacion transactions, trading and securities gain (loss), gain on sale of investment securities at amortized cost, foreign exchange gain, trust income, share in net loss of a joint venture and miscellaneous income. The share in net loss of a joint venture has been presented as part of the elimination items in the Group's segment reporting framework. Non-interest expense consists of compensation and fringe benefits, taxes and licenses, depreciation and amortization, rent, amortization of intangible assets, provision for impairment and credit losses, and miscellaneous expenses.

7. Due from BSP, Due from Other Banks and Interbank Loans Receivables and SPURA

Due from BSP

This account consists of:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Demand deposit account	**₱30,034,208**	₱33,313,175	**₱29,611,023**	₱32,616,359
Overnight deposit facility account	**18,700,000**	900,000	**18,700,000**	900,000
Special deposit account	**158,498**	74,127	**158,498**	74,127
	₱48,892,706	₱34,287,302	**₱48,469,521**	₱33,590,486

The annual interest rates of due from BSP range from 1.50% to 4.50% in 2020, from 3.50% to 5.25% in 2019 and from 2.50% to 5.25% in 2018.

Due from Other Banks
This comprises of deposit accounts with:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Foreign banks	**₱10,305,464**	₱2,335,008	**₱10,305,464**	₱2,335,008
Local banks	**1,086,734**	1,069,011	**1,048,255**	989,487
	11,392,198	3,404,019	**11,353,719**	3,324,495
Allowance for credit losses (Note 15)	**(110)**	(93)	**(110)**	(93)
	₱11,392,088	₱ 3,403,926	**₱11,353,609**	₱3,324,402

The annual interest rates of due from other banks range from 0.05% to 0.25% in 2020, from 0.10% to 0.25% in 2019 and from 0.10% to 0.25% in 2018.

Interbank Loans Receivables and SPURA
This accounts consist of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
SPURA	**₱15,819,273**	₱1,392,086	**₱15,819,273**	₱1,392,086
Interbank loans receivables	**1,291,819**	1,299,796	**1,291,819**	1,299,796
	₱17,111,092	₱2,691,882	**₱17,111,092**	₱2,691,882

SPURA are lending to counterparties collateralized by government securities ranging from one to six days. These government securities, with fair value amounting to ₱15.82 billion and ₱1.39 billion as of December 31, 2020 and 2019, respectively were pledged in favor of the Bank as collateral for SPURA equivalent to the fair value of government securities. The Bank is not permiited to sell or repledge the related collateral in the absence of default by counterparty.

SPURA of the Bank bears annual interest rate ranging from 2.00% to 4.00% in 2020, from 4.00% to 4.75% in 2019, and from 3.00% to 4.75% in 2018. The annual interest rates of interbank call loans receivables range from 1.88% to 3.88% in 2020, from 4.25% to 5.25% in 2019 and from 3.34% to 4.69% in 2018.

Interest Income on Due from BSP, Due from Other Banks, Interbank Loans Receivables and SPURA
This account consists of:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Due from BSP	**₱119,325**	₱713	₱2,881	**₱119,325**	₱713	₱2,881
Due from other banks	**14,501**	16,227	17,808	**11,145**	12,936	16,060
Interbank loans receivables and SPURA	**173,268**	45,181	81,070	**175,212**	45,181	81,070
	₱307,094	₱62,121	₱101,759	**₱305,682**	₱58,830	₱100,011

8. Trading and Investment Securities

The Group and the Parent Company have the following trading and investment securities:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Financial assets at FVTPL	**₱7,523,592**	₱16,840,709	**₱7,523,592**	₱16,840,709
Financial assets at FVTOCI	**29,471,707**	4,650,636	**29,471,707**	4,650,636
Investment securities at amortized cost	**20,899,699**	49,386,070	**19,282,889**	49,386,070
	₱57,894,998	₱70,877,415	**₱56,278,188**	₱70,877,415

Financial assets at FVTPL
Financial assets at FVTPL of the Group and of the Parent Company consist of:

	2020	2019
Government securities	**₱7,475,347**	₱16,768,178
Private bonds	**37,907**	62,188
Equity securities	**10,338**	10,343
	₱7,523,592	₱16,840,709

As of December 31, 2020 and 2019, financial assets at FVTPL include net unrealized losses of ₱99.61 million and net unrealized gains of ₱193.26 million, respectively.

In 2020, 2019 and 2018, the yield rates ranges from 1.45% to 7.16%, 2.75% to 5.35% and 3.30% to 8.35%, respectively.

Financial assets at FVTOCI
Financial assets at FVTOCI of the Group and of the Parent Company consists of:

	2020	2019
Government debt securities	**₱29,021,536**	₱4,650,635
Private bonds	**450,170**	–
Private equity securities	**1**	1
	₱29,471,707	₱4,650,636

In 2020, 2019 and 2018, the interest rates of financial assets at FVTOCI range from 0.07% to 8.32%, 5.08% to 7.37% and 6.21% to 7.37%, respectively.

Movements in the fair value reserves on financial assets at FVTOCI investments of the Group and the Parent Company follow:

	2020	2019
Balance at beginning of year	**₱28,328**	(₱10,293)
Loss from sale of financial assets at FVTOCI	**(23,768)**	(8,345)
Fair value gains recognized in OCI	**185,376**	46,966
Balance at end of year	**₱189,936**	₱28,328

The private equity securities were designated as at FVTOCI on the basis that these are not held for trading. These include shares in a real estate company and a golf club. No dividend income was recognized in 2020 and 2019 for these securities.

As of December 31, 2020, the Group and Parent Company's change in fair value reserves on financial assets at FVTOCI debt and equity securities amounting to ₱139.79 million and ₱21.82 million, respectively.

As of December 31, 2019, the Group and Parent Company's change in fair value reserves on financial assets at FVTOCI debt and equity securities amounting to ₱44.49 million and (₱5.87) million, respectively.

Investment securities at amortized cost

Investment securities at amortized cost of the Group and of the Parent Company consist of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Government securities	**₱14,863,467**	₱40,245,948	**₱13,246,657**	₱40,245,948
Private bonds	**6,067,164**	9,142,387	**6,067,164**	9,142,387
Carrying value, gross of allowance for impairment losses	**20,930,631**	49,388,335	**19,313,821**	49,388,335
Allowance for impairment losses (Note 15)	**(30,932)**	(2,265)	**(30,932)**	(2,265)
	₱20,899,699	₱49,386,070	**₱19,282,889**	₱49,386,070

Peso-denominated government bonds have effective interest rates ranging from 4.94% to 8.11% in 2020 and from 4.45% to 8.11% in 2019 and 2018. Foreign currency-denominated government and private bonds have effective interest rates ranging from 2.76% to 7.82% in 2020, from 2.12% to 7.82% in 2019, and from 1.57% to 7.07% in 2018.

On May 14, 2020, EWRB purchased government securities and classified it as investment securities at amortized cost. These government securities were purchased to satisfy the Bank's desired portfolio tenor that intends to comply with BSP's regulatory ratios. The balance of these investment securities at amortized cost purchased by EWRB as of December 31, 2020 amounted to ₱1.62 billion.

On March 2, 2020, the Asset and Liability Management Committee (ALCO) of the Parent Company approved the planned sale of all of its HTC portfolio with total face value of ₱45.19 billion (with carrying amount of ₱48.96 billion at the date of ALCO approval) to support the Parent Company's capital raising requirements.

In 2020, the Parent Company sold investment securities managed under the HTC business model with aggregate carrying amount of ₱27.89 billion resulting in net gain on sale of investment securities at amortized cost totaling to ₱3.68 billion. These sales in 2020 are considered to be more than insignificant but not more than infrequent as this was in response to an extraordinary event that prevented the Parent Company from raising capital through more conventional means. Further, the Parent Company assessed that the sales do not reflect a change in the Group's objectives for the hold-to-collect business model. Accordingly, the remaining investment securities in the affected hold-to-collect portfolio are continued to be measured at amortized cost.

The fair value of the remaining investments at amortized cost is disclosed in Note 5.

Interest Income on Trading and Investment Securities
This account consists of:

	Consolidated			Parent		
	2020	2019	2018	**2020**	2019	2018
Financial assets at FVTPL	**₱497,556**	₱414,970	₱118,827	**₱497,556**	₱414,970	₱118,827
Financial assets at FVTOCI	**225,317**	74,820	6,973	**225,317**	74,820	6,973
Investment securities at amortized cost	**1,675,766**	1,963,161	1,022,379	**1,645,631**	1,963,161	1,022,379
	₱2,398,639	₱2,452,951	₱1,148,179	**₱2,368,504**	₱2,452,951	₱1,148,179

Trading and Securities Gains (Losses)
Trading and securities gains (losses) of the Group and of the Parent Company consists of:

	2020	2019	2018
Financial assets at FVTPL	**₱1,145,860**	₱1,085,670	(₱185,008)
Financial assets at FVTOCI	**504,280**	21,674	(10,848)
US Treasury futures (Note 5)	**(116,509)**	(90,243)	(71,913)
Interest rate swaps (Note 5)	**(69,600)**	(51,371)	31,852
	₱1,464,031	₱965,730	(₱235,917)

9. Loans and Receivables

Loans and receivables consist of:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Receivables from customers*:				
Corporate lending				
Corporate loans	**₱57,725,667**	₱69,938,600	**₱57,653,000**	₱69,859,464
Other corporate loans**	**1,440,060**	720,648	**1,440,060**	720,648
	59,165,727	70,659,248	**59,093,060**	70,580,112
Consumer lending				
Auto loans	**89,407,561**	93,995,497	**89,407,561**	93,995,497
Credit cards	**31,479,419**	35,263,876	**31,479,419**	35,263,876
Mortgage loans	**21,941,572**	22,274,443	**21,941,572**	22,274,443
Other consumer loans***	**37,271,331**	38,520,564	**12,185,633**	11,424,800
	180,099,881	190,054,380	**155,014,185**	162,958,616
Receivable from customers – gross	**239,265,608**	260,713,628	**214,107,244**	233,538,728
Unamortized premium	**6,261,342**	8,391,667	**7,437,288**	9,589,794
	245,526,950	269,105,295	**221,544,532**	243,128,522
Unquoted debt securities:				
Private bonds	**335,668**	344,188	**325,668**	334,188
	335,668	344,188	**325,668**	334,188
Other receivables:				
Accrued interest receivable	**8,730,407**	3,393,132	**8,314,218**	3,227,254
Accounts receivable	**2,262,869**	2,038,230	**2,256,043**	1,902,089
Sales contracts receivable	**152,455**	156,109	**152,455**	156,109
	11,145,731	5,587,471	**10,722,716**	5,285,452
	257,008,349	275,036,954	**232,592,916**	248,748,162
Allowance for credit and impairment losses (Note 15)	**(13,291,920)**	(7,389,216)	**(12,674,402)**	(6,888,762)
	₱243,716,429	₱267,647,738	**₱219,918,514**	₱241,859,400

**Net of unamortized modification loss*
***Include emerging enterprise loans and branch loans*
****Include DepEd loans, employee loans, salary loans and personal loans*

Receivable from customers consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Loans and discounts	**₱234,887,936**	₱254,899,911	**₱209,729,572**	₱227,725,011
Unamortized premium	**6,261,342**	8,391,667	**7,437,288**	9,589,794
	241,149,278	263,291,578	**217,166,860**	237,314,805
Customer liabilities under acceptances and trust receipts	**3,736,680**	4,993,191	**3,736,680**	4,993,191
Bills purchased (Note 21)	**640,992**	820,526	**640,992**	820,526
	₱245,526,950	₱269,105,295	**₱221,544,532**	₱243,128,522

In 2016, the Parent Company entered into a sale of receivables agreement with EWRB, whereby the Parent Company will sell to EWRB, on a without recourse basis, certain employee loans of the Parent Company. In 2020 and 2019, the total employee loans sold by the Parent Company have an aggregate carrying amount of ₱189.30 million and ₱204.76 million, respectively. The selling price of the employee loans approximates the fair value at the date of sale. As of December 31, 2020 and 2019, outstanding principal balance of employee loans purchased from the Parent Company, included in 'Other consumer loans' of EWRB, amounted to ₱418.22 million and ₱381.99 million, respectively. In connection with the sale of receivables agreement, the Parent Company and EWRB also entered into an account servicing and collection agreement whereby EWRB agreed to pay equivalent to 0.37% of the loan amounts collected by the Parent Company on behalf of EWRB. The service fees received by the Parent Company (included under 'Service charges, fees and commission income' in the statements of income) amounted to ₱0.65 million, ₱0.78 million, and ₱0.67 million in 2020, 2019, and 2018 respectively (Note 28).

In 2013, the Parent Company entered into a purchase of receivables agreement with EWRB, whereby the Parent Company will purchase, on a without recourse basis, certain salary loans of EWRB. In 2020 and 2019, the total salary loans purchased by the Parent Company have an aggregate amount of ₱5.60 billion and ₱4.09 billion, respectively. The Parent Company's acquisition cost of the salary loans approximates the fair value at the acquisition date. As of December 31, 2020 and 2019, outstanding principal balance of salary loans purchased from EWRB, included in 'Other consumer loans' of the Parent Company, amounted to ₱4.98 billion and ₱1.98 billion, respectively. In connection with the purchase of receivables agreement, the Parent Company and EWRB also entered into an account servicing and collection agreement whereby the Parent Company agreed to pay service fees equivalent to 0.37% of the loan amounts collected by EWRB on behalf of the Parent Company. The service fees paid by the Parent Company to EWRB (included under 'Miscellaneous expense' in the statements of income) amounted to ₱9.96 million, ₱30.43 million and ₱47.99 million in 2020, 2019 and 2018, respectively (Note 28).

The Group took possession of various properties previously held as collateral with carrying amounts of ₱2.38 billion, ₱3.03 billion, and ₱2.71 billion in 2020, 2019 and 2018, respectively (Notes 12 and 14).

Interest income on loans and receivables consist of:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Receivables from customers	**₱28,003,248**	₱27,241,257	₱23,105,873	**₱25,309,012**	₱25,177,569	₱21,576,153
Unquoted debt securities	**1,223**	1,607	2,299	**1,223**	1,607	2,299
	₱28,004,471	₱27,242,864	₱23,108,172	**₱25,310,235**	₱25,179,176	₱21,578,452

As of December 31, 2020 and 2019, 8.97% and 24.22% respectively of the total receivables from customers of the Group and the Parent Company were subject to interest repricing.

Remaining receivables carry annual fixed interest rates ranging from 0.75% to 45.00% in 2020, 1.34% to 45.00% in 2019 and 2.00% to 39.68% in 2018 for peso-denominated receivables and from 3.75% to 10.00% in 2020, 2.45% to 10.00% in 2019 and 2.00% to 10.00% in 2018 for foreign currency-denominated receivables.

In 2019, the Parent Company sold its credit card NPL portfolio which was previously written off in prior years amounting to ₱9.95 billion and recognized ₱247.74 million gain on sale in its statement of income. No subsequent sale occurred in 2020.

Provision for credit losses on loans and receivables of the Group and the Parent Company in 2020 amounted to ₱9.84 billion and ₱9.59 billion, respectively. Provision for credit losses on loans and receivables of the Group and the Parent Company in 2019 amounted to ₱3.50 billion and ₱3.27 billion, respectively.

10. Investments in Subsidiaries and Joint Venture

The movements in the investments in subsidiaries of the Parent Company and investment in a joint venture of the Group and the Parent Company follow:

	Investment in Subsidiaries		Investment in a Joint Venture	
	2020	2019	**2020**	2019
Acquisition Cost				
Subsidiaries				
EWRB	**₱521,000**	₱521,000	**₱–**	₱–
EWLFC	**100,000**	100,000	**–**	–
EWIB	**30,000**	30,000	**–**	–
QMIS	**19,927**	19,927	**–**	–
ASIA	**10,305**	10,305	**–**	–
	681,232	681,232	**–**	–
Joint Venture				
EWAL				
Cost at beginning of the year	–	–	**1,605,000**	1,255,000
Additional investments made during the year	–	–	**250,000**	350,000
Balance at end of year	**681,232**	681,232	**1,855,000**	1,605,000
Share in capital infusion from Ageas	–	–	**665,000**	665,000
Accumulated share in net income (loss)				
Balance at beginning of year	**3,317,568**	3,016,084	**(1,570,015)**	(1,230,533)
Share in net income (loss)	**783,241**	324,331	**(300,623)**	(339,482)
Dividends	**(27,716)**	(22,847)	–	–
Balance at end of year	**4,073,093**	3,317,568	**(1,870,638)**	(1,570,015)
Accumulated share in other comprehensive income				
Balance at beginning of year	**(6,351)**	669	**(5,871)**	–
Share in changes in remeasurement gain (loss) of retirement liabilities of subsidiaries	**(8,763)**	(7,020)	**–**	–
Share in changes in fair value reserves on equity securities of a joint venture	–	–	**21,822**	(5,871)
Balance at end of year	**(15,114)**	(6,351)	**15,951**	(5,871)
	₱4,739,211	₱3,992,449	**₱665,313**	₱694,114

Investments in Subsidiaries

EWRB
The Parent Company's investment cost in EWRB amounted to ₱521.00 million as of December 31, 2020 and 2019. It was registered with the SEC on November 5, 1997. In March 1998, EWRB was granted authority by the BSP to operate as a rural bank and commenced operations. The principal place of business of EWRB is at East West Bank Building, J.P. Laurel Avenue corner Iñigo Street, Bajada, Davao City.

EWIB
In 2015, the BSP approved the Parent Company's initial equity investment in EWIB of ₱30.00 million. On July 26, 2015, EWIB was registered with the SEC to operate as an insurance brokerage company. In September 2015, EWIB received its license from the Insurance Commission. The principal place of business of EWIB is at East West Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City.

EWLFC
In 2016, the BSP approved and confirmed the initial equity investment in EWLFC of ₱100.00 million. It was registered with the SEC in October 2016 with secondary license to operate as a financing company in accordance with the Financing Company Act of 1998 and its implementing rules and regulations. The principal place of business of EWLFC is at East West Corporate Center, The Beaufort, 5th Avenue corner 23rd Street, Fort Bonifacio Global City, Taguig City.

QMIS
In 2016, the Parent Company acquired 100.00% voting shares of QMIS as part of the asset and share transfer agreement for a consideration amounting to ₱19.93 million. QMIS was registered with the SEC in 2007 primarily to engage in providing sales and marketing services. The principal place of business is at 7th Floor Global Trade Center Building, 1024 EDSA, R. Magsaysay, Quezon City.

ASIA
In 2016, the Parent Company acquired 100.00% voting shares of ASIA as part of the asset and share transfer agreement for a consideration amounting to ₱10.31 million. ASIA was registered with the SEC in 2012 primarily to engage in general insurance agency business. The principal place of business is at 5th Floor, 6788 Sky Plaza Building, Ayala Avenue, Makati City.

Investment in a Joint Venture
On May 28, 2015, the Parent Company and Ageas Insurance International N.V. ("Ageas") entered into a joint venture agreement to form East West Ageas Life Insurance Corporation ("Troo" or "EW Ageas Life"). EW Ageas Life, which is primarily engaged in the life insurance business, was incorporated with a capitalization of ₱2.01 billion and with ultimate ownership interest of the Parent Company of 50.00% less 1 share. The Parent Company's initial investment amounted to ₱500.00 million. The joint venture agreement provided certain conditions that should be satisfied for the consummation of the agreement, which include among others, obtaining all the required regulatory approvals. In October 2015, the SEC approved the registration of EW Ageas Life. The registered office address of EW Ageas Life is at One World Place, 32nd Street, Bonifacio Global City, Taguig City.

In November 2015, EW Ageas Life and the Parent Company entered into a twenty-year exclusive distribution agreement. Under the distribution agreement, EW Ageas Life will have exclusive access to the branch network of the Parent Company for the distribution of its insurance products (the exclusive bancassurance access).

In 2017, additional capital aggregating to ₱1.33 billion was solely contributed by Ageas to EW Ageas Life. This increased the Parent Company's investment in the joint venture by ₱665.00 million in 2017 which was recognized as gain on capital transaction. Under the joint venture agreement, within a period of seven (7) years from consummation, the joint venture entity may at any time request for additional funding from the Parent Company and Ageas. Parent Company and Ageas each infused additional capital to EW Ageas Life amounting to ₱250.00 million in 2020 and ₱350.00 million in 2019.

There were no dividends received from EW Ageas Life as of December 31, 2020. The joint venture has no contingent liabilities or capital commitments as of December 31, 2020 and 2019.

11. Property, Equipment and Right-of-Use Assets

The composition of and movements in the Group's property, equipment and ROU assets follow:

	2020					
	Land	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**ROU Asset**	**Total**
Cost						
Balance at beginning of year	**₱54,635**	**₱1,073,675**	**₱2,816,976**	**₱3,757,648**	**₱3,987,088**	**₱11,690,022**
Additions	**–**	**864**	**113,593**	**61,491**	**990,048**	**1,165,996**
Disposals	**–**	**-**	**(8,072)**	**(41,636)**	**(362,090)**	**(411,798)**
Balance at end of year	**54,635**	**1,074,539**	**2,922,497**	**3,777,503**	**₱4,615,046**	**₱12,444,220**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**–**	**234,833**	**2,450,820**	**2,670,912**	**896,696**	**6,253,261**
Depreciation and amortization	**–**	**33,150**	**200,962**	**285,794**	**981,044**	**1,500,950**
Disposals	**–**	**–**	**(5,468)**	**(39,579)**	**(354,473)**	**(399,519)**
Balance at end of year	**–**	**267,983**	**2,646,314**	**2,917,127**	**1,523,267**	**7,354,691**
Net Book Value	**₱54,635**	**₱806,556**	**₱276,183**	**₱860,376**	**₱3,091,779**	**₱5,089,529**

	2019					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	ROU Asset	Total
Cost						
Balance at beginning of year	₱54,635	₱1,072,623	₱2,667,414	₱3,643,319	₱3,687,043	₱11,125,034
Additions	–	1,140	171,017	118,593	337,629	628,379
Disposals	–	(88)	(21,455)	(4,264)	(37,584)	(63,391)
Balance at end of year	54,635	1,073,675	2,816,976	3,757,648	3,987,088	11,690,022
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	202,558	2,233,482	2,346,142	–	4,782,182
Depreciation and amortization	–	32,328	233,293	324,770	932,522	1,522,913
Disposals	–	(53)	(15,955)	–	(35,826)	(51,834)
Balance at end of year	–	234,833	2,450,820	2,670,912	896,696	6,253,261
Net Book Value	₱54,635	₱838,842	₱366,156	₱1,086,736	₱3,090,392	₱5,436,761

The composition of and movements in the Parent Company's property, equipment and ROU assets follow:

	2020					
	Land	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**ROU Asset**	**Total**
Cost						
Balance at beginning of year	**₱33,298**	**₱997,160**	**₱2,370,364**	**₱3,557,663**	**₱3,748,975**	**₱10,707,460**
Additions	**–**	**672**	**97,580**	**60,088**	**731,327**	**889,667**
Disposals	**–**	**–**	**(6,369)**	**(1,818)**	**(309,689)**	**(317,876)**
Balance at end of year	**33,298**	**997,832**	**2,461,575**	**3,615,933**	**4,170,613**	**11,279,251**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**–**	**210,141**	**2,072,772**	**2,527,365**	**829,818**	**5,640,096**
Depreciation and amortization	**–**	**27,148**	**165,583**	**260,978**	**890,177**	**1,343,886**
Disposals	**–**	**–**	**(3,937)**	**237**	**(302,122)**	**(305,822)**
Balance at end of year	**–**	**237,289**	**2,234,418**	**2,788,580**	**1,417,873**	**6,678,160**
Net Book Value	**₱33,298**	**₱760,543**	**₱227,157**	**₱827,353**	**₱2,752,740**	**₱4,601,091**

	2019					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	ROU Asset	Total
Cost						
Balance at beginning of year	₱33,298	₱995,861	₱2,244,031	₱3,446,233	₱3,517,723	₱10,237,146
Additions	–	1,387	140,854	115,695	268,836	526,772
Disposals	–	(88)	(14,521)	(4,265)	(37,584)	(56,458)
Balance at end of year	33,298	997,160	2,370,364	3,557,663	3,748,975	10,707,460
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	183,222	1,903,428	2,243,252	–	4,329,902
Depreciation and amortization	–	26,919	182,455	284,113	865,644	1,359,131
Disposals	–	–	(13,111)	–	(35,826)	(48,937)
Balance at end of year	–	210,141	2,072,772	2,527,365	829,818	5,640,096
Net Book Value	₱33,298	₱787,019	₱297,592	₱1,030,298	₱2,919,157	₱5,067,364

The Group has lease contracts for office branches, warehouses, spaces for Automated Teller Machines (ATMs) and office equipment. With the exception of short-term leases of low-value underlying assets, each lease is reflected on the consolidated financial position as ROU asset and a lease liability.

The net gain on sale recognized by the Group for the disposal of certain property and equipment amounted to ₱0.33 million, ₱1.91 million and ₱7.55 million in 2020, 2019 and 2018, respectively. The net gain on sale recognized by the Parent Company for the disposal of certain property and equipment amounted to ₱0.33 million, ₱1.46 million, and ₱7.50 million in 2020, 2019, and 2018 respectively.

In 2014, the Parent Company sold a parcel of land previously intended for an office site with a carrying value of ₱169.13 million to Filinvest Alabang, Inc. (FAI), an entity under common control of FDC, that resulted in a gain amounting to ₱264.13 million. Under the terms of the sale, the selling price of ₱433.26 million is payable annually for five (5) years until 2019 with a fixed interest rate of 6.00% per annum. As of December 31, 2020 and 2019, the accounts receivable outstanding (included under 'Loans and receivable' in the statements of financial position) amounted to ₱0.11 million and ₱0.13 million, respectively (Note 28).

As of December 31, 2020 and 2019, the cost of fully depreciated property and equipment still in use by the Group amounted to ₱2.06 billion and ₱1.86 billion, respectively.

As of December 31, 2020 and 2019, the cost of fully depreciated property and equipment still in use by the Parent Company amounted to ₱1.61 billion and ₱1.54 billion, respectively.

12. Investment Properties

The composition of and movements in the Group's investment properties follow:

	2020		
	Land	**Buildings and Improvements**	**Total**
Cost			
Balance at beginning of year	**₱644,192**	**₱700,622**	**₱1,344,814**
Additions	**60,647**	**99,554**	**160,201**
Disposals	**(32,086)**	**(40,602)**	**(72,688)**
Balance at end of year	**672,753**	**759,574**	**1,432,327**
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	**312,726**	**312,726**
Depreciation and amortization	–	**67,470**	**67,470**
Disposals	–	**(25,402)**	**(25,402)**
Balance at end of year	–	**354,794**	**354,794**
Accumulated Impairment Losses (Note 15)			
Balance at beginning of year	**62,722**	**20,228**	**82,950**
Provision during the year	**17,038**	**73**	**17,111**
Disposals	**(566)**	**(3,109)**	**(3,675)**
Balance at end of year	**79,194**	**17,192**	**96,386**
Net Book Value	**₱593,559**	**₱387,588**	**₱981,147**

	2019		
	Land	Buildings and Improvements	Total
Cost			
Balance at beginning of year	₱639,773	₱656,802	₱1,296,575
Additions	54,231	125,102	179,333
Disposals	(49,812)	(81,282)	(131,094)
Balance at end of year	644,192	700,622	1,344,814
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	272,057	272,057
Depreciation and amortization	–	68,004	68,004
Disposals	–	(27,335)	(27,335)
Balance at end of year	–	312,726	312,726
Accumulated Impairment Losses (Note 15)			
Balance at beginning of year	70,236	33,129	103,365
Provision during the year	26,096	5,179	31,275
Disposals	(33,610)	(18,080)	(51,690)
Balance at end of year	62,722	20,228	82,950
Net Book Value	₱581,470	₱367,668	₱949,138

The composition of and movements in the Parent Company's investment properties follow:

	2020		
	Land	**Buildings and Improvements**	**Total**
Cost			
Balance at beginning of year	**₱643,113**	**₱700,256**	**₱1,343,369**
Additions	**60,647**	**99,554**	**160,201**
Disposals	**(32,086)**	**(40,602)**	**(72,688)**
Balance at end of year	**671,674**	**759,208**	**1,430,882**
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	**312,583**	**312,583**
Depreciation and amortization	–	**67,400**	**67,400**
Disposals	–	**(25,401)**	**(25,401)**
Balance at end of year	–	**354,582**	**354,582**
Accumulated Impairment Losses (Note 15)			
Balance at beginning of year	**62,722**	**20,228**	**82,950**
Provision during the year	**17,038**	**73**	**17,111**
Disposals	**(566)**	**(3,109)**	**(3,675)**
Balance at end of year	**79,194**	**17,192**	**96,386**
Net Book Value	**₱592,480**	**₱387,434**	**₱979,914**

	2019		
	Land	Buildings and Improvements	Total
Cost			
Balance at beginning of year	₱638,694	₱656,435	₱1,295,129
Additions	54,231	125,103	179,334
Disposals	(49,812)	(81,282)	(131,094)
Balance at end of year	643,113	700,256	1,343,369
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	271,982	271,982
Depreciation and amortization	–	67,936	67,936
Disposals	–	(27,335)	(27,335)
Balance at end of year	–	312,583	312,583
Accumulated Impairment Losses (Note 15)			
Balance at beginning of year	70,236	33,129	103,365
Provision during the year	26,096	5,179	31,275
Disposals	(33,610)	(18,080)	(51,690)
Balance at end of year	62,722	20,228	82,950
Net Book Value	₱580,391	₱367,445	₱947,836

The Group's and the Parent Company's investment properties consist entirely of real estate properties and land improvements acquired in settlement of loans and receivables.

The aggregate fair value of the investment properties of the Group and the Parent Company amounted to ₱2.01 billion as of December 31, 2020, and ₱1.59 billion as of December 31, 2019. Fair value has been determined based on valuations made by independent and/or in-house appraisers. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties taking into account the economic conditions prevailing at the time the valuations were made.

As of December 31, 2020 and 2019, the carrying values of foreclosed investment properties of the Group and of the Parent Company still subject to redemption period by the borrower amounted to ₱75.55 million and ₱128.17 million, respectively.

Gain on sale recognized by the Group and the Parent Company for the disposal of its foreclosed assets amounted to ₱40.51 million, ₱71.40 million, and ₱55.84 million in 2020, 2019 and 2018, respectively.

Direct operating expenses from investment properties not generating rent income amounted to ₱80.96 million, ₱80.33 million and ₱57.95 million for the Group and the Parent Company in 2020, 2019 and 2018, respectively.

13. Goodwill and Other Intangible Assets

As of December 31, 2020 and 2019, the intangible assets of the Group consist of:

	2020					
	Goodwill	**Branch Licenses**	**Customer Relationship**	**Core Deposits**	**Capitalized Software**	**Total**
Cost						
Balance at beginning of year	**₱3,877,241**	**₱2,167,600**	**₱154,626**	**₱105,128**	**₱2,308,827**	**₱8,613,422**
Additions	**-**	**-**	**-**	**-**	**81,668**	**81,668**
Balance at end of year	**3,877,241**	**2,167,600**	**154,626**	**105,128**	**2,390,495**	**8,695,090**
Accumulated Amortization						
Balance at beginning of year	**–**	**–**	**51,017**	**60,379**	**1,604,526**	**1,715,922**
Amortization	**–**	**–**	**4,311**	**6,469**	**175,495**	**186,275**
Balance at end of year	**–**	**–**	**55,328**	**66,848**	**1,780,021**	**1,902,197**
Net Book Value	**₱3,877,241**	**₱2,167,600**	**₱99,298**	**₱38,280**	**₱610,474**	**₱6,792,893**

	2019					
	Goodwill	Branch Licenses	Customer Relationship	Core Deposits	Capitalized Software	Total
Cost						
Balance at beginning of year	₱3,877,241	₱2,167,600	₱154,626	₱105,128	₱2,158,297	₱8,462,892
Additions	–	–	–	–	150,530	150,530
Balance at end of year	3,877,241	2,167,600	154,626	105,128	2,308,827	8,613,422
Accumulated Amortization						
Balance at beginning of year	–	–	46,706	53,236	1,469,304	1,569,246
Amortization	–	–	4,311	7,143	135,222	146,676
Balance at end of year	–	–	51,017	60,379	1,604,526	1,715,922
Net Book Value	₱3,877,241	₱2,167,600	₱103,609	₱44,749	₱704,301	₱6,897,500

As of December 31, 2020 and 2019, the intangible assets of the Parent Company consist of:

	2020					
	Goodwill	**Branch Licenses**	**Customer Relationship**	**Core Deposits**	**Capitalized Software**	**Total**
Cost						
Balance at beginning of year	**₱3,853,763**	**₱2,167,600**	**₱154,626**	**₱105,128**	**₱2,216,000**	**₱8,497,117**
Additions	**-**	**-**	**-**	**-**	**65,105**	**65,105**
Balance at end of year	**3,853,763**	**2,167,600**	**154,626**	**105,128**	**2,281,105**	**8,562,222**
Accumulated Amortization						
Balance at beginning of year	**–**	**–**	**51,017**	**60,379**	**1,528,930**	**1,640,326**
Amortization	**-**	**-**	**4,311**	**6,469**	**168,887**	**179,667**
Balance at end of year	**-**	**-**	**55,328**	**66,848**	**1,697,817**	**1,819,993**
Net Book Value	**₱3,853,763**	**₱2,167,600**	**₱99,298**	**₱38,280**	**₱583,288**	**₱6,742,229**

	2019					
	Goodwill	Branch Licenses	Customer Relationship	Core Deposits	Capitalized Software	Total
Cost						
Balance at beginning of year	₱3,853,763	₱2,167,600	₱154,626	₱105,128	₱2,070,780	₱8,351,897
Additions	–	–	–	–	145,220	145,220
Balance at end of year	3,853,763	2,167,600	154,626	105,128	2,216,000	8,497,117
Accumulated Amortization						
Balance at beginning of year	–	–	46,706	53,236	1,397,128	1,497,070
Amortization	–	–	4,311	7,143	131,802	143,256
Balance at end of year	–	–	51,017	60,379	1,528,930	1,640,326
Net Book Value	₱3,853,763	₱2,167,600	₱103,609	₱44,749	₱687,070	₱6,856,791

Goodwill

Goodwill represents the excess of the acquisitions cost over the fair value arising from acquisition of (a) Ecology Savings Bank, Inc. ("ESBI") in 2002; (b) American International Group, Inc. Philam Savings Bank (AIGPASB) Group in 2009; (c) EWRB in 2012; (d) Green Bank, Inc. ("GBI") in 2014; and (e) Standard Chartered Bank ("SCB") in 2016.

The carrying amounts of the resulting goodwill in the acquisitions above in the books of the Parent Company are as follows:

Acquisitions	CGU	Consolidated	Parent Company
SCB	Treasury and Trust; Consumer banking	₱2,560,513	₱2,560,513
AIG	Consumer Banking	769,042	769,042
GBI	Consumer Banking	373,996	373,996
ESBI	Retail Banking	173,690	150,212
		₱3,877,241	₱3,853,763

The goodwill of the Parent Company acquired through the business combination has been allocated to the following CGUs:

1) *SCB* – ₱1.46 billion has been allocated to the wealth management business (Treasury and Trust) and ₱1.10 billion has been allocated to the credit card operations (Consumer lending) acquired from SCB.

2) *AIGPASB* – goodwill has been allocated to the auto loans and credit card operations (consumer banking) acquired from AIGPASB Group.

3) *GBI* – goodwill has been allocated to the branch operations (Consumer banking) of the Parent Company.

4) *ESBI* – ₱150.21 million has been allocated to the Parent Company's 30 branches (Retail banking) acquired from ESBI, while ₱23.48 million has been allocated to the lending business (Retail banking) of EWRB.

Key assumptions used in VIU calculations

The recoverable amount of the CGUs has been determined based on VIU calculations using cash flow projections based on financial budgets approved by the management covering a five-year period. The VIU calculation for the CGUs is most sensitive to the following assumptions: a) interest margin; b) discount rates; c) market share during the budget period; and d) projected growth rates used to extrapolate cash flows beyond the budget period. Future cash flows were based on historical experience, strategies developed and prospects. The discount rate used for the computation of the net present value is the cost of equity and was determined by reference to comparable entities.

Discount rate and growth rate

The following discount rates were applied to the cash flow projections:

	2020			2019			2018		
	Retail banking	**Consumer Banking**	**Treasury and Trust**	Retail banking	Consumer Banking	Treasury and Trust	Retail banking	Consumer Banking	Treasury and Trust
Pre-tax discount rate	**12.30%**	**12.30%**	**12.30%**	12.00%	12.00%	12.00%	10.83%	10.83%	10.74%
Projected growth rate	**9.70%**	**9.70%**	**9.70%**	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the units to exceed their recoverable amount.

Branch Licenses
Branch licenses of the Group and the Parent Company amounting to ₱2.17 billion represents: one branch license acquired by the Parent Company from the BSP amounting to ₱0.20 million in 2015, 25 branch licenses acquired by the Parent Company from the BSP amounting to ₱505.20 million in 2014, 10 branch licenses acquired by the Parent Company from the BSP amounting to ₱214.80 million in 2013, 42 branch licenses acquired by the Parent Company from the BSP amounting to ₱822.00 million in 2012, and 46 branch licenses acquired by the Parent Company from the acquisition of GBI amounting to ₱625.40 million in 2011.

Customer Relationship and Core Deposits
The business combination between the Parent Company and AIGPASB Group in 2009 resulted in the acquisition of customer relationship and core deposits amounting to₱154.63 million and ₱40.43 million, respectively.

The business combination between the Parent Company and SCB in 2016 resulted in the acquisition of core deposits amounting to ₱64.70 million.

Capitalized Software
Capitalized software pertains to computer software licenses and programs acquired by the Group and the Parent Company for its banking operations. Included in the 2020 and 2019 acquisitions are software licenses acquired by the Group and the Parent Company for the upgrade of its core banking systems amounting to ₱81.67 million and ₱65.11 million, respectively in 2020 and ₱150.53 million and ₱145.22 million, respectively in 2019.

14. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Financial assets				
Security deposits	**₱281,159**	₱268,331	**₱276,153**	₱265,070
Derivative assets (Note 5)	**30,037**	104,313	**30,037**	104,313
Downpayment/advance payments to suppliers	**103,955**	83,965	**103,955**	83,965
Returned cash and other cash items	**6,544**	14,465	**6,544**	14,465
	421,695	471,074	**416,689**	467,813
Non-financial assets				
Other repossessed assets – net of accumulated depreciation	**717,932**	998,815	**717,932**	998,815
Prepaid expenses	**383,267**	92,829	**339,438**	50,211
Card acquisition costs	**220,854**	408,553	**220,854**	408,553
Equity on car plan	**153,261**	161,915	**153,251**	161,845
Documentary stamps	**92,115**	210,060	**92,115**	210,060
Stationery and supplies on hand	**77,601**	71,924	**72,496**	66,764
Margin account	**64,793**	58,447	**64,793**	58,447
Interoffice items	**3,996**	736,787	**3,996**	736,787
Other miscellaneous asset	**248,553**	286,853	**210,792**	242,349
	1,962,372	3,026,183	**1,875,667**	2,933,831
	2,384,067	3,497,257	**2,292,356**	3,401,644
Allowance for impairment losses (Note 15)	**(36,836)**	(334,586)	**(17,058)**	(315,485)
	₱2,347,231	₱3,162,671	**₱2.275,298**	₱3,086,159

The allowance for impairment losses on other assets pertains to the allowances for impairment losses of other repossessed assets and of the Bank's long outstanding floats. In 2019, the Parent Company provided an allowance amounting to ₱300.00 million on its lo ng outstanding floats. These long outstanding floats were subsequently written off in 2020.

The movements in the allowance for impairment losses on other assets excluding other repossessed assets of the Group and the Parent Company follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Balance at beginning of year	**₱334,386**	₱8,131	**₱315,285**	8,131
Provision (recoveries) during the year	**25,179**	335,891	**24,502**	335,891
Write-off and others	**(324,433)**	(9,636)	**(324,433)**	(28,737)
Balance at end of year	**₱35,132**	₱334,386	**₱15,354**	₱315,285

The movements in other repossessed assets of the Group and the Parent Company follow:

	2020	2019
Cost		
Balance at beginning of year	**₱1,157,507**	₱918,481
Additions	**1,625,938**	2,850,154
Disposals	**(1,838,445)**	(2,611,128)
Balance at end of year	**945,000**	1,157,507
Accumulated depreciation		
Balance at beginning of year	**158,692**	132,476
Depreciation	**389,079**	293,232
Disposals	**(320,703)**	(267,016)
Balance at end of year	**227,068**	158,692
Net book value, gross of allowance for impairment losses	**717,932**	998,815
Allowance for impairment losses		
Balance at beginning of year	**200**	–
Provision during the year	**1,704**	2,256
Disposals	**(200)**	(2,056)
Balance at end of year	**1,704**	200
Net book value, net of allowance for impairment losses	**₱716,228**	₱998,615

The Group and Parent Company recognized net gain (loss) from the disposal of its repossessed assets amounting to (₱9.26 million), (₱226.21 million) and ₱75.70 million in 2020, 2019 and 2018, respectively.

15. **Allowance for Credit and Impairment Losses**

Details of and changes in the allowance for impairment and credit losses follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Balances at the beginning of year:				
Loans and receivables (Note 9)	**₱7,389,216**	₱7,291,882	**₱6,888,762**	₱6,883,467
Investment securities at amortized cost (Note 8)	**2,265**	2,895	**2,265**	2,895
Due from other banks	**93**	198	**93**	198
Investment properties (Note 12)	**82,950**	103,365	**82,950**	103,365
Other assets (Note 14)	**334,386**	8,131	**315,285**	8,131
Provision for unused credit lines (Note 21)	**683,425**	449,748	**683,425**	449,748
	8,492,335	7,856,219	**7,972,780**	7,447,804
Provisions charged to current operations – loans and receivables (Note 9)	**9,841,566**	3,502,574	**9,591,472**	3,266,876
Provisions charged to current operations – due from other banks and investment securities at amortized cost	**28,683**	(60,945)	**28,683**	(45,353)
Provisions charged to current operations – investment peropertes and other assets (Notes 12 and 14)	**43,995**	367,166	**43,317**	367,166
Provisions charged to current operations – unused credit lines (Note 20)	**(79,826)**	233,677	**(79,826)**	233,677
Write-off and others (Notes 9 and 14)	**(4,260,672)**	(3,414,876)	**(4,127,642)**	(3,271,217)
Revaluation due to change in foreign currency	**(2,623)**	62,267	**(2,623)**	27,574
Reversal of allowance on disposals of investment properties and other repossessed assets (Notes 12 and 14)	**(3,875)**	(53,746)	**(3,875)**	(53,746)
Balances at the end of year:				
Loans and receivables (Note 9)	**13,291,920**	7,389,216	**12,674,402**	6,888,762
Investment securities at amortized cost (Note 8)	**30,932**	2,265	**30,932**	2,265
Due from other banks	**110**	93	**110**	93
Investment properties (Note 12)	**96,386**	82,950	**96,386**	82,950
Other assets (Note 14)	**36,836**	334,386	**17,058**	315,285
Provision for unused credit lines	**603,599**	683,425	**603,599**	683,425
	₱14,059,783	₱8,492,335	**₱13,422,487**	₱7,972,780

With the foregoing level of allowance for impairment and credit losses, management believes that the Group has sufficient allowance for any losses that the Group may incur from the non-collection or non-realization of its receivables and other risk assets.

The reconciliation of allowance for the receivables from customers follows:

Total Loans and Receivables - Consolidated

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at beginning of year	**₱1,303,243**	**₱1,984,768**	**₱4,101,205**	**₱ 7,389,216**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**639,443**	**-**	**-**	**639,443**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**22**	**579,373**	**287,316**	**866,711**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(309,576)**	**(398,768)**	**(375,018)**	**(1,083,362)**
Write-offs (Note 9)	**(288,895)**	**(196,227)**	**(3,451,118)**	**(3,936,240)**
Transfers from Stage 1	**(361,912)**	**252,950**	**108,962**	–
Transfers from Stage 2	**230,514**	**(772,575)**	**542,061**	–
Transfers from Stage 3	**29,775**	**21,419**	**(51,194)**	–
Impact on ECL of exposures transferred between stages of exposures transferred between stages	**1,295,441**	**3,499,383**	**4,621,329**	**9,416,153**
Others	–	–	–	–
Balance at end of year	**₱2,765,377**	**₱5,153,691**	**₱5,372,852**	**₱13,291,920**

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱1,737,075	₱1,873,248	₱3,681,559	₱7,291,882
Newly originated assets that remained in Stage 1 as at December 31, 2019	3,656,451	–	–	3,656,451
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	320,030	562,993	883,023
Effect of collections and other movements in receivable balance (excluding write-offs)	(19,236,165)	(4,857,140)	(600,885)	(24,694,190)
Write-offs (Note 9)	–	–	(3,384,748)	(3,384,748)
Transfers from Stage 1	(₱4,678,562)	₱4,117,658	₱560,904	₱–
Transfers from Stage 2	3,550,593	(4,124,204)	573,611	–
Transfers from Stage 3	160,966	25,175	(186,141)	–
Impact on ECL of exposures transferred between stages of exposures transferred between stages	16,112,885	4,630,001	2,914,404	23,657,290
Others	–	–	(20,492)	(20,492)
Balance at end of year	₱1,303,243	₱1,984,768	₱4,101,205	₱7,389,216

Reconciliation of the allowance for impairment and credit losses by class in 2020 and 2019 follows:

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans*				
Balance at beginning of year	**₱11,216**	**₱198,437**	**₱543,914**	**₱753,567**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**2,905**	–	–	**2,905**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	**307,560**	**62,892**	**370,452**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(10,744)**	**(137,380)**	**(56,707)**	**(204,831)**
Write-offs (Note 9)	–	–	**(137,861)**	**(137,861)**
Transfers from Stage 1	**(1,096)**	**909**	**187**	–
Transfers from Stage 2	**16,931**	**(23,796)**	**6,865**	–
Transfers from Stage 3	**7,286**	**-**	**(7,286)**	–
Impact on ECL of exposures transferred between stages	**(23,827)**	**61,146**	**381,132**	**418,451**
Balance at end of year	**2,671**	**406,876**	**793,136**	**1,202,683**
Auto loans				
Balance at beginning of year	**369,299**	**462,506**	**780,915**	**1,612,720**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**152,461**	–	–	**152,461**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	**200,630**	**106,613**	**307,243**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(69,100)**	**(108,418)**	**(15,713)**	**(193,231)**
Write-offs (Note 9)	**-**	**-**	**(226,733)**	**(226,733)**
Transfers from Stage 1	**(153,955)**	**122,620**	**31,335**	–
Transfers from Stage 2	**31,085**	**(157,929)**	**126,844**	–
Transfers from Stage 3	**2,523**	**7,242**	**(9,765)**	–
Impact on ECL of exposures transferred between stages	**148,148**	**1,447,465**	**533,372**	**2,128,985**
Balance at end of year	**480,461**	**1,974,116**	**1,326,868**	**3,781,445**

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Credit cards				
Balance at beginning of year	**₱435,400**	**₱1,219,879**	**₱951,132**	**₱2,606,411**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**75,877**	–	–	**75,877**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	**6,390**	**16,874**	**23,264**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(41,468)**	**(127,423)**	**(27,492)**	**(196,383)**
Write-offs (Note 9)	**(61,573)**	**(12,859)**	**(2,510,878)**	**(2,585,310)**
Transfers from Stage 1	**(164,232)**	**103,890**	**60,342**	–
Transfers from Stage 2	**176,631**	**(569,274)**	**392,643**	–
Transfers from Stage 3	**11,760**	**8,221**	**(19,981)**	–
Impact on ECL of exposures transferred between stages	**350,262**	**1,636,887**	**2,338,100**	**4,325,249**
Balance at end of year	**782,657**	**2,265,711**	**1,200,740**	**4,249,108**
Mortgage loans				
Balance at beginning of year	**27,584**	**26,556**	**21,579**	**75,719**
Newly originated assets that remained in Stage 1 as at December 31, 2019	–	–	–	–
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	**8,825**	**848**	**9,673**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(2,299)**	**(1,974)**	**(5,428)**	**(9,701)**
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	**(14,034)**	**13,578**	**456**	–
Transfers from Stage 2	**2,903**	**(5,262)**	**2,359**	–
Transfers from Stage 3	**182**	**986**	**(1,168)**	–
Impact on ECL of exposures transferred between stages	**9,973**	**161,156**	**30,113**	**201,242**
Balance at end of year	**24,309**	**203,865**	**48,759**	**276,933**
Other consumer loans**				
Balance at beginning of year	**435,149**	**26,186**	**731,554**	**1,192,889**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**385,206**	**-**	**-**	**385,206**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**22**	**34,511**	**90,994**	**125,527**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(184,962)**	**(20,268)**	**(262,499)**	**(467,729)**
Write-offs (Note 9)	**(227,322)**	**(183,368)**	**(503,277)**	**(913,967)**
Transfers from Stage 1	**(26,714)**	**10,391**	**16,323**	**-**
Transfers from Stage 2	**2,329**	**(9,295)**	**6,966**	**-**
Transfers from Stage 3	**7,863**	**4,838**	**(12,701)**	**-**
Impact on ECL of exposures transferred between stages	**966,525**	**225,907**	**687,001**	**1,879,433**
Balance at end of year	**1,358,096**	**88,902**	**754,361**	**2,201,359**
Unquoted debt securities classified as loans				
Balance at beginning of year	–	–	**79,673**	**79,673**
Newly originated assets that remained in Stage 1 as at December 31, 2019	–	–	**-**	**-**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	–	**-**	**-**
Effect of collections and other movements in receivable balance (excluding write-offs)	–	–	**(2,622)**	**(2,622)**

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Write-offs (Note 9)	**₱–**	**₱–**	**₱-**	**₱-**
Transfers from Stage 1	–	–	**-**	**-**
Transfers from Stage 2	–	–	**-**	**-**
Transfers from Stage 3	–	–	**-**	**-**
Impact on ECL of exposures transferred between stages	–	–	**-**	**-**
Balance at end of year	–	–	**77,051**	**77,051**
Other receivables****				
Balance at beginning of year	**24,595**	**51,204**	**992,438**	**1,068,237**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**22,994**	–	–	**22,994**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	**21,457**	**9,094**	**30,551**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(1,003)**	**(3,305)**	**(4,557)**	**(8,865)**
Write-offs (Note 9)	**-**	**-**	**(72,369)**	**(72,369)**
Transfers from Stage 1	**(1,881)**	**1,562**	**319**	–
Transfers from Stage 2	**635**	**(7,019)**	**6,384**	–
Transfers from Stage 3	**161**	**132**	**(293)**	–
Impact on ECL of exposures transferred between stages	**71,682**	**150,190**	**240,921**	**462,793**
Others	–	–	–	–
Balance at end of year	**117,183**	**214,221**	**1,171,937**	**1,503,341**
Total	**₱2,765,377**	**₱5,153,691**	**₱5,372,852**	**₱13,291,920**

**Include Corporate loans and emerging enterprise loans*
***Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans*
****Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

	2019			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Balance at beginning of year	₱33,111	₱55,007	₱322,363	₱410,481
Newly originated assets that remained in Stage 1 as at December 31, 2019	9,945	–	–	9,945
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	138,790	11,020	149,810
Effect of collections and other movements in receivable balance (excluding write-offs)	(14,541)	(31,133)	(13,786)	(59,460)
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	(17,528)	16,627	901	–
Transfers from Stage 2	689	(923)	234	–
Transfers from Stage 3	–	172	(172)	–
Impact on ECL of exposures transferred between stages	(460)	19,897	223,354	242,791
Balance at end of year	11,216	198,437	543,914	753,567
Auto loans				
Balance at beginning of year	328,676	513,275	488,898	1,330,849
Newly originated assets that remained in Stage 1 as at December 31, 2019	262,814	–	–	262,814
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	55,540	38,874	94,414
Effect of collections and other movements in receivable balance (excluding write-offs)	(179,251)	(118,577)	(30,834)	(328,662)
Write-offs (Note 9)	–	–	(343,480)	(343,480)
Transfers from Stage 1	(63,295)	56,508	6,787	–
Transfers from Stage 2	152,695	(228,701)	76,006	–

	2019			
	Stage 1	Stage 2	Stage 3	Total
Transfers from Stage 3	₱5,796	₱827	₱(6,623)	₱–
Impact on ECL of exposures transferred between stages	(138,136)	183,634	551,287	596,785
Balance at end of year	369,299	462,506	780,915	1,612,720
Credit cards				
Balance at beginning of year	840,833	1,004,559	1,025,216	2,870,608
Newly originated assets that remained in Stage 1 as at December 31, 2019	2,983,212	–	–	2,983,212
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	103,910	221,411	325,321
Effect of collections and other movements in receivable balance (excluding write-offs)	(18,630,366)	(4,489,984)	(192,510)	(23,312,860)
Write-offs (Note 9)	–	–	(2,295,923)	(2,295,923)
Transfers from Stage 1	(4,559,951)	4,024,537	535,414	–
Transfers from Stage 2	3,376,459	(3,859,246)	482,787	–
Transfers from Stage 3	124,547	18,061	(142,608)	–
Impact on ECL of exposures transferred between stages	16,300,666	4,418,042	1,317,345	22,036,053
Balance at end of year	435,400	1,219,879	951,132	2,606,411
Mortgage loans				
Balance at beginning of year	25,092	57,560	30,468	113,120
Newly originated assets that remained in Stage 1 as at December 31, 2019	8,446	–	–	8,446
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	175	190	365
Effect of collections and other movements in receivable balance (excluding write-offs)	(3,535)	(23,476)	(13,683)	(40,694)
Write-offs (Note 9)	–	–	(25)	(25)
Transfers from Stage 1	(4,202)	3,910	292	–
Transfers from Stage 2	15,688	(22,608)	6,920	–
Transfers from Stage 3	2,146	289	(2,435)	–
Impact on ECL of exposures transferred between stages	(16,051)	10,706	(148)	(5,493)
Balance at end of year	27,584	26,556	21,579	75,719
Other consumer loans**				
Balance at beginning of year	370,957	84,660	745,356	1,200,973
Newly originated assets that remained in Stage 1 as at December 31, 2019	388,004	–	–	388,004
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	19,274	287,909	307,183
Effect of collections and other movements in receivable balance (excluding write-offs)	(290,658)	(81,193)	(327,030)	(698,881)
Write-offs (Note 9)	–	–	(732,569)	(732,569)
Transfers from Stage 1	(29,378)	12,217	17,161	–
Transfers from Stage 2	3,304	(8,719)	5,415	–
Transfers from Stage 3	27,408	5,760	(33,168)	–
Impact on ECL of exposures transferred between stages	(34,488)	(5,813)	768,480	728,179
Balance at end of year	435,149	26,186	731,554	1,192,889
Unquoted debt securities classified as loans				
Balance at beginning of year	–	–	71,626	71,626
Newly originated assets that remained in Stage 1 as at December 31, 2019	–	–	–	–
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	–	–	–

	2019			
	Stage 1	Stage 2	Stage 3	Total
Effect of collections and other movements in receivable balance (excluding write-offs)	₱–	₱–	₱8,047	₱8,047
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages	–	–	–	–
Balance at end of year	–	–	79,673	79,673
Other receivables* **				
Balance at beginning of year	138,406	158,187	997,632	1,294,225
Newly originated assets that remained in Stage 1 as at December 31, 2019	4,030	–	–	4,030
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	2,341	3,589	5,930
Effect of collections and other movements in receivable balance (excluding write-offs)	(117,814)	(112,777)	(31,089)	(261,680)
Write-offs (Note 9)	–	–	(12,751)	(12,751)
Transfers from Stage 1	(4,208)	3,859	349	–
Transfers from Stage 2	1,758	(4,007)	2,249	–
Transfers from Stage 3	1,069	66	(1,135)	–
Impact on ECL of exposures transferred between stages	1,354	3,535	54,086	58,975
Others	–	–	(20,492)	(20,492)
Balance at end of year	24,595	51,204	992,438	1,068,237
Total	₱1,303,243	₱1,984,768	₱4,101,205	₱7,389,216

**Include Corporate loans and emerging enterprise loans*
***Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans*
****Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

Total Allowance on Credit Losses– Parent Company

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at beginning of year	**₱1,242,612**	**₱1,950,011**	**₱3,696,139**	**₱6,888,762**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**477,667**	**–**	**–**	**477,667**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**23**	**565,306**	**225,519**	**790,848**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(241,010)**	**(391,396)**	**(230,368)**	**(862,774)**
Write-offs (Note 9)	**(288,895)**	**(196,227)**	**(3,318,088)**	**(3,803,210)**
Transfers from Stage 1	**(356,760)**	**251,436**	**105,324**	**–**
Transfers from Stage 2	**229,210**	**(768,581)**	**539,371**	**–**
Transfers from Stage 3	**26,240**	**21,150**	**(47,390)**	**–**
Impact on ECL of exposures transferred between stages	**1,244,825**	**3,520,095**	**4,418,188**	**9,183,108**
Others	**–**	**–**	**–**	**–**
Balance at end of year	**₱2,561,234**	**₱5,135,162**	**₱4,978,005**	**₱12,674,401**

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱1,686,037	₱1,872,781	₱3,324,649	₱6,883,467
Newly originated assets that remained in Stage 1 as at December 31, 2019	3,527,347	–	–	3,527,347
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	306,922	353,808	660,730
Effect of collections and other movements in receivable balance (excluding write-offs)	(19,119,775)	(4,880,579)	(512,873)	(24,513,227)
Write-offs (Note 9)	–	–	(3,241,089)	(3,241,089)
Transfers from Stage 1	(4,672,301)	4,116,059	556,242	–
Transfers from Stage 2	3,548,985	(4,119,857)	570,872	–
Transfers from Stage 3	144,537	21,940	(166,477)	–
Impact on ECL of exposures transferred between stages	16,127,782	4,632,745	2,831,499	23,592,026
Others	–	–	(20,492)	(20,492)
Balance at end of year	₱1,242,612	₱1,950,011	₱3,696,139	₱6,888,762

Reconciliation of the allowance for impairment and credit losses by class in 2020 and 2019 follows:

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate loans*				
Balance at beginning of year	**₱9,296**	**₱198,437**	**₱491,029**	**₱698,762**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**2,861**	–	–	**2,861**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	**307,560**	**62,892**	**370,452**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(8,983)**	**(137,378)**	**(56,272)**	**(202,633)**
Write-offs (Note 9)	–	–	**(137,861)**	**(137,861)**
Transfers from Stage 1	**(1,094)**	**907**	**187**	–
Transfers from Stage 2	**16,931**	**(23,797)**	**6,866**	–
Transfers from Stage 3	**7,286**	**-**	**(7,286)**	–
Impact on ECL of exposures transferred between stages	**(23,827)**	**61,139**	**381,131**	**418,443**
Balance at end of year	**2,470**	**406,868**	**740,686**	**1,150,024**
Auto loans				
Balance at beginning of year	**369,299**	**462,506**	**780,915**	**1,612,720**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**152,461**	–	–	**152,461**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	**200,630**	**106,613**	**307,243**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(69,100)**	**(108,418)**	**(15,713)**	**(193,231)**
Write-offs (Note 9)	–	–	**(226,733)**	**(226,733)**
Transfers from Stage 1	**(153,955)**	**122,620**	**31,335**	–
Transfers from Stage 2	**31,085**	**(157,929)**	**126,844**	–
Transfers from Stage 3	**2,523**	**7,242**	**(9,765)**	–
Impact on ECL of exposures transferred between stages	**148,148**	**1,447,465**	**533,372**	**2,128,985**
Balance at end of year	**480,461**	**1,974,116**	**1,326,868**	**3,781,445**
Credit cards				
Balance at beginning of year	**435,400**	**1,219,879**	**951,132**	**2,606,411**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**75,877**	–	–	**75,877**

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**₱–**	**₱6,390**	**₱16,874**	**₱23,264**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(41,468)**	**(127,423)**	**(27,492)**	**(196,383)**
Write-offs (Note 9)	**(61,573)**	**(12,859)**	**(2,510,878)**	**(2,585,310)**
Transfers from Stage 1	**(164,232)**	**103,890**	**60,342**	**–**
Transfers from Stage 2	**176,631**	**(569,274)**	**392,643**	**–**
Transfers from Stage 3	**11,760**	**8,221**	**(19,981)**	**–**
Impact on ECL of exposures transferred between stages	**350,262**	**1,636,887**	**2,338,100**	**4,325,249**
Balance at end of year	**782,657**	**2,265,711**	**1,200,740**	**4,249,108**
Mortgage loans				
Balance at beginning of year	**27,584**	**26,556**	**21,579**	**75,719**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**–**	**–**	**–**	**–**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**8,825**	**848**	**9,673**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(2,299)**	**(1,974)**	**(5,428)**	**(9,701)**
Write-offs (Note 9)	**–**	**–**	**–**	**–**
Transfers from Stage 1	**(14,034)**	**13,578**	**456**	**–**
Transfers from Stage 2	**2,903**	**(5,262)**	**2,359**	**–**
Transfers from Stage 3	**182**	**986**	**(1,168)**	**–**
Impact on ECL of exposures transferred between stages	**9,973**	**161,156**	**30,113**	**201,242**
Balance at end of year	**24,309**	**203,865**	**48,759**	**276,933**
Other consumer loans**				
Balance at beginning of year	**383,506**	**19,399**	**392,220**	**795,125**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**225,068**	**-**	**-**	**225,068**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**23**	**22,651**	**34,542**	**57,216**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(118,515)**	**(13,318)**	**(116,839)**	**(248,672)**
Write-offs (Note 9)	**(227,322)**	**(183,368)**	**(381,874)**	**(792,564)**
Transfers from Stage 1	**(21,669)**	**8,892**	**12,777**	**-**
Transfers from Stage 2	**1,042**	**(5,349)**	**4,307**	**-**
Transfers from Stage 3	**4,413**	**4,571**	**(8,984)**	**-**
Impact on ECL of exposures transferred between stages	**909,609**	**219,088**	**518,709**	**1,647,406**
Balance at end of year	**1,156,155**	**72,566**	**454,858**	**1,683,579**
Unquoted debt securities classified as loans				
Balance at beginning of year	**–**	**–**	**69,673**	**69,673**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**–**	**–**	**–**	**–**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	**–**	**–**	**–**	**–**
Effect of collections and other movements in receivable balance (excluding write-offs)	**–**	**–**	**(2,622)**	**(2,622)**
Write-offs (Note 9)	**–**	**–**	**–**	**–**
Transfers from Stage 1	**–**	**–**	**–**	**–**
Transfers from Stage 2	**–**	**–**	**–**	**–**
Transfers from Stage 3	**–**	**–**	**–**	**–**
Impact on ECL of exposures transferred between stages	**–**	**–**	**–**	**–**
Balance at end of year	**–**	**–**	**67,051**	**67,051**

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Other receivables* **				
Balance at beginning of year	**₱17,527**	**₱23,234**	**₱989,591**	**₱1,030,352**
Newly originated assets that remained in Stage 1 as at December 31, 2019	**21,400**	–	–	**21,400**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	**19,250**	**3,750**	**23,000**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(645)**	**(2,885)**	**(6,002)**	**(9,532)**
Write-offs (Note 9)	**-**	**-**	**(60,742)**	**(60,742)**
Transfers from Stage 1	**(1,776)**	**1,549**	**227**	–
Transfers from Stage 2	**618**	**(6,970)**	**6,352**	–
Transfers from Stage 3	**76**	**130**	**(206)**	–
Impact on ECL of exposures transferred between stages	**77,982**	**177,728**	**206,073**	**461,783**
Others	–	–	–	–
Balance at end of year	**115,182**	**212,036**	**1,139,043**	**1,466,261**
Total	**₱2,561,234**	**₱5,135,162**	**₱4,978,005**	**₱12,674,401**

**Include Corporate loans and emerging enterprise loans*
***Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans*
****Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

	2019			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans*				
Balance at beginning of year	₱32,902	₱55,007	₱259,721	₱347,630
Newly originated assets that remained in Stage 1 as at December 31, 2019	7,862	–	–	7,862
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	138,790	11,020	149,810
Effect of collections and other movements in receivable balance (excluding write-offs)	(14,169)	(31,133)	(4,029)	(49,331)
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	(17,528)	16,627	901	–
Transfers from Stage 2	689	(923)	234	–
Transfers from Stage 3	–	172	(172)	–
Impact on ECL of exposures transferred between stages	(460)	19,897	223,354	242,791
Balance at end of year	9,296	198,437	491,029	698,762
Auto loans				
Balance at beginning of year	328,676	513,275	488,898	1,330,849
Newly originated assets that remained in Stage 1 as at December 31, 2019	262,814	–	–	262,814
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	55,540	38,874	94,414
Effect of collections and other movements in receivable balance (excluding write-offs)	(179,251)	(118,577)	(30,834)	(328,662)
Write-offs (Note 9)	–	–	(343,480)	(343,480)
Transfers from Stage 1	(63,295)	56,508	6,787	–
Transfers from Stage 2	152,695	(228,701)	76,006	–
Transfers from Stage 3	5,796	827	(6,623)	–
Impact on ECL of exposures transferred between stages	(138,136)	183,634	551,287	596,785
Balance at end of year	369,299	462,506	780,915	1,612,720

	2019			
	Stage 1	Stage 2	Stage 3	Total
Credit cards				
Balance at beginning of year	₱840,833	₱1,004,559	₱1,025,216	₱2,870,608
Newly originated assets that remained in Stage 1 as at December 31, 2019	2,983,212	–	–	2,983,212
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	103,910	221,411	325,321
Effect of collections and other movements in receivable balance (excluding write-offs)	(18,630,366)	(4,489,984)	(192,510)	(23,312,860)
Write-offs (Note 9)	–	–	(2,295,923)	(2,295,923)
Transfers from Stage 1	(4,559,951)	4,024,537	535,414	–
Transfers from Stage 2	3,376,459	(3,859,246)	482,787	–
Transfers from Stage 3	124,547	18,061	(142,608)	–
Impact on ECL of exposures transferred between stages	16,300,666	4,418,042	1,317,345	22,036,053
Balance at end of year	435,400	1,219,879	951,132	2,606,411
Mortgage loans				
Balance at beginning of year	25,092	57,560	30,468	113,120
Newly originated assets that remained in Stage 1 as at December 31, 2019	8,446	–	–	8,446
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	175	190	365
Effect of collections and other movements in receivable balance (excluding write-offs)	(3,535)	(23,476)	(13,683)	(40,694)
Write-offs (Note 9)	–	–	(25)	(25)
Transfers from Stage 1	(4,202)	3,910	292	–
Transfers from Stage 2	15,688	(22,608)	6,920	–
Transfers from Stage 3	2,146	289	(2,435)	–
Impact on ECL of exposures transferred between stages	(16,051)	10,706	(148)	(5,493)
Balance at end of year	27,584	26,556	21,579	75,719
Other consumer loans**				
Balance at beginning of year	326,707	67,633	459,068	853,408
Newly originated assets that remained in Stage 1 as at December 31, 2019	262,040	–	–	262,040
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	7,671	82,035	89,706
Effect of collections and other movements in receivable balance (excluding write-offs)	(175,164)	(61,572)	(243,066)	(479,802)
Write-offs (Note 9)	–	–	(593,089)	(593,089)
Transfers from Stage 1	(23,241)	10,626	12,615	–
Transfers from Stage 2	1,727	(4,455)	2,728	–
Transfers from Stage 3	11,599	2,537	(14,136)	–
Impact on ECL of exposures transferred between stages	(20,162)	(3,041)	686,065	662,862
Balance at end of year	383,506	19,399	392,220	795,125

	2019			
	Stage 1	Stage 2	Stage 3	Total
Unquoted debt securities classified as loans				
Balance at beginning of year	₱–	₱–	₱71,626	₱71,626
Newly originated assets that remained in Stage 1 as at December 31, 2019	–	–	–	–
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	–	–	–
Effect of collections and other movements in receivable balance (excluding write-offs)	–	–	(1,953)	(1,953)
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages	–	–	–	–
Balance at end of year	–	–	69,673	69,673
Other receivables* **				
Balance at beginning of year	131,827	174,747	989,652	1,296,226
Newly originated assets that remained in Stage 1 as at December 31, 2019	2,973	–	–	2,973
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	836	278	1,114
Effect of collections and other movements in receivable balance (excluding write-offs)	(117,290)	(155,837)	(26,798)	(299,925)
Write-offs (Note 9)	–	–	(8,572)	(8,572)
Transfers from Stage 1	(4,084)	3,851	233	–
Transfers from Stage 2	1,727	(3,924)	2,197	–
Transfers from Stage 3	449	54	(503)	–
Impact on ECL of exposures transferred between stages	1,925	3,507	53,596	59,028
Others	–	–	(20,492)	(20,492)
Balance at end of year	17,527	23,234	989,591	1,030,352
Total	₱1,242,612	₱1,950,011	₱3,696,139	₱6,888,762

**Include Corporate loans and emerging enterprise loans*
***Include Branch loans, DepEd loans, Employee loans, Salary loans and Personal loans*
****Include Accrued interest receivables, Accounts receivables and Sales contract receivables.*

Investments and placements – Group and Parent Company

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Investment securities at amortized cost				
Balance at beginning of year	**₱2,380**	**(₱115)**	–	**₱2,265**
Newly originated assets that remained in Stage 1 as at December 31, 2019	–	–	–	**-**
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	**17,858**	–	**17,858**
Effect of collections and other movements in receivable balance (excluding write-offs)	**(2,108)**	–	–	**(2,108)**

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Write-offs (Note 9)	**₱–**	**₱–**	**₱–**	**₱–**
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages	**2,184**	**10,733**	–	**12,917**
Balance at end of year	**2,456**	**28,476**	**-**	**30,932**
Due from other banks				
Balance at beginning of year	**81**	**12**	–	**93**
Newly originated assets that remained in Stage 1 as at December 31, 2019	–	–	–	–
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	–	–	–
Effect of collections and other movements in receivable balance (excluding write-offs)	**(63)**	–	–	**(63)**
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages	–	–	–	–
Balance at end of year	**18**	**12**	–	**30**
Total	**₱2,474**	**₱28,488**	–	**₱30,962**

	2019			
	Stage 1	Stage 2	Stage 3	Total
Investment securities at amortized cost				
Balance at beginning of year	₱2,895	₱–	₱–	₱2,895
Newly originated assets that remained in Stage 1 as at December 31, 2019	–	–	–	–
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	–	–	–
Effect of collections and other movements in receivable balance (excluding write-offs)	(515)	(115)	–	(630)
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages	–	–	–	–
Balance at end of year	₱2,380	(₱115)	₱–	₱2,265
Due from other banks				
Balance at beginning of year	₱189	₱–	₱–	₱189
Newly originated assets that remained in Stage 1 as at December 31, 2019	1	–	–	1
Newly originated assets that moved to Stage 2 and Stage 3 as at December 31, 2019	–	–	–	–

	2019			
	Stage 1	Stage 2	Stage 3	Total
Effect of collections and other movements in receivable balance (excluding write-offs)	(₱109)	₱12	₱–	₱ (97)
Write-offs (Note 9)	–	–	–	–
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	–	–	–	–
Transfers from Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages	–	–	–	–
Balance at end of year	₱81	₱12	₱–	₱93
Total	₱2,461	(₱103)	₱-	₱2,358

Provision for unused credit lines – Group and Parent Company

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at beginning of year	**₱432,079**	**₱251,346**	**₱–**	**₱683,425**
New credit lines that remained in Stage 1 as at December 31, 2020	**81,038**	–	–	**81,038**
Newly credit lines that moved to Stage 2 and Stage 3 as at December 31, 2020	–	**1,959**	–	**1,959**
Effect of collections and other movements	**(207,445)**	**(165,325)**	–	**(372,770)**
Write-offs	**-**	**-**	–	–
Transfers from Stage 1	**(19,082)**	**15,837**	**3,245**	–
Transfers from Stage 2	**29,934**	**(33,925)**	**3,991**	–
Transfers from Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages	**55,414**	**161,769**	**(7,236)**	**209,947**
Balance at end of year	**₱371,938**	**₱231,661**	**₱-**	**₱603,599**

	2019			
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	₱–	₱449,748	₱–	₱449,748
New credit lines that remained in Stage 1 as at December 31, 2019	274,394	–	–	274,394
Newly credit lines that moved to Stage 2 and Stage 3 as at December 31, 2019	–	363	–	363
Effect of collections and other movements	–	–	–	–
Write-offs				
Transfers from Stage 1	–	–	–	–
Transfers from Stage 2	142,804	(142,804)		–
Transfers from Stage 3	–	–	–	–
Impact on ECL of exposures transferred between stages	14,881	(55,961)	–	(41,080)
Balance at end of year	₱432,079	₱251,346	₱–	₱683,425

16. **Deposit Liabilities**

Under existing BSP regulations, non-FCDU deposit liabilities of the Parent Company are subject to unified reserve requirements equivalent to 14% (under BSP Circulars 1041, 1056 and 1063) as at December 31, 2019. In 2020, BSP Circular 1082 was issued reducing the reserve requirement to 12% for universal and commercial banks.

LTNCDs are subject to required reserves of 4.00% if issued under BSP Circular No. 304, and 7.00% if issued under BSP Circular No. 842.

On the other hand, EWRB is required to maintain regular reserves equivalent to 2.00% and 3.00% demand and savings deposits in 2020 and 2019, respectively.

As of December 31, 2020 and 2019, the Parent Company and EWRB are in compliance with such regulations. As of December 31, 2020 and 2019, Due from BSP of the Parent Company and EWRB below has been set aside as reserves for deposit liabilities, as reported to the BSP:

	2020	2019
Parent Company	**₱29,794,181**	₱32,699,816
EWRB	**423,185**	696,816
Total reserves for deposit liabilities	**₱30,217,366**	₱33,396,632

As of December 31, 2020 and 2019, 26.44% and 30.22% respectively, of the total liabilities of the Group and 28.14% and 31.61% respectively of the Parent Company are subject to periodic interest repricing.

The remaining deposit liabilities earn annual fixed interest rates ranging from 0.01% to 5.63% in 2020, 0.50% to 5.88% in 2019 and 0.15% to 5.00% in 2018.

Long-Term Negotiable Certificate of Deposits (LTNCDs)
LTNCDs issued by the Parent Company include the following (amounts in millions):

Series	**Issue Date**	**Maturity Date**	**Face Value**	**Coupon Rate**	**Average Effective Interest Rate**	**Repayment Terms**	**Carrying Value**	
							2020	2019
2	12/5/2013	6/5/2019	2,484	3.250%	3.48%	Quarterly	–	–
3	10/23/2014	4/24/2020	925	4.500%	4.42%	Quarterly	–	925
4	3/21/2017	9/21/2022	10,000	4.000%	4.10%	Quarterly	**9,983**	9,973
5	6/7/2018	12/7/2023	2,451	4.625%	4.78%	Quarterly	**2,440**	2,437
Total							**₱12,423**	₱13,335

Long-Term Negotiable Certificates of Deposits due 2019 (LTNCD Series 2)
In 2013, the Parent Company issued unsecured LTNCD maturing on June 5, 2019. The first to third tranches of the LTNCD Series 2 aggregating to ₱0.75 billion were issued in December 2013. The discount, including debt issue costs, related to the issuance of the LTNCD Series 2 in 2013 amounted to P9.44 million. The fourth and fifth tranches of the LTNCD Series 2 aggregating to ₱1.74 billion were issued in February and April 2014, respectively. The discount, including debt issue costs, related to the issuance of the LTNCD Series 2 in 2014 amounted to ₱85.05 million. The LTNCD Series 2 matured on June 5, 2019.

Long-Term Negotiable Certificates of Deposits due 2020 (LTNCD Series 3)
In 2014, the Parent Company issued unsecured LTNCD maturing on April 24, 2020. The first tranche of the LTNCD Series 3 amounting to ₱0.93 billion was issued in October 2014. The discount related to the issuance of the LTNCD Series 3 in 2014 amounted to ₱4.63 million. The LTNCD Series 3 matured on April 24, 2020. As of December 31, 2019, the outstanding net unamortized discount amounted to ₱0.23 million, respectively.

Long-Term Negotiable Certificates of Deposits due 2022 (LTNCD Series 4)
In 2017, the Parent Company issued unsecured LTNCD maturing on September 21, 2022. The first tranche of the LTNCD amounting to ₱2.70 billion was issued in March 2017. The second to fifth tranches of the LTNCD aggregating to ₱7.30 billion were issued in April to August 2017. The debt issue costs related to the issuance of the LTNCD in 2017 amounted to ₱49.94 million. As of December 31, 2020 and 2019, the outstanding unamortized debt issue cost amounted to ₱17.30 million and ₱26.78 million, respectively.

Long-Term Negotiable Certificates of Deposits due 2023 (LTNCD Series 5)
In 2018, the Parent Company issued unsecured LTNCD maturing on December 7, 2023. The first tranche of the LTNCD amounting to ₱2.45 billion was issued in June 7, 2018. The debt issue costs related to the issuance of the LTNCD in 2018 amounted to ₱18.38 million. As of December 31, 2020 and 2019, the outstanding unamortized debt issue cost amounted to ₱10.40 million and ₱13.62 million, respectively.

The movements in unamortized net discount of LTNCDs of the Group and Parent Company as of December 31, 2020 and 2019 are as follows:

	2020	2019
Beginning balance	**₱40,639**	₱62,660
Amortization during the year	**(12,945)**	(22,021)
Ending balance	**₱27,694**	₱40,639

The Group and the Parent Company's interest expense on deposit liabilities consists:

	Consolidated			**Parent Company**		
	2020	2019	2018	**2020**	2019	2018
Time deposits	**₱1,706,586**	₱4,858,431	₱3,060,232	**₱1,706,586**	₱4,858,431	₱3,060,232
Savings deposits	**1,198,852**	1,238,106	679,057	**757,886**	303,294	171,721
LTNCDs	**526,525**	597,634	686,148	**526,525**	597,634	686,148
Demand deposits	**128,916**	104,380	98,101	**129,468**	105,364	98,570
Total	**₱3,560,879**	₱6,798,551	₱4,523,538	**₱3,120,465**	₱5,864,723	₱4,016,671

17. Bills and Acceptances Payable and SSURA

This account of the Group and of the Parent Company consists of:

	2020	2019
SSURA	**₱3,491,024**	₱29,804,675
Outstanding acceptances	**77,779**	36,823
Banks and other financial institutions	–	1,108,255
	₱3,568,803	₱30,949,753

The following are the fair value of government debt securities (Note 8) pledged and transferred under SSURA transactions of the Group and the Parent Company:

	2020		2019	
	Face value	**Fair value**	Face value	Fair value
Financial assets at FVTOCI	**₱3,879,645**	**₱3,889,607**	3,747,829	4,368,253
Financial assets at FVTPL	**₱–**	**₱–**	₱8,068,541	₱9,154,497
Investment securities at amortized cost	–	–	16,419,473	19,332,692
	₱3,879,645	**₱3,889,607**	₱28,235,843	₱32,855,442

The Group's and the Parent Company's borrowings are subject to annual interest rates ranging from 0.33% to 3.50% in 2020, 1.90% to 4.44% in 2019 and 2.68% to 5.38% in 2018.

The Group's and the Parent Company's interest expense on bills and acceptances payable amounted to ₱182.98 million in 2020, ₱878.89 million in 2019 and ₱211.14 million in 2018.

18. Accrued Taxes, Interest and Other Expenses

This account consists of:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
Accrued other expenses	**₱2,357,999**	₱2,070,213	**₱2,114,528**	₱1,880,382
Accrued taxes	**399,041**	381,291	**357,736**	345,368
Accrued interest payable	**190,210**	581,529	**170,335**	527,558
	₱2,947,250	₱3,033,033	**₱2,642,599**	₱2,753,308

Accrued other expenses pertain to accruals of various operating expenses such as rent, utilities, management and professional fees, employee bonus and other expenses.

19. Bonds Payable

This account consists of bonds payable due in 2023 with a face value of ₱3.70 billion and carrying value of ₱3.68 billion as of December 31, 2020.

On February 10, 2020, the Parent Company issued 4.50% fixed-rate bonds with issue price at 100.00% face value. The bonds will bear interest at the rate of 4.50% per annum from and including February 21, 2020 to but excluding: (a) February 21, 2023, such date being the maturity date (if the pre-termination option is not exercised); or (b) the pre-termination date (if the pre-termination option is exercised), and the interest will be payable quarterly in arrears at the end of each interest period on February 21, August 21 and November 21 of each year commencing on 2020.

Unless the 2023 Bonds are previously redeemed, the Bonds are repayable to the Bond Holders at 100.00% of their face value on the maturity date or February 21, 2023. As of December 31, 2020, bonds issuance cost amounted to ₱22.57 million. For the period ended December 31, 2020, the Group and the Parent Company recognized interest expense on bonds payable amounting to ₱143.79 million.

Reserve requirement
Peso-denominated bonds are subject to reserves equivalent to 3.00% in 2020 and 2019. The Parent Company was in compliance with such requirements as of December 31, 2020.

20. Subordinated Debt

This account consists of:

		Consolidated		Parent Company	
	Face value	**2020**	2019	**2020**	2019
Lower Tier 2 unsecured subordinated notes due 2025	₱5,000,000	**₱–**	₱4,979,340	**₱–**	₱4,979,340
Lower Tier 2 unsecured subordinated notes due 2027	1,250,000	**1,240,785**	1,239,671	**–**	–
	₱6,250,000	**₱1,240,785**	₱6,219,011	**₱–**	₱4,979,340

Lower Tier 2 unsecured subordinated notes due 2025
On July 4, 2014, the Parent Company issued 5.50% coupon rate Lower Tier 2 unsecured subordinated notes (the 2025 Notes) with par value of ₱5.00 billion, maturing on January 4, 2025, but callable on January 4, 2020. The 2025 Notes qualify as Tier 2 capital pursuant to BSP Circular No. 781 (Basel III), BSP Circular No. 826 on risk disclosure requirements for the loss absorption features of capital instruments, and other related circulars and issuances of the BSP.

Unless the 2025 Notes are previously redeemed, the 2025 Notes are repayable to the Noteholders at 100.00% of their face value or at par on the maturity date of January 4, 2025.

From and including the issue date to, but excluding the optional redemption date of January 4, 2020, the 2025 Notes bear interest at the rate of 5.50% per annum and shall be payable quarterly in arrears on January 4, April 4, July 4, and October 4 of each year, which commenced on October 4, 2014. Unless the 2025 Notes are previously redeemed, the interest rate will be reset at the equivalent of the prevailing 5-year BVAL at reset date plus initial spread (i.e., the difference between the initial interest rate and the prevailing 5-year BVAL at the pricing date of the initial tranche), commencing on January 4, 2020.

The 2025 Notes are redeemable at the option of the Parent Company, in whole but not in part, on the call option date at 100.00% of the face value plus accrued but unpaid interest, subject to the following conditions:

a. the Parent Company has obtained prior written approval and complied with the requirements of the BSP prior to redemption of the 2025 Notes;
b. the 2025 Notes are replaced with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the Parent Company or the Parent Company demonstrates that its capital position is above the minimum capital requirements after redemption is exercised;
c. the Parent Company is not in breach of (and would not, following such redemption, be in breach) of applicable regulatory capital requirements (including regulatory capital buffers);
d. the Parent Company is solvent at the time of redemption of the 2025 Notes and immediately thereafter.

Furthermore, upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event, the Parent Company may, subject to compliance with BSP rules and BSP approval, and upon prior approval of the BSP and with prior written notice to the Noteholders on record, redeem all and not less than all of the outstanding 2025 Notes prior to the stated maturity by paying the Noteholder the Redemption Option Amount which, (a) in the case of a Tax Redemption Event is an amount equal to 100.00% of the face value of the 2025 Notes plus accrued interest at the interest rate relating to the then current interest period up to but excluding the date of such redemption, and (b) in the case of a Regulatory Redemption Event is an amount equal to 100.00% of the face value of the 2025 Notes plus accrued interest at the interest rate relating to the then current Interest Period up to but excluding the date of such redemption (the "Redemption Option Date").

The 2025 Notes have a loss absorption feature which means that the 2025 Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Event. Non-viability is defined as a deviation from a certain level of Common Equity Tier 1 (CET1) Ratio or inability of the Parent Company to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A Non-Viability Event is deemed to have occurred when the Parent Company is considered non-viable as determined by the BSP.

Upon the occurrence of a Non-Viability Event, the Parent Company shall write-down the principal amount of the 2025 Notes to the extent required by the BSP, which could go to as low as zero. Additional Tier 1 (AT1) capital instruments shall be utilized first before Tier 2 capital instruments are written-down, until the viability of the Issuer is re-established. In the event the Parent Company does not have AT1 capital instruments, then the write-down shall automatically apply to Tier 2 capital.

Loss absorption feature is subject to the following conditions:

a. the principal amount of all series of Tier 1 Loss Absorbing Instruments outstanding having been Written-Down to zero or converted into common equity of the Parent Company (where possible) irrevocably, in accordance with, and to the extent possible pursuant to, their terms (the "Tier 1 Write-Down");
b. the Tier 1 Write-Down having been insufficient to cure the Non-Viability Event;
c. the Parent Company giving the relevant Non-Viability Notice to the Public Trustee and the Registrar and Paying Agent.

Each Noteholder irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed to it by the Parent Company arising under or in connection with the 2025 Notes and it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

On January 4, 2020, the Parent Company exercised its redemption option to pre-terminate the 2025 Notes.

<u>Lower Tier 2 unsecured subordinated notes due 2027</u>
On February 20, 2017, EWRB issued 5.50% coupon rate Lower Tier 2 unsecured subordinated note (the 2027 Notes) with par value of ₱1.25 billion, maturing on August 20, 2027 but callable on August 20, 2022.

Unless the 2027 Notes are previously redeemed, the 2027 Notes are repayable to the Noteholders at 100.00% of their face value or at par on the maturity date of August 20, 2027.

From and including the issue date to, but excluding the optional redemption date of August 20, 2022, the 2027 Notes bear interest at the rate of 5.50% per annum and shall be payable quarterly in arrears on February 20, May 20, August 20, and November 20 of each year, which commenced on February 20, 2017. Unless the 2027 Notes are previously redeemed, the interest rate will be reset at the equivalent of the prevailing 5-year BVAL at reset date plus initial spread (i.e., the difference between the initial interest rate and the prevailing 5-year BVAL at the pricing date of the initial tranche), commencing on August 20, 2022.

The 2027 Notes are redeemable at the option of EWRB, in whole but not in part, on the call option date at 100.00% of the face value plus accrued but unpaid interest, subject to the following conditions:

a. EWRB has obtained prior written approval and complied with the requirements of the BSP prior to redemption of the 2027 Notes;
b. the 2027 Notes are replaced with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of EWRB, or EWRB demonstrates that its capital position is above the minimum capital requirements after redemption is exercised;
c. EWRB is not in breach of (and would not, following such redemption, be in breach) of applicable regulatory capital requirements (including regulatory capital buffers);
d. EWRB is solvent at the time of redemption of the 2027 Notes and immediately thereafter.

Furthermore, upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event, the EWRB may, subject to compliance with BSP rules and BSP approval, and upon prior approval of the BSP and with prior written notice to the Noteholders on record, redeem all and not less than all of the outstanding 2027 Notes prior to the stated maturity by paying the Noteholder the Redemption Option Amount which, (a) in the case of a Tax Redemption Event is an amount equal to 100.00% of the face value of the 2027 Notes plus accrued interest at the interest rate relating to the then current interest period up to but excluding the date of such redemption, and (b) in the case of a Regulatory Redemption Event is an amount equal to 100.00% of the face value of the 2027 Notes plus accrued interest at the interest rate relating to the then current Interest Period up to but excluding the date of such redemption (the “Redemption Option Date”).

The 2027 Notes have a loss absorption feature which means that the 2027 Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Event. Non-viability is defined as a deviation from a certain level of Common Equity Tier 1 (CET1) Ratio or inability of the EWRB to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A Non-Viability Event is deemed to have occurred when EWRB is considered non-viable as determined by the BSP.

Upon the occurrence of a Non-Viability Event, EWRB shall write-down the principal amount of the 2025 Notes to the extent required by the BSP, which could go to as low as zero. Additional Tier 1 (AT1) capital instruments shall be utilized first before Tier 2 capital instruments are written-down, until the viability of the Issuer is re-established. In the event EWRB does not have AT1 capital instruments, then the write-down shall automatically apply to Tier 2 capital.

Loss absorption feature is subject to the following conditions:
a. the principal amount of all series of Tier 1 Loss Absorbing Instruments outstanding having been Written-Down to zero or converted into common equity of EWRB (where possible) irrevocably, in accordance with, and to the extent possible pursuant to, their terms (the “Tier 1 Write-Down”);

b. the Tier 1 Write-Down having been insufficient to cure the Non-Viability Event;
c. EWRB giving the relevant Non-Viability Notice to the Public Trustee and the Registrar and Paying Agent.

Each Noteholder irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed to it by EWRB arising under or in connection with the 2027 Notes and it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

The Group's interest expense on the subordinated debt due 2025 and 2027 amounted to ₱79.83 million, ₱345.97 million and ₱345.93 million in 2020, 2019 and 2018, respectively.

The Parent Company's interest expense on the subordinated debt due 2025 and 2027 amounted to ₱9.94 million, ₱276.17 million and ₱276.10 million in 2020, 2019 and 2018, respectively.

21. Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Financial liabilities				
Accounts payable	**₱3,925,676**	₱3,421,255	**₱3,611,010**	₱2,705,305
Provision on unused credit lines (Notes 15 and 30)	**603,599**	683,425	**603,599**	683,425
Bills purchased-contra	**490,125**	542,664	**490,125**	542,664
Derivative liabilities (Note 5)	**97,042**	128,004	**97,042**	128,004
Retention payable	**40,794**	42,571	**40,794**	42,571
Payment orders payable	**26,786**	135,461	**26,786**	135,461
Marginal deposits and letters of credit	**–**	5,789	**–**	5,789
	5,184,022	4,959,169	**4,869,356**	4,243,219
Non-financial liabilities				
Deferred revenue	**1,605,887**	1,500,657	**1,595,432**	1,516,910
Net retirement obligation (Note 26)	**547,867**	169,903	**514,120**	149,678
Withholding tax payable	**65,881**	144,299	**53,000**	130,190
Miscellaneous	**277,716**	335,908	**212,625**	330,306
	2,497,351	2,150,767	**2,375,177**	2,127,084
	₱7,681,373	₱7,109,936	**₱7,244,533**	₱6,370,303

Deferred revenue of the Group and the Parent Company includes deferred revenue on credit card loyalty points, membership fees and dues as well as the deferred exclusive bancassurance access fee (Note 10).

22. Maturity Analysis of Assets and Liabilities

The following tables show an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from the statement of financial position date:

	Consolidated					
	2020			2019		
	Less than 12 months	**Over 12 months**	**Total**	Less than 12 months	Over 12 months	Total
Financial assets:						
Cash and other cash items	**₱8,148,882**	**₱–**	**₱8,148,882**	₱7,454,625	₱–	₱7,454,625
Due from BSP (Note 7)	**48,892,706**	**–**	**48,892,706**	34,287,302	–	34,287,302
Due from other banks - gross (Note 7)	**11,392,198**	**–**	**11,392,198**	3,404,019	–	3,404,019
Interbank loans receivables and SPURA (Note 7)	**17,111,092**	**–**	**17,111,092**	2,691,882	–	2,691,882
Financial assets at FVTPL (Note 8)	**7,523,592**	**–**	**7,523,592**	16,840,709	–	16,840,709
Financial assets at FVTOCI (Note 8)	**29,471,707**	**–**	**29,471,707**	4,650,636	–	4,650,636
Investment securities at amortized cost - gross (Notes 8 and 15)	**567,413**	**20,363,218**	**20,930,631**	392,088	48,996,247	49,388,335
Loans and receivables - gross (Notes 9 and 15)	**92,753,482**	**157,993,525**	**250,747,007**	115,497,638	151,147,649	266,645,287
Other assets - gross (Notes 14 and 15)	**140,536**	**281,159**	**421,695**	202,744	268,330	471,074
	216,001,608	**178,637,902**	**394,639,510**	185,421,643	200,412,226	385,833,869
Nonfinancial assets:						
Investment in a joint venture (Note 10)	**–**	**665,313**	**665,313**	–	694,114	694,114
Property and equipment – gross (Note 11)	**–**	**12,444,220**	**12,444,220**	–	11,690,022	11,690,022
Investment properties - gross (Notes 12 and 15)	**–**	**1,432,327**	**1,432,327**	–	1,344,814	1,344,814
Deferred tax assets (Note 25)	**–**	**5,169,692**	**5,169,692**	–	2,821,217	2,821,217
Goodwill and other intangible assets - gross (Note 13)	**–**	**8,695,090**	**8,695,090**	–	8,613,422	8,613,422
Other assets - gross (Notes 14 and 15)	**805,532**	**1,383,908**	**2,189,440**	1,448,924	1,577,059	3,025,983
	805,532	**29,790,550**	**30,596,082**	1,448,924	26,740,648	28,189,572
	216,807,140	**208,428,452**	**425,235,592**	186,870,567	227,152,874	414,023,441
Allowances for impairment and credit losses (Note 15)	**–**	**(13,456,184)**	**(13,456,184)**	–	(7,808,910)	(7,808,910)
Unamortized premium/discount (Note 9)	**(570,816)**	**6,832,158**	**6,261,342**	–	8,391,667	8,391,667
Accumulated depreciation and amortization (Notes 11, 12, 13 and 14)	**–**	**(9,838,750)**	**(9,838,750)**	–	(8,281,909)	(8,281,909)
	₱216,236,324	**₱191,965,676**	**₱408,202,000**	₱186,870,567	₱219,453,722	₱ 406,324,289
Financial liabilities:						
Deposit liabilities (Note 16)	**₱310,991,010**	**₱18,064,940**	**₱ 329,055,950**	₱291,229,056	₱13,497,099	₱304,726,155
Bills and acceptances payable (Note 17)	**3,568,803**	**–**	**3,568,803**	30,949,753	–	30,949,753
Cashiers' checks and demand drafts payable	**678,795**	**–**	**678,795**	1,320,236	–	1,320,236
Subordinated debt (Note 20)	**–**	**1,240,785**	**1,240,785**	4,979,340	1,239,671	6,219,011
Bonds Payable (Note 19)	**–**	**3,677,434**	**3,677,434**	–	–	–
Accrued interest, taxes and other expenses (Note 18)	**2,548,209**	**–**	**2,548,209**	2,651,742	–	2,651,742
Lease liability (Note 27)	**827,605**	**2,639,137**	**3,466,742**	788,476	2,514,505	3,302,981
Other liabilities (Note 21)	**5,143,228**	**40,794**	**5,184,022**	4,916,598	42,571	4,959,169
	323,757,650	**25,663,090**	**349,420,740**	336,835,201	17,293,846	354,129,047
Nonfinancial liabilities:						
Income tax payable	**402,325**	**–**	**402,325**	595,851	–	595,851
Accrued interest, taxes and other expenses (Note 18)	**399,041**	**–**	**399,041**	381,291	–	381,291
Other liabilities (Note 21)	**1,101,261**	**1,396,090**	**2,497,351**	840,060	1,310,707	2,150,767
	1,902,627	**1,396,090**	**3,298,717**	1,817,202	1,310,707	3,127,909
	₱325,660,277	**₱27,059,180**	**₱352,719,457**	₱338,652,403	₱18,604,553	₱357,256,956

	Parent Company					
	2020			2019		
	Less than 12 months	**Over 12 months**	**Total**	Less than 12 months	Over 12 months	Total
Financial assets:						
Cash and other cash items	**₱8,076,124**	**₱–**	**₱8,076,124**	₱7,354,474	₱–	₱7,354,474
Due from BSP (Note 7)	**48,469,521**	**–**	**48,469,521**	33,590,486	–	33,590,486
Due from other banks - gross (Note 7)	**11,353,719**	**–**	**11,353,719**	3,324,495	–	3,324,495
Interbank loans receivables and SPURA (Note 7)	**17,111,092**	**–**	**17,111,092**	2,691,882	–	2,691,882
Financial assets at FVTPL (Note 8)	**7,523,592**	**–**	**7,523,592**	16,840,709	–	16,840,709
Financial assets at FVTOCI (Note 8)	**29,471,707**	**–**	**29,471,707**	4,650,636	–	4,650,636
Investment securities at amortized cost - gross (Notes 8 and 15)	**567,413**	**18,746,408**	**19,313,821**	392,088	48,996,247	49,388,335
Loans and receivables - gross (Notes 9 and 15)	**91,190,637**	**133,964,991**	**225,155,628**	92,529,311	146,629,057	239,158,368
Other assets - gross (Notes 14 and 15)	**140,536**	**276,153**	**416,689**	202,743	265,070	467,813
	213,904,341	**152,987,552**	**366,891,893**	161,576,824	195,890,374	357,467,198
Nonfinancial assets:						
Investment in subsidiaries (Note 10)	**–**	**4,739,211**	**4,739,211**	–	3,992,449	3,992,449
Investment in a joint venture (Note 10)	**–**	**665,313**	**665,313**	–	694,114	694,114
Property and equipment - gross (Note 11)	**–**	**11,279,251**	**11,279,251**	–	10,707,460	10,707,460
Investment properties - gross (Notes 12 and 15)	**–**	**1,430,882**	**1,430,882**	–	1,343,369	1,343,369
Deferred tax assets (Note 25)	**–**	**4,677,278**	**4,677,278**	–	2,387,704	2,387,704
Goodwill and other intangible assets - gross (Note 13)	**₱–**	**₱8,562,222**	**₱8,562,222**	₱–	₱8,497,117	₱8,497,117
Other assets - gross (Notes 14 and 15)	**718,837**	**1,383,898**	**2,102,735**	1,366,650	1,566,981	2,933,631
	718,837	**32,738,055**	**33,456,892**	1,366,650	29,189,194	30,555,844
	214,623,178	**185,725,607**	**400,348,785**	162,943,474	225,079,568	388,023,042
Allowances for impairment and credit losses (Note 15)	**–**	**(12,818,888)**	**(12,818,888)**	–	(7,289,355)	(7,289,355)
Unamortized premium/discount (Note 9)	**72,899**	**7,364,389**	**7,437,288**	–	9,589,794	9,589,794
Accumulated depreciation and amortization (Notes 11, 12, 13 and 14)	**–**	**(9,079,803)**	**(9,079,803)**	–	(7,593,005)	(7,593,005)
	₱214,696,077	**₱171,191,305**	**₱385,887,382**	₱162,943,474	₱219,787,002	₱382,730,476
Financial liabilities:						
Deposit liabilities (Note 16)	**₱291,116,299**	**₱18,064,940**	**₱309,181,239**	270,185,116	13,497,099	283,682,215
Bills and acceptances payable (Note 17)	**3,568,803**	**–**	**3,568,803**	30,949,753	–	30,949,753
Cashiers' checks and demand drafts payable	**678,795**	**–**	**678,795**	1,320,236	–	1,320,236
Subordinated debt (Note 20)	**–**	**–**	**–**	4,979,340	–	4,979,340
Bonds payable (Note 19)	**–**	**3,677,434**	**3,677,434**			
Accrued interest, taxes and other expenses (Note 18)	**2,284,863**	**–**	**2,284,863**	2,407,940	–	2,407,940
Lease liability (Note 27)	**750,315**	**2,354,785**	**3,105,100**	747,674	2,373,769	3,121,443
Other liabilities (Note 21)	**4,828,562**	**40,794**	**4,869,356**	4,200,647	42,572	4,243,219
	303,227,637	**24,137,953**	**327,365,590**	314,790,706	15,913,440	330,704,146
Nonfinancial liabilities:						
Income tax payable	**306,336**	**–**	**306,336**	486,545	–	486,545
Accrued interest, taxes and other expenses (Note 18)	**357,736**	**–**	**357,736**	345,368	–	345,368
Other liabilities (Note 21)	**991,443**	**1,383,734**	**2,375,177**	816,377	1,310,707	2,127,084
	1,655,515	**1,383,734**	**3,039,249**	1,648,290	1,310,707	2,958,997
	₱304,883,152	**₱25,521,687**	**₱330,404,839**	₱316,438,996	₱17,224,147	₱333,663,143

23. **Equity**

Capital Management
The Parent Company actively manages its capital to comply with regulatory requirements, enable growth targets, withstand plausible stress events and be at par with the Parent Company's peers. The primary objective of the Parent Company's capital management is to ensure that it maintains adequate capital to cover risks inherent to its banking activities without prejudice to optimizing shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous year.

Regulatory Qualifying Capital
Under existing BSP regulations, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's 'unimpaired capital' (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies. In addition, the risk-based Capital Adequacy Ratio (CAR) of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (Parent Company and subsidiaries engaged in financial allied undertakings). Qualifying capital and risk-weighted assets are computed based on BSP regulations.

Effective January 1, 2014, the Group complied with BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

On June 27, 2014, the BSP issued Circular No. 839, *REST Limit for Real Estate Exposures* which provides the implementing guidelines on the prudential REST limit for universal, commercial, and thrift banks on their aggregate real estate exposures. The Group should maintain CET1 and CAR levels at the regulatory prescribed minimums, on a solo and consolidated basis, even after the simulated results of a 25.00% write-off to the Group's real estate exposures. These shall be complied with at all times.

The capital-to-risk assets ratio reported to the BSP as of December 31, 2020 and 2019 are shown in the table below:

	Consolidated		**Parent Company**	
	2020	2019	**2020**	2019
CET1 capital ratio	**12.62%**	10.37%	**12.54%**	10.65%
Tier 1 capital ratio	**12.62%**	10.37%	**12.54%**	10.65%
Total capital ratio	**13.81%**	12.95%	**13.35%**	13.00%

The composition of the qualifying capital is shown below:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Qualifying capital:				
Tier 1 capital	**₱54,690,481**	₱47,962,606	**₱54,698,856**	₱47,973,398
CET1 capital	**54,690,481**	47,962,606	**54,698,856**	47,973,398
Less: Required deductions	**12,769,756**	11,609,246	**16,833,594**	13,872,545
Net Tier 1 capital	**41,920,725**	36,353,360	**37,865,262**	34,100,853
Tier 2 capital	**3,962,777**	9,035,596	**2,455,351**	7,532,803
Total qualifying capital	**₱45,883,502**	₱45,388,956	**₱40,320,613**	₱41,633,656

The capital requirements as of December 31, 2020 and 2019 are shown below:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Capital requirements:				
Credit risk	**₱274,837,744**	₱292,232,377	**₱248,305,947**	₱265,911,137
Market risk	**8,741,854**	13,675,290	**8,741,854**	13,675,290
Operational risk	**48,685,454**	44,636,287	**44,976,695**	40,694,213
Total capital requirements	**₱332,265,052**	₱350,543,954	**₱302,024,496**	₱320,280,640

Qualifying capital and risk-weighted assets are computed based on BSP regulations.

Under Basel III, the regulatory Gross Qualifying Capital of the Parent Company consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 comprises share capital, surplus (including current year profit), and other comprehensive income (cumulative foreign currency translation and net unrealized gains on financial assets at FVTOCI). Required deductions include goodwill, intangible assets, investments in equity, deferred tax assets, defined benefit pension assets and unsecured credit accommodations to DOSRI and subsidiaries.

Tier 2 capital comprise of unsecured subordinated debts and general loan loss provision.

Risk-weighted assets are determined by assigning defined risk weights to the statement of financial position exposure and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.00% to 150.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors. Below is a summary of risk weights and selected exposure types:

Risk weight	Exposure/Asset type
0.00%	Cash on hand; claims collateralized by securities issued by the national government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20.00%	Cash and other cash items, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation

Risk weight	Exposure/Asset type
50.00%	Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation
75.00%	Direct loans of defined Small Medium Enterprise (SME) and microfinance loans portfolio; non-performing housing loans fully secured by first mortgage
100.00%	All other assets (e.g., real estate assets) excluding those deducted from capital (e.g., deferred income tax)
150.00%	All non-performing loans (except non-performing housing loans fully secured by first mortgage) and all non-performing debt securities

* *Not all inclusive*

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

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

The risk-weighted CAR is calculated by dividing the sum of its Tier 1 and Tier 2 capital, as defined under BSP regulations, by its risk-weighted assets. The risk-weighted assets, as defined by the BSP regulations, consist of all of the assets on the balance sheet at their respective book values, together with certain other off-balance sheet items, weighted by certain percentages depending on the risks associated with the type of assets. The determination of compliance with regulatory requirements and ratios is based on the amount of the Parent Company's 'unimpaired capital' (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting practices which differ from PFRS in some respects.

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

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

Leverage Ratio and Total Exposure Measure

The Basel lll Leverage Ratio is designed to act as a supplementary measure to the risk-based capital requirement. The leverage ratio intends to restrict the buildup of leverage in the Bank and reinforce the risk-based requirements with a simple, non-risk based "backstop" measure. It is defined as a capital measure over its total exposure measure with a minimum requirement of 5.00% on both Group and Parent Company.

	Consolidated		Parent	
	2020	2019	**2020**	2019
Capital Measure	**₱41,920,724**	₱37,439,942	**₱37,865,262**	₱34,100,854
Divided by: Exposure measure	**422,026,281**	420,909,115	**395,212,088**	393,622,139
Leverage ratio	**9.93%**	8.90%	**9.58%**	8.66%

Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)

The NSFR seeks to limit the overreliance on short-term wholesale funding and promoting enhanced assessment of funding risk across all on- and off-balance sheet accounts. It complements the LCR, which promotes short term resilience of a Bank's liquidity profile. The minimum LCR and NSFR requirement should be no lower than 100% at all times on both Group and Parent Company.

	Consolidated		Parent	
	2020	2019	**2020**	2019
Total Stock of High-Quality Liquid Assets	**₱101,128,828**	₱61,635,603	**₱99,016,098**	₱60,841,217
Divided by: Total Net Cash Flows	**26,691,247**	31,560,166	**32,528,359**	39,791,801
Liquidity Coverage ratio	**378.88%**	195.30%	**304.40%**	152.90%

	Consolidated		Parent	
	2020	2019	**2020**	2019
Available Stable Funding Ratio	**₱304,206,769**	₱268,531,985	**₱285,595,362**	₱249,897,222
Divided by: Required Stable Funding	**221,353,274**	242,005,827	**210,055,216**	229,239,981
Net Stable Funding Ratio	**137.43%**	110.96%	**135.96%**	109.01%

Capital Stock

Capital stock consists of (amounts in thousands, except for par value and number of shares):

	Shares			Amount		
	2020	2019	2018	**2020**	2019	2018
Authorized:						
Common stock - ₱10.00 par value	**4,500,000,000**	4,500,000,000	4,500,000,000			
Preferred stock - ₱10.00 par value	**500,000,000**	500,000,000	500,000,000			
Common stock issued and outstanding:						
Balance at the beginning of the year	**2,249,975,411**	2,249,975,411	1,499,983,610	**₱22,499,754**	₱22,499,754	₱14,999,836
Issuance of stock dividends	**–**	–	749,991,801	**–**	–	7,499,918
Balance at the end of the year	**2,249,975,411**	2,249,975,411	2,249,975,411	**₱22,499,754**	₱22,499,754	₱22,499,754

With the approvals by the PSE of the Parent Company's application for listing and by the SEC for the Registration Statement both on March 14, 2012, a total of 245,316,200 common shares, with ₱10.00 par value per share, representing 21.70% of outstanding capital stock, were offered and subscribed through an initial public offering at ₱18.50 per share on April 20 to 26, 2012. The common shares comprise of (a) 141,056,800 new shares issued by the Parent Company by way of a primary offer, and (b) 104,259,400 existing shares offered by FDC, the selling shareholder, pursuant to a secondary offer. Subsequently, on September 5, 2012, 36,715,300 shares under the over-allotment option were exercised at a price of ₱18.50 per share that brought the subscriptions to 25.00% of the outstanding capital stock. The Parent Company's common shares were listed and commenced trading in the PSE on May 7, 2012.

The preferred shares are perpetual non-voting and non-convertible to common shares. The dividends of the preferred shares shall be non-cumulative and to be fixed by the BOD at an annual dividend rate prior to the date of issue.

The total proceeds raised by the Parent Company from the sale of primary offer shares amounted to ₱2.61 billion while the net proceeds (after deduction of direct costs related to equity issuance) amounted to ₱2.39 billion.

On February 1, 2018, the BSP approved the following amendments to the Parent Company's Articles of Incorporation, which were approved and confirmed by the Parent Company's BOD at its special meeting on July 13, 2017, to provide flexibility for future capital requirements:

a. Increase of the Parent Company's authorized capital stock from ₱20.00 billion to ₱50.00 billion consisting of 4.50 billion common shares with par value of ₱10.00 per share or a total par value of ₱45.00 billion and ₱0.50 billion preferred shares with par value of ₱10.00 per share or a total par value of ₱5.00 billion.

b. Declaration of 50.00% stock dividends equivalent to ₱7.50 billion from the Parent Company's unrestricted retained earnings as of December 31, 2016 to meet the required subscribed and paid amount of capital stock per Corporation Code after the increase in the authorized capital of the Parent Company. The increase in the Parent Company's authorized capital stock and stock dividend declaration were subsequently approved by BSP on September 29, 2017 and by SEC on February 28, 2018.

On April 16, 2018, a total of 749,991,801 common shares were listed at the PSE.

The portion of the Parent Company's retained earnings pertaining to the accumulated earnings of the subsidiaries amounting to ₱4.06 billion and ₱3.90 billion as of December 31, 2020 and December 31, 2019, respectively, are not available for dividend declaration until declared as dividends by subsidiaries.

In 2018, upon the full adoption of PFRS 9, the BSP through BSP Circular No. 1011 has required the appropriation for the difference of the 1.00% general loan loss provision over the computed ECL related to Stage 1 accounts. As of December 31, 2020, the amount of appropriation made in 2019 is still sufficient to cover the difference of the required BSP provision over the computed ECL related to Stage 1 accounts.

Dividend

As approved by the Parent Company's BOD in its special meeting on July 13, 2017, 50.00% stock dividend equivalent to ₱7.50 billion was declared to stockholders on record as of March 30, 2018, to cover the required 25.00% minimum subscription and payment for the increase of authorized capital of the Parent Company. The stock dividends were issued on April 16, 2018. Direct issuance costs amounting to ₱144.00 million were paid in 2018.

24. Income and Expenses

Service charges, fees and commissions

Service charges include late payment charges, pre-termination fees on loans and service charges on deposit taking-related transactions. Fees and commissions include credit card membership fees, bancassurance fees, interchange fees, merchant discounts and other commissions.

For the periods ended December 31, 2020, 2019 and 2018, this account consists of:

	Consolidated			Parent Company		
	2020	2019	208	**2020**	2019	2018
Credit cards	**₱1,653,513**	₱2,172,012	₱2,201,506	**₱1,653,513**	₱2,172,012	₱2,201,506
Loans	**841,432**	1,709,685	1,580,672	**568,356**	1,119,558	1,028,176
Deposits	**684,733**	785,595	654,116	**680,711**	781,751	650,037
Bancassurance fees	**72,138**	87,919	68,952	**72,138**	87,919	68,952
Remittances	**64,421**	73,748	85,494	**64,421**	73,748	85,494
Others	**394,555**	407,484	297,710	**205,934**	95,964	91,974
	₱3,710,792	₱5,236,443	₱4,888,450	**₱3,245,073**	₱4,330,952	₱4,126,139

Others consist of income from securities brokering and certificate fees.

Miscellaneous income (loss)

For the periods ended December 31, 2020, 2019 and 2018, this account consists of:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Recoveries and credit adjustments	**₱291,757**	₱430,150	₱739,285	**₱261,603**	₱416,502	₱736,052
Rental income	**45,618**	41,208	25,056	**45,618**	41,208	25,056
Dividend income	**8,834**	2,208	3,777	**8,834**	2,208	3,777
Modification loss (Note 4 and Note 9)	**(2,718,323)**	–	–	**(2,717,808)**	–	–
Others	**108,283**	162,564	82,957	**105,943**	157,279	79,879
	(₱2,263,831)	₱636,130	₱851,075	**(₱2,295,810)**	₱617,197	₱844,764

Others include referral income earned on insurance premiums charged through credit cards and revenue from credit card loyalty rewards.

Miscellaneous expense

For the periods ended December 31, 2020, 2019 and 2018, this account consists of:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Insurance	**₱706,927**	₱714,434	₱687,122	**₱661,983**	₱667,592	₱652,028
Advertising	**634,623**	708,158	825,272	**627,089**	695,992	811,424
Service charges, fees and commissions	**602,317**	707,180	601,022	**602,317**	707,180	601,022
Brokerage fees	**591,706**	683,167	647,502	**572,029**	706,524	635,599
Security, messengerial and janitorial services	**535,860**	569,263	489,575	**482,089**	509,117	434,371
Technological fees	**586,066**	492,652	502,011	**585,877**	492,545	500,334
Postage, telephone, cables and telegram	**402,060**	432,738	386,541	**358,983**	392,080	346,894
Management and other professional fees	**256,427**	290,646	175,389	**250,382**	287,065	172,366
Fines, penalties and other charges	**256,905**	241,074	173,119	**229,859**	209,565	152,848
Power, light and water	**176,497**	214,164	217,159	**153,114**	187,241	192,741
Transportation and travel	**227,694**	204,156	212,526	**184,719**	160,358	168,620
Repairs and maintenance	**160,634**	155,909	124,018	**130,990**	129,404	104,532
Stationery and supplies	**138,646**	136,361	109,978	**107,160**	107,655	92,074
Supervision fees	**130,027**	106,785	97,352	**121,410**	98,963	91,259
Litigation expenses	**48,223**	75,776	88,525	**48,223**	75,776	88,520
Entertainment, amusement and recreation	**36,007**	42,621	46,208	**31,705**	36,288	41,711
Others	**211,193**	212,443	219,207	**202,105**	194,098	200,138
	₱5,701,812	₱5,987,527	₱5,602,526	**₱5,350,034**	₱5,657,443	₱5,286,481

Others include payments for subscriptions, membership fees, trainings, donations and contributions, delivery and freight expenses, and clearing fees.

25. Income and Other Taxes

Under Philippine tax laws, the RBU of the Parent Company and its subsidiaries are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statements of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax and documentary stamp taxes. Income taxes include corporate income tax, as discussed below, and final taxes paid which represents final withholding tax on gross interest income from government securities and other deposit substitutes and income from FCDU transactions. These income taxes, as well as the deferred tax benefits and provisions, are presented as 'Provision for income tax' in the statements of income.

Republic Act (RA) No. 9397, *An Act Amending National Internal Revenue Code*, provides that the Regular Corporate Income Tax (RCIT) rate shall be 30.00% and the interest expense allowed as a deductible expense shall be reduced by 33.00% of interest income subjected to final tax.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulations, EAR expense allowed as a deductible expense is limited to the actual EAR paid or incurred but not to exceed 1.00% of the Parent Company's net revenue.

A Minimum Corporate Income Tax (MCIT) of 2.00% of modified gross income is computed and compared with the RCIT. Any excess of MCIT over the RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the period of incurrence. For the taxable years 2020 and 2021, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulations No. 25-2020.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is generally subject to 10.00% gross income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units is taxed at 15.00%. RA No. 9294, which became effective in May 2004, provides that the income derived by the FCDU from foreign currency transactions with non-residents, Offshore Banking Units (OBUs), local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Provision for income tax consists of:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Current:						
RCIT	**₱2,468,134**	₱1,943,147	₱1,486,393	**₱2,085,456**	₱1,586,314	₱1,214,063
Final tax	**215,234**	163,339	40,568	**207,407**	161,981	39,897
	2,683,368	2,106,486	1,526,961	**2,292,863**	1,748,295	1,253,960
Deferred	**(2,173,210)**	(437,852)	(58,720)	**(2,176,906)**	(240,517)	(13,074)
	₱510,158	₱1,668,634	₱1,468,241	**₱115,957**	₱1,507,778	₱1,240,886

The components of the Group's and the Parent Company's net deferred tax assets as of December 31, 2020 and 2019 follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Deferred tax asset on:				
Allowance for impairment and credit losses	**₱3,996,744**	₱2,610,286	**3,805,554**	₱2,393,816
Effect of modification loss, net of accretion/amortization	**735,935**	–	**735,825**	–
Accrued expenses and other deferred income	**321,239**	299,005	**110,447**	90,484
Accumulated depreciation of assets foreclosed or dacioned	**174,497**	229,691	**174,495**	229,688
Net retirement obligation	**164,360**	50,971	**154,236**	44,903
Net effect of lease liabilities and ROU assets	**113,179**	63,777	**106,097**	60,686
Unrealized foreign exchange losses	**97,443**	72,018	**25,271**	72,018
Deferred bancassurance fee	**67,500**	72,000	**67,500**	72,000
	5,670,898	3,397,748	**5,179,425**	2,963,595
Deferred tax liability on:				
Branch licenses acquired from business combination	**187,620**	219,415	**187,620**	218,776
Gain on asset foreclosure and dacion transactions	**164,647**	187,620	**164,008**	187,620
Remeasurement of investment in a joint venture	**100,750**	100,750	**100,750**	100,750
Unrealized foreign exchange gain	**18,113**	34,551	18,112	34,550
Others	**30,075**	34,195	**31,657**	34,195
	501,205	576,531	**502,147**	575,891
	₱5,169,692	₱2,821,217	**₱4,677,278**	₱2,387,704

Income tax benefit charged directly to OCI during the year for the Group and the Parent Company amounted to ₱115.33 million and ₱20.06 million in 2020 and 2019, respectively.

As of December 31, 2020 and 2019, the Group and the Parent Company did not recognize deferred tax assets on the following temporary differences:

	Consolidated		Parent	
	2020	2019	**2020**	2019
Allowance for impairment and credit losses	**₱221,191**	₱–	**₱221,191**	₱–
Excess MCIT over RCIT	**2,505**	2,023	**2,505**	2,023
NOLCO	–	79,236	–	79,236
	₱223,696	₱81,259	**₱223,696**	₱81,259

The Group and the Parent Company believe that it is not reasonably probable that the tax benefits of these temporay differences will be realized in the future.

Details of the Group's and the Parent Company's excess MCIT and NOLCO are as follows:

Excess MCIT

Inception Year	Amount	Used Amount	Expired Amount	Balance	Expiry Year
2018	₱1,014	₱–	₱–	₱1,014	2021
2019	1,009	–	–	1,009	2022
2020	321	–	–	321	2023
	₱2,344	₱–	₱–	₱2,344	

NOLCO

Inception Year	Amount	Used Amount	Expired Amount	Balance	Expiry Year
2017	₱79,236	₱11,396	₱67,840	₱–	2020
	₱79,236	₱11,396	₱67,840	₱–	

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4 (bbbb) of Bayanihan to Recover as One Act which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss. As of December 31, 2020, the Group has not incurred NOLCO that can be claimed for the next five years.

The reconciliation of statutory income tax at statutory tax rate to the effective income tax follows:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Statutory income tax	**₱2,105,398**	₱2,478,019	₱1,792,892	**₱1,987,137**	₱2,324,915	₱1,724,685
Tax effects of:						
Nondeductible expenses	**427,055**	365,811	308,275	**348,951**	377,504	148,692
FCDU income	**(1,510,380)**	(720,111)	(420,040)	**(1,510,380)**	(720,111)	(420,040)
Non-taxable and tax-exempt income	**(569,617)**	(382,312)	(172,761)	**(801,820)**	(382,312)	(172,761)
Interest income subjected to final tax net of tax paid	**(164,394)**	(209,426)	(12,076)	**(153,763)**	(208,674)	(11,641)
Prior year net unrealized foreign exchange and trading gains realized this year	**(14,161)**	56,281	(44,391)	**5,544**	56,281	(44,391)
Change in unrecognized deferred tax assets and others	**236,257**	80,372	16,342	**240,288**	60,175	16,342
Effective income tax	**₱510,158**	₱1,668,634	₱1,468,241	**₱115,957**	₱1,507,778	₱1,240,886

26. **Retirement Plan**

The existing regulatory framework, RA No. 7641, the *Retirement Pay Law* requires companies with at least ten (10) employees to pay retirement benefits to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Parent Company

The Parent Company has a funded, non-contributory defined benefit retirement plan (the Plan) covering substantially all of its officers and regular employees. Under the Plan, all covered officers and employees are entitled to cash benefits (equivalent to 125.00% of the final monthly salary for every year of service depending on the tenure of the employee) after satisfying certain age and service requirements. The Parent Company's retirement plan is in the form of a trust administered by the Parent Company's Trust Division under the supervision of the Retirement Committee.

EWRB

EWRB has a funded, non-contributory defined benefit plan covering substantially all of its officers and regular employees. The benefits are based on years of service and final compensation. The retirement plan provides retirement benefits ranging from 100.00% (for less than 10 years of service) to 150.00% (for 10 years of service and beyond) of the final monthly salary.

As of December 31, 2020, the retirement plan of EWRB is unfunded.

QMIS

QMIS does not have a formal retirement plan. As such, QMIS's retirement liability is based on the requirement of RA No. 7641. For purposes of calculating the retirement liability under RA No. 7641, QMIS obtained an actuarial valuation.

The amounts of net retirement obligation presented under "Other liabilities" in the statements of financial position are presented below:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Present value of the defined benefit obligation	**₱1,645,052**	₱1,172,994	**₱1,571,639**	₱1,118,639
Less: Fair value of plan assets	**1,097,185**	1,003,091	**1,057,519**	968,961
Net retirement obligation (Note 21)	**₱547,867**	₱169,903	**₱514,120**	₱149,678

Changes in the present value of the defined benefit obligation as of December 31, 2020 and 2019 recognized in the statements of financial position follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Balance at beginning of year	**₱ 1,172,994**	₱ 950,467	**₱1,118,639**	₱920,363
Current service cost	**154,128**	147,014	**142,544**	139,777
Interest cost	**57,329**	69,815	**54,478**	67,647
Remeasurement (gains) losses:				
Actuarial (gains) losses arising from deviations of experience from assumptions	**133,395**	8,425	**132,821**	12,494
Actuarial (gains) arising from changes in financial assumptions	**166,957**	106,035	**161,680**	96,202
Actuarial gains arising from changes in demographic assumptions	**–**	(60,621)	**–**	(70,449)
Benefits paid	**(39,751)**	(48,141)	**(38,523)**	(47,395)
Balance at end of year	**₱1,645,052**	₱1,172,994	**₱1,571,639**	₱ 1,118,639

Changes in the fair value of plan assets are as follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Balance at beginning of year	**₱1,003,092**	₱831,915	**₱ 968,961**	₱826,189
Contributions	**181,529**	175,402	**169,834**	146,699
Interest income	**48,925**	61,147	**47,188**	60,725
Remeasurements	**(96,611)**	(17,232)	**(89,941)**	(17,257)
Benefits paid	**(39,750)**	(48,141)	**(38,523)**	(47,395)
Balance at end of year	**₱1,097,185**	₱1,003,091	**₱1,057,519**	₱968,961

The fair value of plan assets by class are as follows:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Cash and cash equivalents	**₱124,485**	₱26,290	**₱124,482**	₱26,290
Equity instruments:				
Financial services	**794,743**	811,193	**755,080**	777,063
Real estate	**5,001**	5,001	**5,001**	5,001
Debt instruments:				
Private securities	**84,725**	79,775	**84,725**	79,775
Government securities	**86,374**	78,988	**86,374**	78,988
Others	**1,857**	1,844	**1,857**	1,844
Fair value of plan assets	**₱1,097,185**	₱1,003,091	**₱1,057,519**	₱968,961

The Parent Company's plan assets are carried at fair value. The fair value of investments in equity and debt securities are based on quoted price in the active market. The fair value of other assets and liabilities, which include deposits in banks, accrued interest and other receivables, and trust fee payables, approximate their carrying amounts due to the short-term nature of these accounts.

The plan assets are diversified investments and are not exposed to concentration risk.

Each year, an Asset-Liability Matching Study (ALMS) is performed with the result being analyzed in terms of risk-and-return profiles. As of December 31, 2020 and 2019, the Parent Company's investment strategy consists of 74.00% of equity instruments, 15.00% of debt instruments, 11.00% cash and 82.00% of equity instruments, 8.00% of debt instruments, and 3.00% cash, respectively.

The Parent Company expects to contribute ₱201.76 million to the plan in 2021.

The cost of defined benefit retirement plans as well as the present value of the benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used are shown below:

	Parent Company		EWRB		QMIS		Group	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Discount rate								
At January 1	**4.87%**	7.35%	**5.09%**	7.38%	**5.11%**	7.43%	**4.87%-5.11%**	7.35%-7.43%
At December 31	**3.56%**	4.87%	**3.78%**	5.09%	**3.85%**	5.11%	**3.56%-3.85%**	4.87%-5.11%
Future salary increase rate	**5.00%**	6.50%	**6.00%**	6.00%	**6.00%**	6.00%	**5%-6%**	6.00%-6.50%
Average remaining working life (in years)	**16.00**	16.00	**19.00**	19.00	**19.00**	19.00	**16.00-19.00**	16.00-19.00

The sensitivity analysis below on the defined benefit obligation as of December 31, 2020 and 2019 has been determined based on reasonably possible changes of each significant assumption, assuming all other assumptions were held constant.

	Parent Company		EWRB		QMIS		Group	
Increase (Decrease)	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Discount rate								
+1.00%	**(₱126,240)**	(₱87,808)	**(₱10,292)**	(₱7,888)	**(₱1,083)**	(₱864)	**(₱137,615)**	(₱96,560)
-1.00%	**151,518**	103,473	**12,940**	9,908	**1,339**	1,063	**165,797**	114,444
Turnover rate								
+1.00%	**₱143,342**	₱101,468	**₱12,627**	₱9,711	**₱1,310**	₱1,043	**₱157,278**	₱112,222
-1.00%	**(125,304)**	(89,110)	**(10,270)**	(7,894)	**(1,081)**	(865)	**(136,655)**	(97,869)
Future salary increase rate								
+1.00%	**₱53,523**	₱32,703	**₱4,630**	₱3,788	**₱342**	₱269	**₱58,495**	₱36,760
-1.00%	**(53,523)**	(32,703)	**(4,630)**	(3,788)	**(342)**	(269)	**(58,495)**	(36,760)

Shown below is the maturity analysis of the undiscounted benefit payments for 2020 follow:

	Parent Company		EWRB		QMIS		Group	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Less than one year	**₱257,979**	₱163,475	**₱3,907**	₱1,874	**₱–**	₱–	**₱261,886**	₱165,349
One to less than five years	**565,243**	488,084	**10,890**	9,024	**0**	–	**572,329**	497,108
Five to less than 10 years	**969,609**	794,170	**26,500**	23,925	**681**	509	**996,790**	818,604
10 to less than 15 years	**1,191,142**	859,625	**52,235**	38,846	**8,316**	11,703	**1,251,693**	910,174
15 to less than 20 years	**1,277,596**	936,045	**92,077**	100,635	**16,141**	12,441	**1,385,814**	1,049,121
20 years and above	**1,979,337**	1,883,175	**477,279**	636,922	**53,949**	60,003	**2,510,565**	2,580,100

The amounts included in 'Compensation and fringe benefits' in the statements of income are as follows:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Current service cost	**₱154,128**	₱147,014	₱140,200	**₱142,544**	₱139,777	₱133,944
Past service cost	**–**	–	18,858	**–**	–	–
Net interest expense	**8,404**	8,668	(3,237)	**7,290**	6,922	(3,510)
	₱162,532	₱155,682	₱155,821	**₱149,834**	₱146,699	₱130,434

27. **Leases**

Group as a Lessee

The Group leases several premises occupied by its head office and branches. Some leases are subject to annual escalation of 5.00% to 10.00% and for periods ranging from 5 to 15 years, renewable upon mutual agreement of both parties.

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2020 and 2019, as required by PFRS 16:

	Consolidated		**Parent**	
	2020	2019	**2020**	2019
Within one year	**₱1,192,929**	₱1,052,729	**₱1,092,082**	₱987,090
After one year but not more than five years	**2,186,023**	2,172,598	**1,907,495**	2,049,971
More than five years	**767,189**	661,974	**731,777**	624,610
	₱4,146,141	₱3,887,301	**₱3,731,354**	₱3,661,671

As of December 31, 2020, the carrying amount of lease liabilities are as follows:

	Consolidated		**Parent**	
	2020	2019	**2020**	2019
Balance at beginning of the year	**₱3,302,981**	₱3,660,409	**₱3,121,443**	₱3,491,089
Additions	**990,048**	337,629	**731,327**	268,836
Payments and terminations	**(1,065,852)**	(962,655)	**(961,816)**	(890,495)
Accretion of interest	**239,565**	267,598	**214,146**	252,013
As of December 31, 2020	**₱3,466,742**	₱3,302,981	**₱3,105,100**	₱3,121,443

In 2020 and 2019, the interest expense on lease liabilities of the Group (included in 'Interest expense' in the statements of income) amounted to ₱239.57 million and ₱267.60 million, respectively. Rent expense from short-term leases and leases of low-value assets of the Group amounted to ₱90.81 million and ₱107.12 million in 2020 and 2019, respectively. Prior to adoption of PFRS 16, rentals charged against profit or loss under lease contracts (included in 'Rent') of the Group amounted to ₱1.04 billion in 2018.

In 2020 and 2019, the interest expense on lease liabilities of the Parent Company (included in 'Interest expense' in the statements of income) amounted to ₱214.15 million and ₱252.01 million, respectively. Rent expense from short-term leases and leases of low-value assets of the Parent Company amounted to ₱84.61 million and ₱83.99 million in 2020 and 2019, respectively. Prior to adoption of PFRS 16, rentals charged against profit or loss under lease contracts (included in 'Rent') of the Parent Company amounted to ₱0.96 billion in 2018.

Group as a Lessor

The Group property leases consist of the Group's available office space and lease agreements of machinery and equipment which are non-cancelable with lease terms between 5 to 10 years.

Future minimum rentals receivable under non-cancellable operating leases of the Group and the Parent Company follow:

	2020	2019
Within one year	**47,577**	39,873
After one year but not more than five years	**82,189**	112,352
More than five years	**24,513**	33,373
	₱154,279	₱185,598

In 2020, 2019 and 2018, the Group and Parent Company rental income amounted to ₱45.62 million, ₱41.21 million and ₱25.06 million, respectively. As of December 31, 2020 and 2019, the Group and Parent Company has no contingent rental income.

28. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Group's related parties include:

- key management personnel, close family members of key management personnel, and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members;
- subsidiaries, joint ventures and associates and their respective subsidiaries; and
- post-employment benefit plans for the benefit of the Group's employees.

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business.

The amounts and the balances arising from significant related party transactions of the Group and of the Parent Company are as follows:

	2020		
Category	**Amount/ Volume**	**Outstanding Balance**	**Terms and Conditions/Nature**
Significant investors:			
Loans receivable	**₱–**	**₱4,842,800**	Loans granted with a term of five years, interest of 4.75%, secured with deposit holdout, no impairment
Releases	**4,842,800**	–	
Collection	**5,621,850**	–	
Deposit liabilities	–	**4,801,396**	Earns interest at the respective bank deposit rates
Deposits	**52,945,744**	–	
Withdrawals	**49,758,767**	–	
Accrued interest receivable	–	**54,830**	Interest income accrued on outstanding loans receivable
Accrued expenses	–	**17,409**	Payable for management and professional fees paid by FDC (reimbursement for expenses)
Guarantees and commitments	–	**4,843**	Unused credit line (omnibus facility) with term of 10 months
Interest income	**230,033**	–	Interest income on loans receivable
Interest expense	**8,035**	–	Interest expense on deposit liabilities
Key management personnel:			
Deposit liabilities	**₱–**	**₱529,486**	Earns interest at the respective bank deposit rates
Deposits	**1,168,949**	–	
Withdrawals	**1,164,132**	–	
Interest income	**29**	–	Interest income on loans receivable
Interest expense	**2,044**	–	Interest expense on deposit liabilities

Category	2020 Amount/ Volume	Outstanding Balance	Terms and Conditions/Nature
Other related parties:			
Loans receivable	**₱–**	**₱7,966,525**	Loans granted with terms ranging from six days to thirteen and a half years, interest ranging from 4.42% to 17.07%, secured by chattel and real estate mortgage, no impairment
Releases	**589,930**	–	
Collection	**250,070**	–	
Receivables purchased (booked under 'Loans Receivable')	–	**2,652,774**	Receivables purchased by the Parent Company from FLI (Note 9)
Releases	–		
Collections	**269,337**		
Accounts receivable	–	**19,525**	Receivables from EW Ageas Life which represent expenses shouldered by the Parent Company
Deposit liabilities	–	**1,208,170**	Earns interest at the respective bank deposit rates
Deposits	**68,272,184**	–	
Withdrawals	**67,507,251**	–	
Accounts payable	–	**42,291**	Collection of loan insurance on behalf of EW Ageas Life that remained unremitted
Guarantees and commitments	–	**7,471**	Unused credit lines
Accrued interest receivable	–	**40,757**	Interest income accrued on outstanding loans receivable
Interest income	**384,096**	–	Interest income on loans receivable
Interest expense	**16,345**	–	Interest expense on deposit liabilities
Commission fees	**37,282**	–	Commission fees received from EW Ageas Life
Service fee expense	**60**	–	Service fees paid to FLI for account servicing equivalent to 1.12% of loan amounts collected by FLI on behalf of the Parent Company (Note 9)
Rent expense	**79,292**	–	Rent expenses paid for lease transactions with other related parties such as Filinvest Asia Corporation, FAI and FLI

Category	2019 Amount/ Volume	Outstanding Balance	Terms and Conditions/Nature
Significant investors:			
Loans receivable	₱–	₱5,621,850	Loans granted with a term of seven years, interest of 4.06%, secured with deposit holdout, no impairment
Releases	496,133	–	
Collection	200,000	–	
Deposit liabilities	–	1,614,419	Earns interest at the respective bank deposit rates
Deposits	19,453,783	–	
Withdrawals	18,749,600	–	
Accrued interest receivable	–	72,903	Interest income accrued on outstanding loans receivable
Accrued expenses	–	8,084	Payable for management and professional fees paid by FDC (reimbursement for expenses)
Guarantees and commitments	–	6,494	Unused credit line (omnibus facility) with term of 10 months
Interest income	228,219	–	Interest income on loans receivable
Interest expense	76,410	–	Interest expense on deposit liabilities
Key management personnel:			
Deposit liabilities	–	524,669	Earns interest at the respective bank deposit rates
Deposits	1,271,119	–	
Withdrawals	1,231,326	–	
Interest expense	7,882	–	Interest expense on deposit liabilities
Other related parties:			
Loans receivable	–	7,626,665	Loans granted with terms ranging from four days to thirteen and a half years, interest ranging from 2.00% to 6.35%, secured by real estate mortgage, no impairment
Releases	19,450	–	
Collection	200,152	–	

Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/Nature
	2019		
Receivables purchased (booked under 'Loans Receivable')	₱–	₱3,031,742	Receivables purchased by the Parent Company from FLI (Note 9)
Releases	–	–	
Collections	200,000	–	
Accounts receivable	–	9,985	Receivables from EW Ageas Life which represent expenses shouldered by the Parent Company
Deposit liabilities	–	443,237	Earns interest at the respective bank deposit rates
Deposits	361,955	–	
Withdrawals	362,970	–	
Accounts payable	–	34,710	Collection of loan insurance on behalf of EW Ageas Life that remained unremitted
Guarantees and commitments	–	6,906	Unused credit lines
Accrued interest receivable	–	38,919	Interest income accrued on outstanding loans receivable
Interest income	428,994	–	Interest income on loans receivable
Interest expense	24	–	Interest expense on deposit liabilities
Commission fees	82,973	–	Commission fees received from EW Ageas Life
Service fee expense	123	–	Service fees paid to FLI for account servicing equivalent to 1.12% of loan amounts collected by FLI on behalf of the Parent Company (Note 9)
Rent expense	74,254	–	Rent expenses paid for lease transactions with other related parties such as Filinvest Asia Corporation, FAI and FLI

The Group's significant investors pertain to FDC, the immediate Parent Company of the Group, and FDC Forex Corporation (a company under common control of FDC).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group considers the members of the Management Committee to constitute key management personnel for purposes of PAS 24, *Related Party Disclosures*. The Group provides banking services to its key management personnel.

Other related parties pertain to the Group's affiliates (subsidiaries of FDC).

The Group and the Parent Company had no outright purchases and outright sale of debt securities with significant shareholders and key management personnel in 2020 and 2019.

No specific provision and allowance for credit losses were recognized by the Group for loans to significant investors, key management personnel and other related parties in 2020 and 2019.

The Parent Company's subsidiaries have no transactions with related parties outside of the Group. The transactions disclosed above are the same for the Group and the Parent Company.

Parent Company Related Party Transactions

Transactions between the Parent Company and its subsidiaries meet the definition of related party transactions. Details of the Parent Company's subsidiaries are disclosed in Note 10.

In addition to the transactions discussed above, the following are the transactions between the Parent Company and its subsidiaries that are recognized in the Parent Company's statements of financial position and statements of income and eliminated in the consolidated financial statements:

	2020		
Category	**Amount/ Volume**	**Outstanding Balance**	**Terms and Conditions/ Nature**
Subsidiaries:			
Receivables purchased	**₱–**	**₱4,957,722**	Receivables purchased by the Parent Company from EWRB (Note 9)
Acquisitions	**3,089,371**		
Collections	**109,630**		
Receivable sold	–	**418,216**	Employee loans sold by the Parent Company to EWRB (Note 9)
Accounts receivable	–	**54,740**	Amount collected by EWRB from borrowers on behalf of the Parent Company that remained unremitted and other related expenses shouldered by the Parent Company on behalf of the Subsidiaries
Accounts receivable	–	**77,356**	Receivables from subsidiaries which represent expenses shouldered by Parent Company
Deposit liabilities	–	**984,198**	Earns interest at the respective bank deposit rates
Deposits	**108,799,303**	–	
Withdrawals	**108,759,456**	–	
Accounts payable	–	**132,638**	Cash reloading transactions between EWRB and the Parent Company
Interest expense	**3,756**	–	Interest expense on deposits of EWRB and EWIB
Interest income	**2,062**	–	Interest income on loans receivable
Service fee expense	**9,959**	–	Service fees paid to EWRB for account servicing equivalent to 0.37% of loan amounts collected by EWRB on behalf of the Parent Company for the receivables purchased (Note 9) and for collection of credit card payments
Service fee income	**649**	–	Service fees paid by EWRB for account servicing equivalent to 0.37% of loan amounts collected by the Parent Company on behalf of EWRB for the receivables sold (Note 9)
Commission expense	**123,577**	–	Commission expense paid by the Parent Company to QMIS
Rent income	**18,296**	–	Rent of office space leased to subsidiaries

	2019		
Category	Amount/ Volume	Outstanding Balance	Terms and Conditions/ Nature
Subsidiaries:			
Receivables purchased	₱–	₱1,977,981	Receivables purchased by the Parent Company from EWRB (Note 9)
Acquistions	–		
Collections	3,932,039		
Receivable sold	–	381,995	Employee loans sold by the Parent Company to EWRB (Note 9)
Accounts receivable	–	91,930	Amount collected by EWRB from borrowers on behalf of the Parent Company that remained unremitted and other related expenses shouldered by the Parent Company on behalf of the Subsidiaries
Accounts receivable	–	99,179	Receivables from subsidiaries which represent expenses shouldered by Parent Company
Deposit liabilities	–	759,108	Earns interest at the respective bank deposit rates
Deposits	129,333,782	–	
Withdrawals	128,976,890	–	
Accounts payable	–	105,791	Cash reloading transactions between EWRB and the Parent Company
Interest expense	935	–	Interest expense on deposits of EWRB and EWIB
Interest income	1,134	–	Interest income on loans receivable

Category	2019 Amount/ Volume	Outstanding Balance	Terms and Conditions/ Nature
Service fee expense	₱30,439	₱–	Service fees paid to EWRB for account servicing equivalent to 0.37% of loan amounts collected by EWRB on behalf of the Parent Company for the receivables purchased (Note 9) and for collection of credit card payments
Service fee income	776	–	Service fees paid by EWRB for account servicing equivalent to 0.37% of loan amounts collected by the Parent Company on behalf of EWRB for the receivables sold (Note 9)
Commission expense	232,191	–	Commission expense paid by the Parent Company to QMIS
Rent income	306	–	Rent of office space leased to subsidiaries

Transactions with Retirement Plans
Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company's retirement plan is in the form of a trust administered by the Parent Company's Trust Division under the supervision of the Retirement Committee.

The values of the assets of the fund are as follows:

	2020	2019
Cash and cash equivalents	**₱124,482**	₱26,290
Equity instruments	**760,081**	782,064
Debt instruments	**171,099**	158,763
Others	**1,857**	1,844
	₱1,057,519	₱968,961

The following are the amounts recognized by the retirement plan arising from its transactions with the Parent Company for the years ended December 31, 2020, 2019 and 2018.

	2020	2019	2018
Trust fees	**₱2,775**	₱2,682	₱2,534
Interest income on deposit liabilities	**318**	945	151
Interest income on debt securities	**10,485**	7,964	5,044
Gain (loss) on investments in equity shares	**(46,776)**	230,515	(15,272)

Remunerations of Directors and other Key Management Personnel

Total remunerations of key management personnel are as follows:

	Consolidated			**Parent Company**		
	2020	2019	2018	**2020**	2019	2018
Short-term employee benefits	**₱231,944**	₱270,081	₱272,208	**₱219,553**	₱253,355	₱252,430
Post-employment benefits	**8,057**	73	754	**–**	–	–
	₱240,001	₱270,154	₱272,962	**₱219,553**	₱253,355	₱252,430

Remunerations given to directors which were approved by the Board Remuneration Committee amounted to ₱19.86 million in 2020, ₱19.36 million in 2019 and ₱18.34 million in 2018 for the Group and the Parent Company.

29. **Trust Operations**

Securities and other properties held by the Parent Company in fiduciary or agency capacity for clients and beneficiaries are not included in the accompanying statements of financial position since these are not assets of the Parent Company. The combined trust and managed funds of the Trust Department of the Parent Company amounted to ₱38.95 billion and ₱35.04 billion as of December 31, 2020 and 2019, respectively.

Government securities with total face value of ₱385.00 million and ₱355.00 million as of December 31, 2020 and 2019, respectively, are deposited with the BSP in compliance with current banking regulations related to the Parent Company's trust functions. These government securities are recorded as part of investment securities at FVTPL and at amortized cost as of December 31, 2020 and 2019, respectively.

In accordance with BSP regulations, 10.00% of the profits realized by the Parent Company from its trust operations are appropriated to surplus reserves. The yearly appropriation is required until the surplus reserves for trust operations amounts to 20.00% of the Parent Company's authorized capital stock.

The Parent Company's income from its trust operations amounted to ₱79.27 million, ₱66.40 million and ₱51.29 million in 2020, 2019 and 2018, respectively. For the years ended December 31, 2020, 2019 and 2018, the Group and the Parent Company appropriated ₱7.93 million, ₱6.64 million and ₱5.13 million, respectively.

30. **Commitments and Contingent Liabilities**

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. The Group does not anticipate material unreserved losses as a result of these transactions.

The Group has several loan related suits, assessments or notices, and claims that remain unsettled. It is not practicable to estimate the potential financial impact of these contingencies. However, in the opinion of management, the suits and claims, if decided adversely, will not involve sums having a material effect on the Group's financial statements.

Commitments and Contingencies

The following is a summary of commitments and contingencies of the Parent Company at their peso-equivalent contractual amounts arising from off-balance sheet items:

	2020	2019
Unused credit line - credit cards	**₱67,145,794**	₱65,702,553
Trust department accounts (Note 29)	**38,954,320**	35,044,324
Forward exchange sold	**6,015,611**	3,211,557
Outstanding guarantees	**5,987,675**	6,427,055
Spot exchange sold	**3,208,171**	2,595,228
Interest Rate Swap	**1,920,920**	2,025,400
Unused commercial letters of credit	**1,793,888**	4,301,256
Forward exchange bought	**1,208,306**	689,217

(Forward)

	2020	2019
Spot exchange bought	**₱1,138,347**	₱3,116,937
Financial futures bought	**816,061**	1,208,990
Inward bills for collection	**692,281**	639,754
Outward bills for collection	**657,318**	280,790
Treasurer/cashier/manager's checks	**22,883**	1,392,247
Late deposits/payments received	**8,176**	34,480
Items held for safekeeping	**1,669**	1,700
Others	**826**	4,677

31. **Financial Performance**

Earnings per share amounts were computed as follows:

		2020	2019	2018
a.	Net income attributable to equity holders of the Parent Company	**₱6,507,834**	₱6,241,938	₱4,508,064
b.	Weighted average number of outstanding common shares by the Parent Company, including effect of stock dividends issued in 2018 (Note 23)	**2,249,975**	2,249,975	2,249,975
c.	Basic and diluted EPS (a/b)	**₱2.89**	₱2.77	₱2.00

The Group's basic and diluted earnings per share are equal as there are no potential dilutive shares outstanding.

32. **Offsetting of Financial Assets and Liabilities**

PFRS 7 requires the Group to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments subject to enforceable master netting agreements or similar arrangements. The effects of these arrangements are disclosed in the succeeding tables.

Financial assets

December 31, 2020						
				Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria		
Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting)	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position [a-b]	Financial Instruments	Fair value of financial collateral	Net exposure [c-d]
	[a]	[b]	[c]	[d]		[e]
SPURA (Note 7)	**₱15,819,213**	**₱–**	**₱15,819,213**	**₱–**	**₱15,819,213**	**₱–**
Derivative assets (Note 5)	**30,037**		**30,037**	**92,148**	**–**	**–**
Total	**₱15,849,250**	**₱–**	**₱15,849,250**	**₱92,148**	**15,819,213**	**₱–**

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in statements of financial position [a-b] [c]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria [d] Financial Instruments	Fair value of financial collateral	Net exposure [c-d] [e]
			December 31, 2019			
SPURA (Note 7)	₱1,392,086	₱–	₱1,392,086	–	₱1,392,086	₱–
Derivative assets (Note 5)	104,313	–	104,313	₱114,995	–	–
Total	₱1,496,399	₱–	₱1,496,399	₱114,995	1,392,086	₱–

Financial liabilities

Financial assets recognized at end of reporting period by type	**Gross carrying amounts (before offsetting) [a]**	**Gross amounts offset in accordance with the offsetting criteria [b]**	**Net amount presented in statements of financial position [a-b] [c]**	**Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria [d] Financial Instruments**	**Fair value of financial collateral**	**Net exposure [c-d] [e]**
			December 31, 2020			
Derivative liabilities (Note 5)	**₱97,042**	**₱–**	**₱97,042**	**₱92,148**	**₱–**	**₱4,894**
SSURA (Note 17)	**3,491,024**	**–**	**3,491,024**	**–**	**3,889,607**	**–**
Total	**₱3,588,066**	**₱–**	**₱₱3,588,066**	**₱92,148**	**₱3,889,607**	**₱4,894**

Financial assets recognized at end of reporting period by type	Gross carrying amounts (before offsetting) [a]	Gross amounts offset in accordance with the offsetting criteria [b]	Net amount presented in statements of financial position [a-b] [c]	Effect of remaining rights of set-off (including rights to set off financial collateral) that do not meet PAS 32 offsetting criteria [d] Financial Instruments	Fair value of financial collateral	Net exposure [c-d] [e]
			December 31, 2019			
Derivative liabilities (Note 5)	₱128,004	₱–	₱128,004	₱114,995	₱–	₱13,009
SSURA (Note 17)	29,804,675	–	29,804,675	–	32,855,442	–
Total	₱29,932,679	₱–	₱29,932,679	₱114,995	₱32,855,442	₱13,009

The amounts disclosed in column (d) include those rights to set-off amounts that are only enforceable and exercisable in the event of default, insolvency or bankruptcy. These include amounts related to financial collateral both received and pledged, whether cash or non-cash collateral, excluding the extent of over-collateralization.

33. Notes to Statement of Cash Flows

Transfers from loans and receivables to investment properties as a result of foreclosures amounted to ₱160.20 million, ₱179.33 million and ₱142.45 million in 2020, 2019 and 2018 respectively, for the Group and the Parent Company. Transfers from loans and receivables to other repossessed assets as a result of foreclosures amounted to ₱1.63 billion, ₱2.85 billion and ₱1.01 billion in 2020, 2019 and 2018 respectively, for the Group and the Parent Company. Amounts mentioned are exclusive of loss on asset foreclosure and dacion transactions amounting to ₱152.14 million, ₱200.00 million and ₱212.90 million in 2020, 2019 and 2018, respectively, for the Group and the Parent Company.

The table below provides for the changes in liabilities arising from financing activities:

	Consolidated				
	Bills and acceptances payable (Note 17)	**Subordinated debt** (Note 20)	**Lease Liability** (Note 27)	**Bonds Payable** (Note 19)	**Total liabilities from financing activities**
Balances at Janaury 1, 2020	**₱30,949,753**	**₱6,219,011**	**₱3,302,981**	**₱–**	**₱40,471,745**
Cash flows	**(27,380,950)**	**(4,962,425)**	**163,761**	**3,669,013**	**(28,510,601)**
Amortization of discount		**(15,801)**		**8,421**	**(7,380)**
Balances at December 31, 2020	**₱3,568,803**	**₱1,240,785**	**₱3,466,742**	**3,677,434**	**₱11,953,764**

	Consolidated			
	Bills and acceptances payable (Note 17)	Subordinated debt (Note 20)	Lease Liability (Note 27)	Total liabilities from financing activities
Balances at January 1, 2019	₱17,969,927	₱6,214,479	₱3,660,409	₱27,844,815
Cash flows	12,979,826	–	(357,428)	12,622,398
Amortization of discount	–	4,532	–	4,532
Balances at December 31, 2019	₱30,949,753	₱6,219,011	₱3,302,981	₱40,471,745

	Parent				
	Bills and acceptances payable (Note 17)	**Subordinated debt** (Note 20)	**Lease Liability** (Note 27)	**Bonds Payable** (Note 19)	**Total liabilities from financing activities**
Balances at Janaury 1, 2020	**₱30,949,753**	**₱4,979,340**	**₱3,121,443**	**₱–**	**₱39,050,536**
Cash flows	**(27,380,950)**	**(4,962,425)**	**(16,343)**	**3,669,013**	**(28,690,705)**
Amortization of discount	–	**(16,915)**	–	**8,421**	**(8,494)**
Balances at December 31, 2020	**₱3,568,803**	**₱-**	**₱3,105,100**	**₱3,677,434**	**₱10,351,337**

	Parent			
	Bills and acceptances payable (Note 17)	Subordinated debt (Note 20)	Lease Liability (Note 27)	Total liabilities from financing activities
Balances at January 1, 2019	₱17,969,927	₱4,975,862	₱3,491,089	₱26,436,878
Cash flows	12,979,826	–	(369,646)	12,610,180
Amortization of discount	–	3,478		3,478
Balances at December 31, 2019	₱30,949,753	₱4,979,340	₱3,121,443	₱39,050,536

34. Events Subsequent to the Reporting Period

Sale of investment at amortized cost

In January 2021, the Parent Company sold its securities in its FCDU portfolio classified as investment at amortized cost with a carrying amount of ₱0.14 billion resulting in a net gain on sale amounting to ₱0.02 billion. In the following month, the Parent Company sold another securities in its FCDU portfolio classified as investment at amortized cost with a carrying amount of ₱6.51 billion resulting in a net gain on sale amounting to ₱1.30 billion. The sales were made in response to regulatory changes and the current changes in market conditions brought by the COVID-19 pandemic.

35. Approval of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were reviewed by the Audit Committee on February 18, 2021 and approved and authorized for issue by the Parent Company's BOD on March 11, 2021.

36. Supplementary Information Required Under BSP Circular No. 1074

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

Financial Performance Indicators
The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Return on average equity	**12.25%**	13.66%	10.98%	**12.26%**	13.66%	10.98%
Return on average assets	**1.64%**	1.62%	1.36%	**1.74%**	1.72%	1.44%
Net interest margin on average earning assets	**8.14%**	6.89%	7.36%	**8.06%**	7.09%	7.56%

Capital Instruments
There are no capital instruments issued by the Group and Parent Company in 2020 and 2019.

Capital Stock
Capital stock consists of (amounts in thousands, except for par value and number of shares):

	Shares			Amount		
	2020	2019	2018	**2020**	2019	2018
Authorized:						
Common stock - ₱10.00 par value	**4,500,000,000**	4,500,000,000	4,500,000,000			
Preferred stock - ₱10.00 par value	**500,000,000**	500,000,000	500,000,000			
Common stock issued and outstanding:						
Balance at the beginning of the year	**2,249,975,411**	2,249,975,411	1,499,983,610	**₱22,499,754**	₱22,499,754	₱14,999,836
Issuance of stock dividends	–	–	749,991,801	–	–	7,499,918
Balance at the end of the year	**2,249,975,411**	2,249,975,411	2,249,975,411	**₱22,499,754**	₱22,499,754	₱22,499,754

Unsecured subordinated debt

A. Lower Tier 2 unsecured subordinated notes due 2025

On July 4, 2014, the Parent Company issued 5.50% coupon rate Lower Tier 2 unsecured subordinated notes (the 2025 Notes) with par value of ₱5.00 billion, maturing on January 4, 2025, but callable on January 4, 2020. The 2025 Notes qualify as Tier 2 capital pursuant to BSP Circular No. 781 (Basel III), BSP Circular No. 826 on risk disclosure requirements for the loss absorption features of capital instruments, and other related circulars and issuances of the BSP.

Unless the 2025 Notes are previously redeemed, the 2025 Notes are repayable to the Noteholders at 100.00% of their face value or at par on the maturity date of January 4, 2025.

From and including the issue date to, but excluding the optional redemption date of January 4, 2020, the 2025 Notes bear interest at the rate of 5.50% per annum and shall be payable quarterly in arrears on January 4, April 4, July 4, and October 4 of each year, which commenced on October 4, 2014. Unless the 2025 Notes are previously redeemed, the interest rate will be reset at the equivalent of the prevailing 5-year BVAL at reset date plus initial spread (i.e., the difference between the initial interest rate and the prevailing 5-year BVAL at the pricing date of the initial tranche), commencing on January 4, 2020.

The 2025 Notes are redeemable at the option of the Parent Company, in whole but not in part, on the call option date at 100.00% of the face value plus accrued but unpaid interest, subject to the following conditions:

a) the Parent Company has obtained prior written approval and complied with the requirements of the BSP prior to redemption of the 2025 Notes;
b) the 2025 Notes are replaced with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the Parent Company or the Parent Company demonstrates that its capital position is above the minimum capital requirements after redemption is exercised;
c) the Parent Company is not in breach of (and would not, following such redemption, be in breach) of applicable regulatory capital requirements (including regulatory capital buffers);
d) the Parent Company is solvent at the time of redemption of the 2025 Notes and immediately thereafter.

Furthermore, upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event, the Parent Company may, subject to compliance with BSP rules and BSP approval, and upon prior approval of the BSP and with prior written notice to the Noteholders on record, redeem all and not less than all of the outstanding 2025 Notes prior to the stated maturity by paying the Noteholder the Redemption Option Amount which, (a) in the case of a Tax Redemption Event is an amount equal to 100.00% of the face value of the 2025 Notes plus accrued interest at the interest rate relating to the then current interest period up to but excluding the date of such redemption, and (b) in the case of a Regulatory Redemption Event is an amount equal to 100.00% of the face value of the 2025 Notes plus accrued interest at the interest rate relating to the then current Interest Period up to but excluding the date of such redemption (the “Redemption Option Date”).

The 2025 Notes have a loss absorption feature which means that the 2025 Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Event. Non-viability is defined as a deviation from a certain level of Common Equity Tier 1 (CET1) Ratio or inability of the Parent Company to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A Non-Viability Event is deemed to have occurred when the Parent Company is considered non-viable as determined by the BSP.

Upon the occurrence of a Non-Viability Event, the Parent Company shall write-down the principal amount of the 2025 Notes to the extent required by the BSP, which could go to as low as zero. Additional Tier 1 (AT1) capital instruments shall be utilized first before Tier 2 capital instruments are written-down, until the viability of the Issuer is re-established. In the event the Parent Company does not have AT1 capital instruments, then the write-down shall automatically apply to Tier 2 capital.

Loss absorption feature is subject to the following conditions:

a) the principal amount of all series of Tier 1 Loss Absorbing Instruments outstanding having been Written-Down to zero or converted into common equity of the Parent Company (where possible) irrevocably, in accordance with, and to the extent possible pursuant to, their terms (the “Tier 1 Write-Down”);
b) the Tier 1 Write-Down having been insufficient to cure the Non-Viability Event;
c) the Parent Company giving the relevant Non-Viability Notice to the Public Trustee and the Registrar and Paying Agent.

Each Noteholder irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed to it by the Parent Company arising under or in connection with the 2025 Notes and it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

On January 4, 2020, the Parent Company exercised its redemption option to pre-terminate the 2025 Notes.

B. Lower Tier 2 unsecured subordinated notes due 2027

On February 20, 2017, EWRB issued 5.50% coupon rate Lower Tier 2 unsecured subordinated note (the 2027 Notes) with par value of ₱1.25 billion, maturing on August 20, 2027 but callable on August 20, 2022.

Unless the 2027 Notes are previously redeemed, the 2027 Notes are repayable to the Noteholders at 100.00% of their face value or at par on the maturity date of August 20, 2027.

From and including the issue date to, but excluding the optional redemption date of August 20, 2022, the 2027 Notes bear interest at the rate of 5.50% per annum and shall be payable quarterly in arrears on February 20, May 20, August 20, and November 20 of each year, which commenced on February 20, 2017. Unless the 2027 Notes are previously redeemed, the interest rate will be reset at the equivalent of the prevailing 5-year BVAL at reset date plus initial spread (i.e., the difference between the initial interest rate and the prevailing 5-year BVAL at the pricing date of the initial tranche), commencing on August 20, 2022.

The 2027 Notes are redeemable at the option of EWRB, in whole but not in part, on the call option date at 100.00% of the face value plus accrued but unpaid interest, subject to the following conditions:

a) EWRB has obtained prior written approval and complied with the requirements of the BSP prior to redemption of the 2027 Notes;
b) the 2027 Notes are replaced with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of EWRB, or EWRB demonstrates that its capital position is above the minimum capital requirements after redemption is exercised;
c) EWRB is not in breach of (and would not, following such redemption, be in breach) of applicable regulatory capital requirements (including regulatory capital buffers);
d) EWRB is solvent at the time of redemption of the 2027 Notes and immediately thereafter.

Furthermore, upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event, the EWRB may, subject to compliance with BSP rules and BSP approval, and upon prior approval of the BSP and with prior written notice to the Noteholders on record, redeem all and not less than all of the outstanding 2027 Notes prior to the stated maturity by paying the Noteholder the Redemption Option Amount which, (a) in the case of a Tax Redemption Event is an amount equal to 100.00% of the face value of the 2027 Notes plus accrued interest at the interest rate relating to the then current interest period up to but excluding the date of such redemption, and (b) in the case of a Regulatory Redemption Event is an amount equal to 100.00% of the face value of the 2027 Notes plus accrued interest at the interest rate relating to the then current Interest Period up to but excluding the date of such redemption (the “Redemption Option Date”).

The 2027 Notes have a loss absorption feature which means that the 2027 Notes are subject to a Non-Viability Write-Down in case of a Non-Viability Event. Non-viability is defined as a deviation from a certain level of Common Equity Tier 1 (CET1) Ratio or inability of the EWRB to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A Non-Viability Event is deemed to have occurred when EWRB is considered non-viable as determined by the BSP.

Upon the occurrence of a Non-Viability Event, EWRB shall write-down the principal amount of the 2025 Notes to the extent required by the BSP, which could go to as low as zero. Additional Tier 1 (AT1) capital instruments shall be utilized first before Tier 2 capital instruments are written-down, until the viability of the Issuer is re-established. In the event EWRB does not have AT1 capital instruments, then the write-down shall automatically apply to Tier 2 capital.

Loss absorption feature is subject to the following conditions:

a) the principal amount of all series of Tier 1 Loss Absorbing Instruments outstanding having been Written-Down to zero or converted into common equity of EWRB (where possible) irrevocably, in accordance with, and to the extent possible pursuant to, their terms (the "Tier 1 Write-Down");
b) the Tier 1 Write-Down having been insufficient to cure the Non-Viability Event;
c) EWRB giving the relevant Non-Viability Notice to the Public Trustee and the Registrar and Paying Agent.

Each Noteholder irrevocably agrees and acknowledges that it may not exercise or claim any right of set-off in respect of any amount owed to it by EWRB arising under or in connection with the 2027 Notes and it shall, to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off.

Significant credit exposures as to industry/economic sector
As of December 31, 2020 and 2019, information on the concentration of credit as to industry follows:

	Consolidated				**Parent Company**			
	2020		2019		**2020**		2019	
	Gross Amount	**%**	Gross Amount	%	**Gross Amount**	**%**	Gross Amount	%
Private households with employed persons	**₱155,582,990**	**65.03**	₱143,790,034	55.15	**₱136,437,797**	**63.72**	₱143,790,034	61.57
Government and foreign sovereign	–	**0.00**	–	0.00	**–**	**0.00**	–	0.00
Financial intermediaries	**8,304,832**	**3.47**	10,873,160	4.17	**7,080,543**	**3.31**	9,835,732	4.21
Real estate, renting and business activity	**16,430,562**	**6.87**	41,179,879	15.8	**29,375,498**	**13.72**	28,062,885	12.02
Wholesale and retail trade, repair of motor vehicles	**29,390,343**	**12.28**	28,079,403	10.77	**16,423,789**	**7.67**	20,818,121	8.91
Electricity, gas, steam and air-conditioning supply	**6,466,538**	**2.70**	7,327,647	2.81	**6,462,508**	**3.02**	7,322,815	3.14
Manufacturing	**6,233,446**	**2.61**	9,098,860	3.49	**6,228,539**	**2.91**	9,093,953	3.89
Accommodation and food service activities	**3,057,665**	**1.28**	3,245,335	1.24	**3,056,087**	**1.43**	3,245,335	1.39
Transportation and storage	**2,401,087**	**1.00**	2,663,253	1.02	**2,401,087**	**1.12**	2,663,253	1.14
Construction	**1,756,133**	**0.73**	2,120,126	0.81	**1,752,696**	**0.82**	2,116,689	0.91
Holdings	**1,429,972**	**0.60**	1,726,380	0.66	**–**	**0.00**	–	0.00
Other service activities	–	**0.00**	–	0.00	**1,429,972**	**0.67**	1,725,386	0.74
Agriculture, fisheries and forestry	**971,399**	**0.41**	895,037	0.34	**959,018**	**0.45**	882,341	0.38
Administrative and support service activities	**609,273**	**0.25**	742,479	0.28	**609,273**	**0.28**	742,479	0.32
Others****	**6,631,368**	**2.77**	8,972,035	3.46	**1,890,437**	**0.88**	3,239,705	1.38
	₱239,265,608	**100.00**	₱260,713,628	100.00	**214,107,244**	**100.00**	₱233,538,728	100.00

**Includes Arts and recreation activities, mining and quarrying, human health and social activities, education, and information and communication.*

Breakdown of total loans as to security and status

The following table shows the breakdown of receivable from customers as to secured and unsecured and the breakdown of secured receivables from customers as to the type of security as of December 31, 2020 and 2019:

	Consolidated				Parent Company			
	2020		2019		**2020**		2019	
	Gross Amount	**%**	Gross Amount	%	**Gross Amount**	**%**	Gross Amount	%
Loans secured by:								
Chattel	**₱86,152,049**	**36.01**	₱94,457,301	36.23	**₱85,901,423**	**40.12**	₱94,192,890	40.33
Real estate	**25,888,994**	**10.82**	44,741,879	17.16	**25,830,718**	**12.06**	44,673,208	19.13
Others*	**11,817,121**	**4.94**	10,206,786	3.91	**11,805,548**	**5.51**	10,206,786	4.37
	123,858,164	**51.77**	149,405,966	57.31	**123,537,689**	**57.70**	149,072,884	63.83
Unsecured	**115,407,444**	**48.23**	111,307,662	42.69	**90,569,555**	**42.30**	84,465,844	36.17
	₱239,265,608	**100.00**	₱260,713,628	100.00	**₱214,107,24**	**100.00**	₱233,538,728	100.00

**Consists of government securities, corporate bonds, shares of stock, hold-out on deposits, assignment of receivables etc.*

Breakdown of total loans as to status

BSP Circular No. 351 allows banks to exclude from non-performing classification receivables classified as 'Loss' in the latest examination of the BSP which are fully covered by allowance for credit losses, provided that interest on said receivables shall not be accrued and that such receivables shall be deducted from the total receivable portfolio for purposes of computing NPLs. Subsequently, the BSP issued BSP Circular No. 772, which requires banks to compute their net NPLs by deducting the specific allowance for credit losses on the total loan portfolio from the gross NPLs. The specific allowance for credit losses shall not be deducted from the total loan portfolio in computing the NPL ratio.

As of December 31, 2020 and 2019, NPLs of the Group and of the Parent Company as reported to the BSP follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Gross NPLs	**₱20,804,274**	₱12,368,801	**₱18,968,025**	₱10,421,625
Less NPLs fully covered by allowance for credit losses	**(8,980,913)**	(4,167,128)	**(8,814,766)**	(3,982,544)
	₱11,823,361	₱8,201,673	**₱10,153,259**	₱6,439,081

As of December 31, 2020 and 2019, secured and unsecured NPLs of the Group and of the Parent Company as reported to the BSP follow:

	Consolidated		Parent Company	
	2020	2019	**2020**	2019
Secured	**₱13,501,096**	₱5,565,238	**₱13,445,003**	₱ 5,496,219
Unsecured	**7,303,178**	6,803,563	**5,523,022**	4,925,406
	₱20,804,274	₱12,368,801	**₱18,968,025**	₱10,421,625

Information on related party loans

As required by BSP, the Group discloses loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI). Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Group. In the aggregate, loans to DOSRI generally should not exceed total equity or 15.00% of total loan portfolio, whichever is lower.

BSP Circular No. 423 dated March 15, 2004 amended the definition of DOSRI accounts. The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to said Circular, and new DOSRI loans, other credit accommodations granted under said circular:

	Consolidated			Parent Company		
	2020	2019	2018	**2020**	2019	2018
Total outstanding DOSRI accounts	**₱12,187,145**	₱13,304,737	₱14,673,277	**₱12,187,145**	₱13,304,737	₱14,673,277
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	**0.000%**	0.000%	0.000%	**0.000%**	0.000%	0.000%
Percent of DOSRI accounts granted after the effectivity of BSP Circular No. 423 to total loans	**4.912%**	4.944%	6.364%	**5.438%**	5.472%	6.518%
Percent of DOSRI accounts to total loans	**4.912%**	4.944%	6.364%	**5.438%**	5.472%	6.518%
Percent of unsecured DOSRI accounts to total DOSRI accounts	**0.081%**	0.009%	0.012%	**0.081%**	0.009%	0.012%
Percent of past due DOSRI accounts to total DOSRI accounts	**0.000%**	0.000%	0.000%	**0.000%**	0.000%	0.000%
Percent of nonperforming DOSRI accounts to total DOSRI accounts	**0.000%**	0.000%	0.000%	**0.000%**	0.000%	0.000%

The amounts of loans disclosed for related parties above differ with the amounts disclosed for key management personnel since the composition of DOSRI is more expansive than that of key management personnel.

BSP Circular No. 560 provides that the total outstanding loans, other credit accommodation and guarantees to each of the Parent Company's/quasi-Parent Company's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank.

On May 12, 2009, BSP issued Circular No. 654 allowing a separate individual limit of twenty-five (25.00%) of the net worth of the lending bank/quasi-bank to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation.

Aggregate amount of secured liabilities and assets pledged as security

As of December 31, 2020 and 2019, SSURA amounting to ₱3.49 billion and ₱29.80 billion, respectively, are secured by a pledge of certain financial instruments as follows:

	2020		2019	
	Face value	**Fair value**	Face value	Fair value
Financial assets at FVTOCI	**3,879,645**	**3,889,607**	3,747,829	4,368,253
Financial assets at FVTPL	–	–	₱8,068,541	₱9,154,497
Investment securities at amortized cost	–	–	16,419,473	19,332,692
	₱3,879,645	**₱3,889,607**	₱28,235,843	₱32,855,442

Commitments and Contingencies

The following is a summary of commitments and contingencies of the Parent Company at their peso-equivalent contractual amounts arising from off-balance sheet items:

	2020	2019
Unused credit line - credit cards	**₱67,145,794**	₱65,702,553
Trust department accounts (Note 29)	**38,954,320**	35,044,324
Forward exchange sold	**6,015,611**	3,211,557
Outstanding guarantees	**5,987,675**	6,427,055
Spot exchange sold	**3,208,171**	2,595,228
Interest Rate Swap	**1,920,920**	2,025,400
Unused commercial letters of credit	**1,793,888**	4,301,256
Forward exchange bought	**1,208,306**	689,217
Spot exchange bought	**1,138,347**	3,116,937
Financial futures bought	**816,061**	1,208,990
Inward bills for collection	**692,281**	639,754
Outward bills for collection	**657,318**	280,790
Treasurer/cashier/manager's checks	**22,883**	1,392,247
Late deposits/payments received	**8,176**	34,480
Items held for safekeeping	**1,669**	1,700
Others	**826**	4,677

37. Supplementary Information Required Under Revenue Regulations 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010, requiring the inclusion of information on various taxes paid and accrued during the taxable year in the notes to the financial statements.

The Parent Company reported and/or paid the following types of taxes for the year ended December 31, 2020:

Gross Receipts Tax

The Parent Company is subject to gross receipt tax on its gross income from Philippine sources. Gross receipt tax is imposed on interest, commissions and discounts from lending activities at 5.00% or 1.00%, depending on the remaining maturities of instruments from which such receipts are derived, and at 7.00% on non-lending fees and commissions, net trading and foreign exchange gains and other items constituting gross income.

In FCDU, income classified under 'All Other', which is subject to corporate income tax is also subject gross receipt tax at 7.00%.

Details of the Parent Company's income and gross receipt tax accounts in 2020 are as follows:

	Gross Receipts	Gross Receipts Tax
Income derived from lending activities	₱27,627,248	₱1,299,676
Other income	3,066,562	214,659
	₱30,693,810	₱1,514,335

Other Taxes and Licenses
This includes all other taxes, local and national, incurred in 2020 and presented under in the statement of income, as follows:

Documentary stamps taxes	₱661,284
Local taxes, permits and fees	71,377
Fringe benefit taxes	32,040
Others	2,009
	₱766,710

Withholding Taxes
Details of withholding taxes remitted and balances as of December 31, 2020 follow:

	Total Remittances	Balance
Withholding taxes on compensation and benefits	₱662,084	₱12,341
Expanded withholding taxes	173,792	14,817
Final withholding taxes	484,146	25,842
	₱1,320,022	₱53,000

The Parent Company has no outstanding assessments from the BIR as of December 31, 2020.

Tax Assessments and Cases
As of December 31, 2020, the Parent Company has no deficiency tax assessment and has no tax cases, litigation and/or prosecution in courts or bodies outside the BIR.

SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
East West Banking Corporation
East West Corporate Center
The Beaufort, 5th Avenue corner 23rd Street
Fort Bonifacio Global City
Taguig City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of East West Banking Corporation (the Bank) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated March 11, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Bank's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Veronica Arce

Veronica Mae A. Arce
Partner
CPA Certificate No. 0117208
SEC Accreditation No. 1740-A (Group A),
February 7, 2019, valid until February 6, 2022
Tax Identification No. 234-282-413
BIR Accreditation No. 08-001998-135-2018,
December 17, 2018, valid until December 16, 2021
PTR No. 8534216, January 4, 2021, Makati City

March 11, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
East West Banking Corporation
East West Corporate Center
The Beaufort, 5th Avenue corner 23rd Street
Fort Bonifacio Global City
Taguig City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of East West Banking Corporation (the Bank) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and have issued our report thereon dated March 11, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Bank's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Bank's financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Veronica Arce

Veronica Mae A. Arce
Partner
CPA Certificate No. 0117208
SEC Accreditation No. 1740-A (Group A),
February 7, 2019, valid until February 6, 2022
Tax Identification No. 234-282-413
BIR Accreditation No. 08-001998-135-2018,
December 17, 2018, valid until December 16, 2021
PTR No. 8534216, January 4, 2021, Makati City

March 11, 2021

ANNEX I

EAST WEST BANKING CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2020

Presented is the reconciliation of retained earnings available for dividend declaration of the Parent Company as of December 31, 2020 with amendments based on SEC Bulletin No. 14, *Presentation of Reconciliation of Retained Earnings*:

Unappropriated retained earnings available for dividend declaration, beginning	**₱20,580,707**
Net income per audited financial statements	6,507,834
Add (Less):	
Equity in net income of subsidiaries, net of tax	(548,269)
Unrealized trading gains, net of tax	104,106
Loss on fair value adjustments of investment properties, net of tax	106,495
Equity in net loss of a joint venture	210,436
Unrealized foreign exchange loss, net of tax	(91,167)
Deferred tax assets recognized through profit or loss	(2,176,905)
Net income actually earned/realized during the year	**4,112,530**
Less:	
Appropriation of retained earnings during the period	7,927
Dividend declaration during the period	
Total unappropriated retained earnings available for dividend declaration, ending	**₱ 24,701,164**

ANNEX II

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL RATIOS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

Below are the financial ratios that are relevant to the Group for the year ended December 31, 2020 and 2019:

	2020	2019
Current ratio[(1)]	**66.40%**	55.18%
Solvency ratio[(2)]	**115.73%**	113.73%
Debt-to-equity[(3)]	**6.36**	7.28
Asset-to-equity[(4)]	**7.36**	8.28
Interest rate coverage ratio[(5)]	**166.82%**	195.41%
Profitability ratio		
Return on asset[(6)]	**1.64%**	1.62%
Return on equity[(7)]	**12.25%**	13.66%
Net profit margin[(8)]	**22.85%**	26.58%
Gross profit margin[(9)]	**86.30%**	72.14%

1 Current assets divided by current liabilities
2 Total assets divided by total liabilities
3 Total liabilities divided by total equity
4 Total assets divided by total equity
5 Income before interest and taxes divided by interest expense
6 Net income divided by average total assets. Average total assets is based on average monthly balances
7 Net income attributable to equity holders of the Parent Company divided by average total equity attributable to equity holders of the Parent Company. Average total equity is based on average monthly balances
8 Income before income tax over total interest income
9 Net interest income over total interest income

ANNEX III

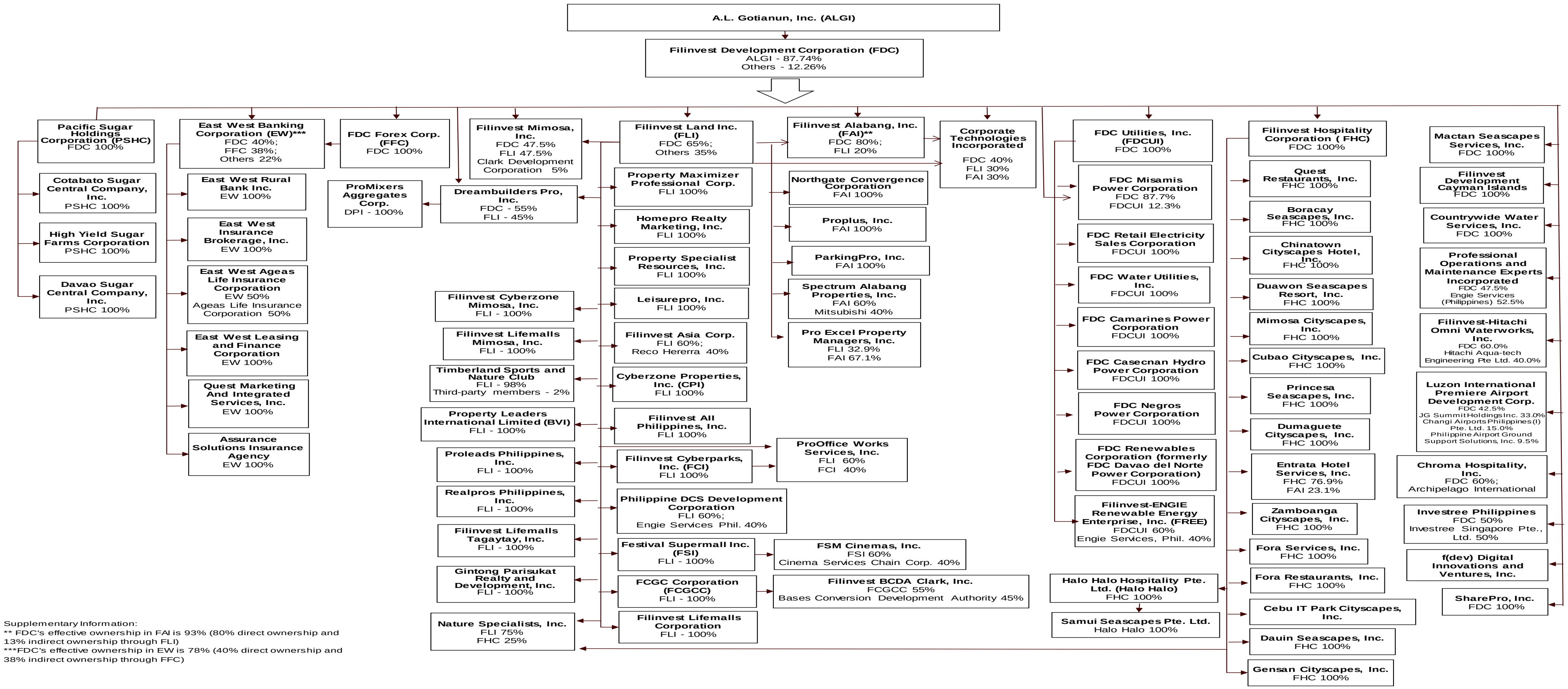
EAST WEST BANKING CORPORATION AND SUBSIDIARIES

CONGLOMERATE MAP

AS OF DECEMBER 31, 2020

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and affiliate as of December 31, 2020:

A.L. GOTIANUN, INC.
MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT, CO-SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES
(As of December 31, 2020)



Supplementary Information:
** FDC's effective ownership in FAI is 93% (80% direct ownership and 13% indirect ownership through FLI)
***FDC's effective ownership in EW is 78% (40% direct ownership and 38% indirect ownership through FFC)

ANNEX IV

EAST WEST BANKING CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES REQUIRED UNDER SRC RULE 68, AS AMENDED
AS OF DECEMBER 31, 2020

Below are the additional information and schedules required by SRC Rule 68, as amended that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets

Below is the detailed schedule of the Group's financial assets as of December 31, 2020:

Name of issuing entity and association of each issue	Number of shares/principal amount of bonds and notes	Amount shown in the statement of financial position	Value based on market quotation at end of year	Income received and accrued
Financial assets at Fair Value through Profit or Loss				
Debt securities				
Fixed Rate Treasury Notes (FXTN)	**₱2,255,095**	**₱2,926,801**	**₱2,926,801**	**₱273,376**
Petroleos Mexicanos (PEMEX)	**480,230**	**437,614**	**437,614**	**30,515**
Republic of the Philippines (ROP)	**432,207**	**509,339**	**509,339**	**25,525**
Retail Treasury Bond (RTB)	**3,149,482**	**3,218,346**	**3,218,346**	**159,845**
Treasury Bills (TBILL)	**385,000**	**383,247**	**383,247**	–
Ayala Land Inc	–	–	–	**614**
Bureau of Treasury (ODTH)	–	–	–	**45**
Republic of Indonesia (INDON)	–	–	–	**204**
Saudi Arabian Bonds (KSA)	–	–	–	**1,297**
US Treasury Notes (UST)	–	–	–	**112**
Aboitiz Equity Ventures	–	–	–	**4**
South African Bond	–	–	–	–
SM Prime Holdings	–	–	–	**6,018**
Rizal Commercial Banking Corp (RCBC)	–	–	–	–
Filinvest Land Inc	–	–	–	–
ROP warrants				
Citibank Mla	**73**	**37,907**	**37,907**	–
Equity Securities				
Victorias Milling Corporation	**125**	**125**	**125**	–
LGU Guarantee Corporation	**10,213**	**10,213**	**10,213**	–
	₱6,712,425	**₱7,523,592**	**₱7,523,592**	**₱497,555**

Name of issuing entity and association of each issue	Number of shares/principal amount of bonds and notes	Amount shown in the statement of financial position	Value based on market quotation at end of year	Income received and accrued
Investment Securities at Amortized Cost				
Debt Securities				
Brazilian Government International Bond (BRAZIL)	**₱432,207**	**₱385,920**	**₱513,278**	**₱25,949**
Energy Development Corporation (EDCPM)	**518,648**	**519,278**	**521,750**	**22,241**
Fixed Rate Treasury Notes (FXTN)	**4,088,471**	**4,568,309**	**5,329,129**	**211,708**
Mexican Global Bonds (MEX)	**960,460**	**877,474**	**1,115,430**	**45,944**
Pertamina Persero (PERTIJ)	**1,104,529**	**1,135,462**	**1,347,296**	**74,692**
Perusahaan Listrik Negara (PLINJ)	**2,497,196**	**2,771,297**	**3,277,917**	**159,743**
Petroleos Mexicanos (PEMEX)	**1,507,922**	**1,367,612**	**1,323,073**	**106,107**
Qatar Bonds (QATAR)	**960,460**	**1,001,530**	**1,283,127**	**59,716**
Republic of Indonesia (INDON)	**2,064,989**	**2,511,899**	**3,001,576**	**148,435**
Republic of the Philippines Global Peso Noted (RP GPN)	**275,354**	**254,189**	**300,899**	**16,502**
Republic of the Philippines (ROP)	**1,489,625**	**1,562,455**	**1,723,075**	**539,560**
Retail Treasury Bond (RTB)	**91,300**	**75,590**	**95,668**	**10,079**
Saudi Arabian Bonds (KSA)	**2,161,035**	**2,258,489**	**2,819,452**	**108,247**
SM Investment Corp (SMINVE)	**1,619,336**	**1,641,127**	**1,735,782**	**75,622**
National Power Corp. (NATPOW)	–	–	–	**21,266**
Power Sector Asset and Liabilities Management (PSALM)	–	–	–	**4,858**
Rizal Commercial Banking Corp (RCBC)	–	–	–	**14**
Security Bank Corporation (SECB)	–	–	–	**981**
US Treasury Notes (UST)	–	–	–	**5,336**
Verizon Communication Inc (VZ)	–	–	–	**8,631**
Allowance for probable losses	–	**(30,932)**	–	–
	₱19,771,532	**₱20,899,699**	**₱24,387,452**	**₱1,645,631**

Name of issuing entity and association of each issue	Number of shares/principal amount of bonds and notes	Amount shown in the statement of financial position	Value based on market quotation at end of year	Income received and accrued
Financial Assets at Fair Value through Other Comprehensive Income				
Debt Securities				
Fixed Rate Treasury Notes (FXTN)	**₱268,500**	**₱312,684**	**₱312,684**	**₱29,629**
Petroleos Mexicanos (PEMEX)	**384,184**	**350,092**	**350,092**	**23,985**
Republic of Indonesia (INDON)	**2,459,156**	**2,517,081**	**2,517,081**	**19,997**
Republic of the Philippines (ROP)	**5,860,569**	**5,936,760**	**5,936,760**	**88,392**
Retail Treasury Bond (RTB)	**550,000**	**697,186**	**697,186**	**41,447**
Rizal Commercial Banking Corp (RCBC)	**444,213**	**450,170**	**450,170**	**1,669**
US Treasury Notes (UST)	**19,209,200**	**19,207,734**	**19,207,734**	**432**
	₱29,175,821	**₱29,471,706**	**₱29,471,707**	**₱205,551**
	₱55,659,779	**₱57,894,998**	**₱61,382,751**	**₱2,348,737**

Schedule B. Amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties)

As of December 31, 2020, amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties) amounted to ₱12.81 billion.

Schedule C. Amounts receivable from related parties which are eliminated during the consolidation of financial statements

Below is the schedule of receivables from related parties which are eliminated in the consolidated financial statements as of December 31, 2020:

	Balance at beginning of year	Additions	Collections	Balance at end of year
East West Rural Bank, Inc.	₱ 58,067	₱7,421,749	₱7,443,499	₱ 36,318
East West Insurance Brokerage, Inc.	3,952	35,617	32,175	7,393
East West Leasing and Finance Corporation	825	226	-	1,051
Assurance Solutions Insurance Agency, Inc.	1,173	30	-	1,202
Quest Marketing and Integrated Services, Inc.	35,163	4,092	7,863	31,392
	₱ 99,179	₱7,461,714	₱7,483,536	₱ 77,356

Schedule D. Intangible Assets

As of December 31, 2020, the goodwill and intangible assets in the Group's consolidated statements of financial position follow:

	Balance at beginning of year	Additions	Charged to cost and expenses	Balance at end of year
Goodwill	₱3,877,241	**₱-**	**₱-**	₱3,877,241
Branch licenses	2,167,600	-	-	2,167,600
Capitalized software	2,308,827	81,668	1,780,021	610,474
Customer relationship	154,626	-	55,328	99,298
Core deposits	105,128	-	66,848	38,280
	₱8,613,422	₱81,668	**₱1,902,197**	**₱6,792,893**

Schedule E. Long-term Debt

Details of the Group's long term debt* as of December 31, 2020 follow:

	Amount	Current	Noncurrent
Lower Tier 2 unsecured subordinated notes due 2025	₱–	₱–	₱–
Lower Tier 2 unsecured subordinated notes due 2027	1,240,785	–	1,240,785

**Excludes long-term negotiable certificates of deposit that are classified as deposit liabilities in the statement of financial position*

Schedule F. Indebtedness to Related Parties (long term loan obligations to related parties)

The Group has no outstanding long term loan obligations to its related parties as of December 31, 2020.

Schedule G. Guarantees of Securities of Other Issuers

The Group does not have guarantees of securities of other issuers as of December 31, 2020.

Schedule H. Capital Stock

Below is the schedule of the Group's issued and outstanding capital stock as of December 31, 2020:

	Number of Shares					
				Held by		
Title of issue	Authorized	Issued and outstanding as shown under related statement of financial position	Reserved for options, warrants, conversion and other rights	Related parties	Directors, Officers and Employees	Others
East West Banking Corporation - common shares	4,500,000	2,249,975	–	1,751,653	46,203	452,120

EASTWEST BANK

ESG Performance 2020

Table of Contents

About this Section

East West Banking Corporation (EW or the Bank) welcomes this opportunity to publish our second Environmental, Social and Governance (ESG) Report as part of its 2020 Annual Report. This section details our non-financial performance across the economic, environmental and social aspects of our business for the reporting period from January 1, 2020 through December 31, 2020.

This section aims to satisfy the "comply or explain" provisions in accordance with the Sustainability Reporting Guidelines for Publicly Listed Companies (SEC Guidelines) issued by the Philippine Security and Exchange Commission (SEC) and set forth in SEC Memorandum Circular No. 4, series of 2019. It was prepared with reference to the Global Reporting Initiative (GRI) Standards Reporting Guidelines.

Scope

The scope of this section covers EW and two of our primary subsidiaries: EastWest Rural Bank, Inc. (EWRB) and EastWest Insurance Brokerage, Inc. (together, 'the Group'). A joint venture with Ageas International Insurance, Inc., namely EastWest Ageas Life Insurance Corporation (Troo), is excluded from the scope of this section.

eastwest unibank

eastwest Insurance Brokerage

eastwest rural bank

Materiality

In accordance with the SEC Guidelines, the content of this section is informed by the principle of materiality and focuses on economic, environmental and social impacts of our operations and activities in the Philippines, as well as our approaches to customer management, employee training and development, and resource management.

In accordance with the Bangko Sentral ng Pilipinas' Circular No. 1085, work is already underway to establish our first Sustainable Finance Framework in 2021. As part of this process, we are conducting a materiality assessment in consultation with our internal and external stakeholders. This will enable us to focus our energies and resources on a sustainability agenda that is strategic to our business, promotes growth, manages impacts and minimizes risks, while contributing to sustainable development

We also continue to work closely with Filinvest Development Corporation, our parent company and controlling shareholder, to align our approaches to ESG and to drive sustainability initiatives and programs.

Acting responsibly during a challenging year

This has been an exceptionally challenging year for EastWest and many of our stakeholders. The COVID-19 pandemic brought a range of heightened concerns, from the financial wellbeing of our customers to the health and safety of our employees. Throughout 2020, our team diligently responded and adapted to these challenges, whilst maintaining business and service continuity.

In addition, prior to coronavirus reaching the Philippines, the eruption of Taal Volcano in January 2020 impacted a number of EW branches in the south of Luzon. In response, we provided emergency assistance to our own employees, and worked in partnership with Filinvest Land, Inc. (FLI) and Filinvest Development Corporation (FDC) to provide emergency assistance to affected local communities.

We detail our specific initiatives related to COVID-19 and the Taal eruption response below, in the relevant sub-sections of this ESG Report.

Approach to ESG

We recognize that our customers and other stakeholders expect to see continuous improvement in the environmental and social performance of our business. We are committed to enhancing our overall sustainability performance whilst continuing to advance our economic performance and efforts to improve customer service.

Within our own operations, we are working to strengthen and further embed our approach to ESG across the business. In 2021, we will establish our first Sustainable Finance Framework, guided by an updated materiality assessment and engagement with our stakeholders. This process will be guided by our core values including, among others, Integrity, Excellence, Mutual Concern, Sense of Urgency, and Leadership.

As we work to strengthen and further integrate sustainability into our corporate culture, we remain committed to ensuring that all our employees conduct business in a responsible and ethical manner. Our Code of Discipline and Ethics (Code of Conduct), Whistle-Blowing Policy, Ethics-Direct Initiative, Equal Opportunity Policy, Consumer Protection Program and Grievance Procedures are observed across the Group.

Sustainability Governance

At EastWest, we are committed to responsible corporate governance, built on a solid foundation of integrity and accountability to our stakeholders. We maintain strong governance practices to ensure proper monitoring of risk management, internal controls, and other compliance matters. The Board is responsible for setting our overall ESG strategy, evaluating ESG-related risks, implementing sustainability initiatives, and measuring their impacts. It is supported by our senior management team, including our Risk Management Division, which implements risk management and internal control systems.

We are working to strengthen our sustainability governance structures and mechanisms and to integrate economic, social, and environmental structures into our business decision-making processes at all levels. As disclosed above, we have begun working to develop our first Sustainable Finance Framework.

For more information on our corporate governance and risk management practices, please refer to the Corporate Governance and Risk Management sections of this Annual Report.

Anti-corruption

Bribery and corruption are significant ESG risks that can undermine trust in a company and have direct impacts on its performance. We take corruption seriously and are committed to ensuring compliance with applicable laws and regulations on anti-corruption, anti-bribery and money laundering, among others. We also adhere to standards of conduct to prevent or regulate the offer or receipt of gifts or other advantages that may induce dishonest, improper or illegal conduct, or which may create an actual or potential conflict of interest.

In 2020, no Directors were found to be involved in incidents of corruption, and were removed or disciplined as a result of this.

All employees are mandated to follow our Code of Conduct, which provides a framework for all EastWest's operations and sets out standards of behavior, including day-to-day business conduct and customer service interactions. Implementation of the Code of Conduct's guidance on anti-bribery and anti-corruption is supported by our Whistle-Blowing Policy, which is described in detail in the Corporate Governance section of this Annual Report.

All new employees are provided with a copy of the Code of Conduct to accept and sign during their induction, ensuring that they fully understand the Bank's ethical standards. In 2020, our Bank experienced 19 incidents of fraud or misconduct by employees. These incidents were promptly investigated and the concerned employees were disciplined with the penalty of suspension or terminated.

KPI: Anti-corruption Training 2020

% of employees who have received written communication on anti-corruption policies and procedures	100%
% of business partners who have received written communication about corporate anti-corruption policies and procedures	None
% of Directors and management who have received anti-corruption training	100%
% of employees who have received anti-corruption training	97%

Our anti-corruption efforts are supported by the following related policies:

- Conflict of Interest Policy
- Insider Trading Policy
- Anti-Money Laundering Policy
- Related Party Transactions Policy

For more information on these policies and our corporate governance practices, please refer to the Corporate Governance section of this Annual Report.

Social

Our People

We are working towards a corporate culture that is more customer-centric, focused on delivering high-quality banking services to our customers with honesty and integrity. We recognize that our employees are essential to the success of our business and we deeply value their contributions. We aim to cultivate an environment where they will be healthy, engaged and productive. To accomplish this, we invest in our employees and provide them with rewarding career paths.

Employee Profile

As of December 31, 2020, our Group had 7,162 employees in our head office, rural bank branches, and the insurance brokerage. Most of our people are employed full-time on a permanent basis. The attrition rate in 2020 was 10.7%.

The lowest salary in the Bank is 2.3% higher than the statutory minimum wage.

KPI: Employees, by gender

	As of Dec 31, 2020		As of Dec 31, 2019	
	Number	%	Number	%
Male	2,505	40%	2,081	33%
Female	4,657	60%	4,300	77%
Total	7,162	100%	6,381	100%

KPI: Employment Type

	Employment Type 2020	Employment Type 2019
Executive (AVP & up)	246	246
Manager (AM-SM)	2,012	2,044
Supervisor (JO)	855	560
Rank & File	4,042	3,501
Consultant	0	26
Contractual	7	4
Total	**7,162**	**6,381**

Hiring and Benefits

Despite the global pandemic and challenging macroeconomic context, we continued to grow and hire new staff. By the end of 2020, our workforce had expanded by 700 people, or 12%, compared to the same time the previous year.

Our full-time employees receive competitive remuneration packages with a variety of benefits, including medical care, group life and accident insurance and retirement benefits. In addition, we provide the following benefits to our employees:

- Paid leave for vacation, illness, maternity and paternity, solo parent, emergency, birthday, and other special circumstances
- Salary, housing and car loan funds for eligible employees
- Funeral assistance
- Rice and medicine allowance

We provided employees who were asked to report for work during the Enhanced Community Quarantine (ECQ) period, from rank-and-file to senior managers, with an additional Frontliners' Allowance of Php 688 for each working day. This covered all employees identified as part of the essential workforce in areas where ECQ or modified ECQ was enforced and public transport was suspended, as well as in localities declared to be High Risk by the respective barangay or city. It did not apply to areas where only the General Community Quarantine was enforced. To help compensate those unable to work due to a positive COVID-19 test, we provided an additional five days of COVID-related paid leave for affected employees. To further ease financial pressure on our employees during ECQ, and in alignment with the Bayanihan Act, a 60-day grace period was enacted for the repayment of all employee loans.

There are no collective bargaining agreements in place within the Group.

Learning and Development

We believe that cultivating a highly skilled workforce and supporting employees' long-term career goals is an integral part of sustaining and strengthening our economic performance. Through our Learning and Development Team, we offer a wide array of professional development programs that aim to nurture talent and help employees build skills and capabilities so that they can fulfill their potential. We have specific learning and development programs in place to train candidates to become Store Managers, Service Managers, Business Development Sales Officers and Account Officers.

Prior to 2020, our Learning Everywhere Anytime Platform (LEAP) enabled us to deliver training virtually and outside of the traditional classroom format. This year, the pandemic tested its efficacy as all training moved to LEAP. We continued to provide key programs via remote learning, including the New Employees Orientation Program, Basic Store Operations, and a range of mandatory courses.

Our learning and development programs include:

- On-the-job training
- Internal job rotations and transfers
- Mentoring opportunities

Some examples of our training programs delivered in 2020 are provided below.

Training program	Description
New Employees Orientation Program (NEOP)	To introduce new employees, through a 3-day orientation, to the Bank, its vision, mission and core values, and equip them with the fundamental knowledge needed to perform their tasks
Start-Up Training for Service Managers	To upskill new Service Managers, with topics including key duties and responsibilities, systems operated in-store, and basic internal controls based on the BSP's Manual of Regulations for Banks
Business Development Sales Officer Development Program	A comprehensive, three-month training program for Sales Associates to progress to the role of Sales Officer, based on qualifications approved by the Learning Council of the Retail Banking Group
Project Carbon Training	To establish an EastWest Sales Culture, covering products, sales, coaching sessions and Sales Management Monitoring System (SMMS) training
Level-Up Performance Coaching Workshop	To address Sales Performance. Aligning Division Heads and Store Managers in the on-going transformation to Carbon and enable them to appropriately support their direct reports and institutionalize the Bank's Sales Process.
Thriving In The Digital Sales Process	To introduce and establish our new Digital Sales Processes to our Division Heads and Officers, providing an overview of mapping, prospecting, appointment-setting, sales calls, cross-selling, and closing

We delivered more than 240,000 hours of training in 2020. This represents a reduction from the hours delivered in 2019, partly due to there being fewer new hires as a result of the pandemic. We provide significant induction training to our new hires, so in ordinary years this accounts for a large proportion of the total.

KPI: Total Hours of Training,* by gender

	2020	2019
Male	79,328	93,640
Female	161,007	255,014
Total	**240,335**	**348,654**

KPI: Average Hours of Training provided per Employee,* by gender

	2020	2019
Male	24.99	45.74
Female	23.10	60.59
Average	**24.05**	**53.17**

** Permanent employees*

Mindful of the need to nurture our next generation of leaders, we continue to support external training programs for our managers and senior staff. In 2020, 113 of our employees participated in the McKinsey Management Program to develop foundational skills in Problem Solving, Communicating for Impact, Team Management, and Business Strategy. In addition, 32 of our senior officers attended Ability to Execute – the Covid Response Edition, equipping them with the skills and knowledge to better manage their teams in a remote working environment during the pandemic.

Beyond training, all regular employees take part in an annual performance evaluation. In addition, we recognize employees, based on their years of service and the results of their performance reviews, with merit increases and profit-sharing.

Diversity and Inclusion

Our Group does not discriminate against any person based on gender, age, or ethnic, political, religious or cultural backgrounds, and complies with applicable laws related to the same.

We are proud of our record of promoting diversity in the workplace, with female employees representing 60% of our workforce. In addition, as of December 31, 2020, 53% of our senior management positions were held by women, and three of the twelve members of our Board of Directors are women, reflecting our strong commitment to gender balance and fair hiring practices.

Gender breakdown by category	2020	%
Executive employee (not included Board of Directors)	**246**	**100%**
Female	130	53%
Male	116	47%
Non-executive employee	**6,916**	**100%**
Female	4,527	65%
Male	2,389	35%

Additional information about our Board members is available in the Board of Directors section of this Annual Report.

Employee Engagement

We deeply value our employees. Before the pandemic, our Employee Relations Council (ERC) organized and hosted a wide range of employee engagement activities both in and outside the office, to promote camaraderie, teamwork, and physical wellbeing for employees. These activities included recreational programs, as well as employee volunteering opportunities.

These events not only contribute to overall employee wellbeing, they create stronger connections among employees and increase employee satisfaction and productivity. As the pandemic eases and restrictions lift, we will look to reinstate these activities as appropriate, whilst continuing to be mindful of our employees' health and safety.

Remote working increased significantly due to COVID-19. However, a move towards remote working for our head office staff had already been underway prior to the pandemic. This was in response to feedback from our employees living in the north and east of Manila, who told us that they needed to start the day very early in order to complete domestic chores and reach the office on time. We believe a better work-life balance helps to create a happier, more productive workforce.

Our ongoing digitization mandate played a major role in maintaining effective engagement and communications with branch staff, in a year when many of our staff were forced to work remotely due to the pandemic. In 2020, we moved a wide range of staff services and engagement activities online, including payroll, recruitment, loan applications, annual leave requests, and a chatbot to answer employees' questions quickly and efficiently.

In addition, to ensure optimal productivity of the Bank's workforce, we launched the new Daily Operations End-of-Day Report (DOER) to help each employee track their daily productivity.

For more information on our employee engagement programs, please refer to the Our People and The Community section of this Annual Report.

Health, Safety and Wellbeing

We value our employees' health and wellbeing and are committed to providing all employees with a safe, secure and healthy working environment. In accordance with our Policy and Data Relating to Health, Safety and Welfare of Employees (HSW Policy), we strive to ensure that all work and work-related activities are performed in a responsible and safe manner in compliance with applicable laws and regulations.

Our Health and Safety Committee (HSC) is responsible for overseeing implementation of the HSW Policy and ensuring that the HSW Policy and guidelines are fully observed across the Group in accordance with applicable laws. The HSC meets monthly, reviews the HSW Policy regularly, and develops new guidelines for implementation as required.

Spotlight: Keeping employees healthy and safe during COVID-19

Keeping our people and customers safe throughout the pandemic was our paramount priority. We achieved this through a combination of new policies and procedures, staff incentives, regular testing, and case monitoring.

As previously disclosed, we provided an additional five days of credited Stay at Home and Quarantine leaves to affected employees, to help incentivize responsible behavior and ensure a safe and virus-free working environment in the midst of the pandemic.

We introduced a range of new policies, staff guidance and monitoring across our operations in areas such as physical distancing, sanitation and hygiene, transport, and COVID-19 case handling. These were designed to help mitigate the spread of the virus, maintain a safe working environment for all employees, and ensure that COVID-19 resilience was fully integrated into the Bank and all employees' daily activities.

Employees and sub-contracted workers returning to our branches during the pandemic were subject to daily health screening. In addition, we implemented regular polymerase chain reaction (PCR) and antibody (RSAT) COVID-19 testing to identify infections, monitor recovery, and contact trace. This contributed to the identification and responsible management of 342 cases among our employees.

We recognize that the pandemic not only affected employees' physical health, but also took an emotional and mental toll, as family care responsibilities increased while opportunities for social interaction were put on hold. In response, we disseminated a series of Mental Health Advisories, providing advice to those working from home or otherwise affected by the pandemic, with guidance on how to manage their mental health.

All employees are expected to comply with the requirements of our HSW Policy and receive mandatory training on HSW through our Learning Everywhere Anytime Platform, described previously. In 2020, as in 2019, we recorded no cases of work-related injuries or fatalities, or work-related ill-health.

In compliance with Republic Act No. 7877, our Bank is committed to maintaining a work environment – both in-branch/office and online – that is free from all forms of sexual harassment which can result in an intimidating, hostile or offensive environment for the employee.

The Employee Relations (ER) team also operates an employee telephone hotline to answer employee queries regarding employee relations policies and guidelines. All consultations and cases are treated in strict confidence to protect employee privacy. On the average, the ER team receives

2-3 calls each day with the most common issues relating to disciplinary process, performance of direct reports, attendance, and tardiness.

Our Customers

We put our customers first and work to earn and maintain their trust, particularly in these testing times. As a primarily retail-focused bank, we strive to build long-lasting relationships and cultivate a loyal customer base by delivering the products and services our customers need in as warm, efficient, and seamless a manner possible. We recognize that conducting our business with integrity and high standards is central to our long-term success and underpins our ability to serve and retain our customers.

Serving Our Customers

We pride ourselves on serving a diverse customer base and strive to provide relevant products and services, in the places and at the times where they are needed most.

Spotlight: Here for our customers in challenging times

Throughout the COVID-19 pandemic, we continued to deliver and further improve our services, while always prioritizing the safety of our customers and staff.

We recognize how vital financial services are in our customers' everyday lives, particularly those who need to access cash or use our services. Therefore, we made it our goal to ensure that services remained uninterrupted as far as possible. During the ECQ, more than half of our stores remained open so that we could continue to serve our customers' essential banking needs. When the ECQ was lifted, we made our remaining stores operational immediately. Throughout this time, we ensured our customers' and staff's safety through the extensive new policies and procedures described above.

The pandemic highlighted the value of online banking and further accelerated our efforts in this area. Through our Go Digital customer education program, we encouraged more customers to register for our electronic channels, including EastWest Online – Personal (EWOP) and the EastWest Mobile banking app. In 2020, a total of 123,372 customers registered with EWOP and/or EastWest Mobile, increasing the total number of enrollees to more than 500,000 customers.

We also launched the EastWest System Tech Assistant (ESTA) chatbot, enabling customers to view real-time credit card balances and transactions, request credit limit increases, apply for loans, convert rewards points to cash rebates, report lost cards, change contact details, enroll in electronic Statement of Account (eSOA), and much more. By the end of 2020, more than 105,000 customers had signed up to ESTA.

In alignment with the Bayanihan Act, we provided a 60-day grace period for the repayment of customer loans. To mitigate any further potential hardship, we reached out to our customers with information to help clarify their ongoing commitments as a result of these changes.

We place great importance on listening to our customers. We continually seek and respond to customer feedback through a variety of channels, including via our website, social media, direct interaction, a customer service hotline, e-mail, and SMS, among others.

We consider our employees to be bank ambassadors. In order to improve customer service and enhance interpersonal skills, frontline personnel are required to undergo regular training on topics such as improving listening and verbal and written communication skills, problem solving, and conflict resolution.

All employees are also expected to abide by our Basic Customer Service Standards manual, which aims to instill best practices to enable us to deliver excellent service that goes above and beyond for our customers. In addition, our Service Quality training program includes nine modules totaling 4.5 hours of training that are designed to teach in-person and telephone customer service quality standards, expectations and performance goals. These standards are continuously reviewed, approved and supported by the President and CEO of the Bank and all members of our Senior Management Committee to ensure we serve our customers better.

At EastWest, we strive to create a culture of consumer protection and aim to operate our business in a way that will help ensure our customers are treated fairly and respectfully. We work to provide customers with accessible, fair, accountable, timely and efficient means for resolving complaints.

Our Manual of Customer Assistance provides employees with detailed guidance on customer assistance processes and timelines, including on receiving, acknowledging, investigating and resolving customer complaints. This manual aims to ensure that complaints are swiftly acknowledged and attended to, and are dealt with in a courteous and professional manner. Complaints are recorded in our complaints register, while customer confidentiality and the details of each complaint are protected at all stages of the complaint investigation.

We have established a Customer Assistance Group (CAG), comprised of a team of dedicated personnel, to handle customer inquiries and aims to provide customers with effective recourse in a timely and satisfactory manner. The CAG, which reports to Senior Management, is responsible for tracking, identifying, and analyzing the nature of complaints and recommending solutions to avoid recurrence. It also ensures immediate escalation of any significant complaint to the relevant unit of the Bank.

We implement customer satisfaction programs to help us better understand our customers and improve our products and services. In 2020, the programs included e-mail-based satisfaction surveys, with rates of customer satisfaction ranging from 84% to 98%.

Mindful of the risks posed by the rapidly evolving digital environment, we work to educate and empower our customers to be more risk-aware and to provide them with the requisite skills and know-how to avoid fraud, scams, and cybercrimes when using our products and services.

For more information on our approach to data privacy and consumer protection, please refer to the Consumer Protection section of this Annual Report.

Protecting Privacy

We strive to protect the personal data, information and privacy of all of our customers. As a starting point, we limit the collection and use of personal information to that which is necessary for our business, and we apply strict standards of security and confidentiality.

Our Consumer Protection Program (CPP), updated in November 2020, sets forth a framework for ensuring that risks associated with consumer protection are identified, assessed, monitored, mitigated and controlled in compliance with the Financial Consumer Protection program of BSP (BSP Circular No. 857, 2014). The CPP establishes specific procedures and guidelines on consumer protection that are embedded in the policies and procedures of all business groups and aims to ensure that company officers and employees clearly understand their respective responsibilities in protecting the interest of our customers.

Consumer Protection Program

- EW Consumer Protection Standards of Conduct
- EW Consumer Protection Standards Monitoring and Reporting
- EW Consumer Protection Training Program
- EW Consumer Protection Internal Control and Procedures

The CPP is supported by our Consumer Protection Manual, which provides more detailed guidance on specific issues relevant to different functions within the Bank.

Our Service Quality unit is responsible for reviewing, updating and implementing the CPP and is supported by the Corporate Governance and Compliance Committee, Senior Management and the Board of Directors.

We also strive to provide our customers with more transparency and control over how we use and manage their information, and have adopted a bank-wide policy of not sharing any customer information without consent.

We have established a robust framework for safeguarding customer data and records and securing our operational and e-commerce systems against cyber-security threats. To protect our customers, we have implemented a suite of data protection systems to prevent data loss, including:

- E-mail data loss protection systems, which block unauthorized attempts to acquire data
- USB access limitations, which prevent use of USB devices within bank offices and copying of sensitive information
- Data encryption systems, which encrypt data in motion and at rest to safeguard data and prevent disclosure in the event of unauthorized or illegal activities
- Access to client data is closely monitored and restricted to only those approved users who need access to specific client information.

Through our Bank-wide Information Security Awareness campaign, we work to raise awareness among employees regarding customer security and data privacy issues and regularly provide employees with guidance and training on the latest procedures and systems for handling customer data.

In 2020, we received no substantiated complaints related to customer privacy. During the reporting period, there were no data breaches, including leaks, thefts, or losses of data.

For more information on our consumer protection programs, please refer to the Consumer Protection section of this Annual Report.

Our Community

We have a longstanding commitment to giving back to our community and focus our efforts in the areas of health, education and the environment. We aspire to make a positive impact on our communities and are committed to contributing to their long-term prosperity.

Through our Employee Relations Council, we encourage our teams to participate in a range of volunteering and community service programs. In 2020, these efforts focused on the Taal Volcano eruption response, online donation drives for the victims of Typhoons Rolly and Ulysses, and oversight of rapid COVID-19 testing of EastWest employees.

Spotlight: Taal Volcano eruption response

In January 2020, the eruption of Taal Volcano in Batangas disrupted communities and closed several EastWest branches in the south of Luzon. Our community service response provided relief to our affected employees and the wider community.

In coordination with Filinvest Land, Inc. and our parent company, Filinvest Development Corporation, we consolidated resources and volunteers to contribute to local community relief efforts. More than 1,620 hours of EastWest employees' time was volunteered over three phases of the relief effort between January and February 2020.

In addition, EastWest temporarily rented a number of houses in the region, in which employees resided with their families until it was possible for them to return home. This provided greater comfort and security than waiting to be processed through the government relocation scheme, making it easier to continue with their lives and work.

For detailed information on our community and volunteer initiatives, please refer to the Our People and The Community section of this Annual Report.

Our Environmental Footprint

At EastWest, we understand that we have a responsibility to minimize the environmental impacts of our operations and we are working to identify and mitigate our impacts through improved resource management.

We also recognize that growing stakeholder demands for transparency have led to more stringent environmental reporting requirements, including the SEC Guidelines. To our knowledge, we comply with all applicable local environmental laws and regulations. In 2020, no monetary fines, non-monetary sanctions or disputes arose for non-compliance with environmental laws and/or regulations.

We are committed to further developing and strengthening our data collection systems and procedures over the coming years so that we can adopt a systematic approach to data collection across the Group. This will enable us to better identify, disclose and manage our environmental impacts.

At this time, we are able to provide limited data on electricity consumption for our head office. That figure decreased significantly this year, due to most of our head office staff working remotely throughout the COVID-19 pandemic.

Energy data for EastWest regional offices and branches and EastWest Rural Bank, Inc. are not included, as these are not yet available. We are also unable to provide data for our operations relating to water consumption, air emissions or waste generation at this time. We will work to expand our disclosures in these areas for future reporting periods.

Electricity Consumption

	2020	**2019**
Beaufort Head Office **covers headquarters of East West Banking Corporation and entirety of EastWest Insurance Brokerage, Inc.*	Approximately 69,000 kwh	Approximately 2,587,284 kwh

We have established environmental initiatives to effectively manage the Bank's facilities and resources. For example, in 2012 we introduced eStatement of Account (eSOA) to our credit cardholders, to reduce paper and fuel consumption. In 2020, the Bank intensified efforts to auto-enroll its credit cardholders to the eSOA facility, increasing the penetration rate to approximately 90% of active credit cardholders. This, in effect, allowed the Bank to save on paper consumption totaling 12 million pages of printed statements annualized, and cost of motorized couriers.

In the coming years, we aim to improve our understanding of the impact our operations have on the environment in accordance with the SEC's sustainability reporting requirements. Moving forward, we plan to explore strategies to address air quality, climate change, resource efficiency and waste and to identify and assess ESG-related risks and opportunities, so that we can better manage our resources and reduce our impact on the natural environment.

Our Suppliers

At EastWest, we respect and value the mutually beneficial relationship we have with the communities in which we operate and aim to support local enterprises and local populations. Our branch network is designed to encourage banking locally. We also aim to invest in the local market, through our suppliers, and support small and medium enterprises (SMEs).

When vetting new suppliers, we consider the supplier's environmental performance, efforts to avoid any forced or child labor in their operations, their approach to labor and human rights issues, and their mechanisms to ensure that bribery and corruption do not occur in their company or in relation to ours.

We achieve this mainly through our Supplier Accreditation Program, which is overseen by our parent company Filinvest's Purchasing Department. The program outlines ways we can maintain quality management by checking for various certifications or programs in place. All legal documentary requirements listed in the accreditation form should be complete.

Appendices

Performance Metrics

A. Economic disclosures		
Economic Performance	2020	2019
Direct Economic Value Generated and Distributed	Total (in thousands Php)	Total (in thousands Php)
Direct economic value generated (Revenue)	₱36,101,679	₱28,697,661
Direct economic value distributed	₱16,230,323	₱16,405,135
Procurement Practices		
Proportion of Spending on Local Suppliers	%	
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	--	--
Anti-Corruption		
Training on Anti-Corruption Policies and Procedures	%	
Percentage of employees who have received written communication about corporate anti-corruption policies and procedures	100%	100%
Percentage of business partners who have received written communication about corporate anti-corruption policies and procedures	0%	0%
Percentage of directors and management who have received anti-corruption training	100%	100%
Percentage of employees who have received anti-corruption training	97%	97%
Incidents of Corruption	Number	
Number of incidents in which directors were removed or disciplined for corruption	0	0
Number of incidents in which employees were dismissed or disciplined for corruption	19	20
Number of incidents when contracts with business partners were terminated due to corruption	--	--

B. Environment Disclosures			
Resource Management		2020	2019
Energy consumption within the organization and Reduction of Energy Consumption	Unit	Amount	
Energy consumption - by fuel type - Gasoline	Liters	--	--
Energy consumption - by fuel type - Diesel	GJ	--	--
Energy consumption - by fuel type - Electricity	kwh	69,000	2,587,284

Energy reduction - by fuel type - Gasoline		--	--
Energy reduction - by fuel type - Diesel		--	--
Energy reduction - by fuel type - Electricity		--	--
Water consumption within the organization			
Water consumption within the organization		--	--
Water withdrawal	CBM	87,000	--
Water consumption		87,000	--
Water recycled and reused	%	--	--
Materials Used by the Organization			
Materials used by weight or volume - rebar		--	--
Materials used by weight or volume - cement		--	--
Percentage of recycled input materials used to manufacture the organization's primary products and services		--	--
Ecosystems and Biodiversity			
Operational sites owned, leased in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		--	--
Habitats protected or restored		--	--
IUCN Red List species and national conservation list species with habitats in areas affected by operations		--	--
Environmental Impact Management			
Air Emissions - Green House Gasses (GHG)	**Unit**	**Amount**	
Direct (Scope 1) GHG Emissions		--	--
Energy indirect (Scope 2) GHG Emissions	CO2e	49.14	--
Emissions of ozone-depleting substances (ODS)		--	--
Air Pollutants			
Nitrogen oxides (NOx)		--	--
Sulfur oxides (SOx)		--	--
Persistent organic pollutants (POPs)		--	--
Volatile organic compounds (VOCs)		--	--
Hazardous air pollutants (HAPs)		--	--
Particulate matter (PM)		--	--
Solid Waste			
Reusable		--	--
Recyclable		--	--
Composted		--	--
Residuals/Landfilled		--	--
TOTAL		--	--
Hazardous Waste			
Total weight of hazardous waste generated		--	--
Total weight of hazardous waste transported		--	--
TOTAL		--	--
Effluents			

Total volume of water discharges	--	--
Percent of wastewater recycled	--	--
Environmental Compliance		
Non-compliance with environmental laws and regulations		
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	--	--

C. Social Disclosures						
Employee Management		2020			2019	
Employee Hiring and Benefits	Total	Male	Female	Total	Male	Female
Total number of employees	7,162	2,505	4,657	6,381	2,081	4,300
Attrition rate	10.7%	--	--	23.10%	--	--
Ratio of lowest paid employee against minimum wage	2.3%	--	--	7%	--	--
Employee Training and Development						
Total training hours provided to employees (by male/female)	240,335	79,328	161,007	348,654	93,640	255,014
Average training hours provided to employees (by male/female)	24.05	24.99	23.1	106.33	45.74	60.59
Labor Management Relations						
% of employees covered by Collective Bargaining Agreements	0%			0%		
Number of consultations conducted with employees concerning employee-related policies	0			--		
Diversity and Equal Opportunity						
% of workers in the workforce by gender		35%	65%	--	33%	67%
Number of employees from indigenous communities and/or vulnerable sector	--	--	--	--		
Workplace Conditions, Labor Standards, and Human Rights Occupational Health and Safety						
Safe Man-Hours	--			--		
No. of work-related injuries	0			0		
No. of work-related fatalities	0			0		
No. of work-related ill-health	0			0		
No. of safety drills	4			4		
Labor Laws and Human Rights						
Policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace	1			1	--	--

No. of legal actions or employee grievances involving forced or child labor	0	0	--	--
Relationship with Community				
Significant Impacts on Local Communities				
For operations affecting IPs, total number of Free and Prior Informed Consent (FPIC) consultations and Certification Preconditions (CPs) secured	--	--	--	--
Customer Management				
Customer Satisfaction				
Customer Satisfaction Score(s)	Range from 84%-98%	Range from 84%-98%	--	--
Health and Safety				
Number of substantiated complaints on product or service health and safety	3	282	--	--
Number of complaints addressed	3	282	--	--
Marketing and Labelling				
Number of substantiated complaints on marketing and labelling	191	219	--	--
Number of complaints addressed	325	201	--	--
Customer Privacy				
Number of substantiated complaints on customer privacy	0	173	--	--
Number of complaints addressed	0	196	--	--
Number of customers, users and account holders whose information is used for secondary purposes	0	60	--	--
Data Security				
No. of data breaches, including leaks, thefts and losses of data	0	0	--	--

SEC Content Index

Disclosures		Reporting location	Remarks/explanation
Company details			
	Name of Organization	Content Index	East West Banking Corporation
	Location of Headquarters	About this Section	Bonifacio Global City, Taguig, Metro Manila
	Location of Operations		Philippines
	Report Boundary: Legal entities included in this report		East West Rural Bank, Inc. and East West Insurance Brokerage, Inc.
	Business Model		Banking and Insurance
	Reporting Period		January 1 – December 31, 2020
	Highest Ranking Person for this report		Antonio C. Moncupa, Jr.
A. Economic Disclosures		**Reporting location**	**Remarks/explanation**
Economic Performance			
Direct Economic Value Generated and Distributed			
General Disclosures	Management Approach	About this Section/Annual Report	
	The Impact and Where it Occurs		
	Stakeholders Affected		
	ESG Risks and Opportunities		
KPIs	Direct economic value generated (Revenue)		
	Direct economic value distributed		
Climate-Related Risks and Opportunities			
General Disclosures	Governance	--	Omitted – Data not available at time of reporting.
	Strategy		
	Risk Management		
	Metrics and Targets		
Procurement Practices			
Proportion of Spending on Local Suppliers			
General Disclosures	Management Approach		
	The Impact and Where it Occurs		

	Stakeholders Affected		Omitted – Data not available at time of reporting.
	ESG Risks and Opportunities		
KPI	Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	--	
Anti-Corruption			
Training on Anti-Corruption Policies and Procedures			
General Disclosures	Management Approach	About this Section/Approach to ESG	
	The Impact and Where it Occurs		
	Stakeholders Affected		
	ESG Risks and Opportunities		
KPIs	Percentage of employees who have received written communication about corporate anti-corruption policies and procedures	Approach to ESG	
	Percentage of business partners who have received written communication about corporate anti-corruption policies and procedures		
	Percentage of directors and management who have received anti-corruption training		
	Percentage of employees who have received anti-corruption training		
Incidents of Corruption			
General Disclosures	Management Approach	About this Section/Approach to ESG	
	The Impact and Where it Occurs		
	Stakeholders Affected		
	ESG Risks and Opportunities		
KPIs	Number of incidents in which directors were removed or disciplined for corruption	Approach to ESG	
	Number of incidents in which employees were dismissed or disciplined for corruption		
	Number of incidents when contracts with business partners were terminated due to corruption		

B. Environment Disclosures[1]		Reporting location	Remarks/ explanation
Resource Management			
Energy Consumption within the Organization and Reduction of Energy Consumption			
General Disclosures	Management Approach	About this Section/Our Environmental Footprint	
	The Impact and Where it Occurs	Our Environmental Footprint	
	Stakeholders Affected		
	ESG Risks and Opportunities		
KPIs	Energy consumption - by fuel type	Our Environmental Footprint	
	Energy reduction - by fuel type		
Water Consumption within the Organization			
General Disclosures	Management Approach	--	Omitted – Data not available at time of reporting.
	The Impact and Where it Occurs		
	Stakeholders Affected		
	ESG Risks and Opportunities		
KPIs	Water consumption within the organization		
	Water withdrawal		
	Water consumption		
	Water recycled and reused		
Materials Used by the Organization			
General Disclosures	Management Approach		
	The Impact and Where it Occurs		
	Stakeholders Affected		
	ESG Risks and Opportunities		
KPIs	Materials used by weight or volume		
	Percentage of recycled input materials used to manufacture the organization's primary products and services	--	Omitted – Data not available at time of reporting.
Ecosystems and Biodiversity			

General Disclosures	Management Approach The Impact and Where it Occurs Stakeholders Affected ESG Risks and Opportunities		
KPIs	Operational sites owned, leased in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas Habitats protected or restored IUCN Red List species and national conservation list species with habitats in areas affected by operations	--	Omitted – Data not available at time of reporting.
Environmental Impact Management			
Air Emissions - Green House Gasses (GHG)			
General Disclosures	Management Approach The Impact and Where it Occurs Stakeholders Affected ESG Risks and Opportunities		
KPIs	Direct (Scope 1) GHG Emissions Energy indirect (Scope 2) GHG Emissions		
	Emissions of ozone-depleting substances (ODS)	--	Omitted – Data not available at time of reporting.
Air Pollutants			
General Disclosures	Management Approach The Impact and Where it Occurs Stakeholders Affected ESG Risks and Opportunities		
KPIs	Nitrogen oxides (NOx) Sulfur oxides (SOx) Persistent organic pollutants (POPs) Volatile organic compounds (VOCs) Hazardous air pollutants (HAPs) Particulate matter (PM)	--	Omitted – Data not available at time of reporting.
Solid Waste			

General Disclosures	Management Approach The Impact and Where it Occurs Stakeholders Affected ESG Risks and Opportunities		
KPI	Total solid waste generated - by type	--	Omitted – Data not available at time of reporting.
Hazardous Waste			
General Disclosures	Management Approach The Impact and Where it Occurs Stakeholders Affected ESG Risks and Opportunities	--	Omitted – Data not available at time of reporting.
KPIs	Total weight of hazardous waste generated Total weight of hazardous waste transported		
Effluents			
General Disclosures	Management Approach The Impact and Where it Occurs Stakeholders Affected ESG Risks and Opportunities	--	Omitted – Data not available at time of reporting.
KPIs	Total volume of water discharges Percent of wastewater recycled		
Environmental Compliance			
Non-compliance with environmental laws and regulations			
General Disclosures	Management Approach The Impact and Where it Occurs Stakeholders Affected ESG Risks and Opportunities	--	Omitted – Data not available at time of reporting.
KPIs	Total amount of monetary fines for non-compliance with environmental laws and/or regulations		

	Number of non-monetary sanctions for non-compliance with environmental laws and/or regulations		
	Number of cases resolved through a dispute resolution mechanism		
C. Social Disclosures		**Reporting location**	**Remarks/ explanation**
Employee Management			
Employee Hiring and Benefits			
General Disclosures	Management Approach The Impact and Where it Occurs ESG Risks and Opportunities	About this Section/Social	
KPIs	Total number of employees	Our People/Employee Profile	
	Attrition rate	Our People/Employee Profile	
	Ratio of lowest paid employee against minimum wage	Our People/Employee Profile	
	List of employee benefits	Our People/Hiring and Benefits	
Employee Training and Development			
General Disclosures	Management Approach The Impact and Where it Occurs ESG Risks and Opportunities	About this Section/Social	
KPIs	Total training hours provided to employees (by male/female)	Our People/Learning and Development	
	Average training hours provided to employees (by male/female)	Our People/Learning and Development	
Labor Management Relations			
General Disclosures	Management Approach The Impact and Where it Occurs ESG Risks and Opportunities	About this Section/Social	

KPIs	% of employees covered by Collective Bargaining Agreements	Our People/Hiring and Benefits	
	Number of consultations conducted with employees concerning employee-related policies	--	Omitted – Data not available at time of reporting.
Diversity and Equal Opportunity			
General Disclosures	Management Approach	About this Section/Our People	
	The Impact and Where it Occurs		
	ESG Risks and Opportunities		
KPIs	% of female workers in the workforce	Our People/Employee Profile	
	% of male workers in the workforce	--	
	Number of employees from indigenous communities and/or vulnerable sector		
Workplace Conditions, Labor Standards, and Human Rights Occupational Health and Safety			
General Disclosures	Management Approach	About this Section/Our People	
	The Impact and Where it Occurs		
	ESG Risks and Opportunities		
KPIs	Safe Man-Hours	Our People/Health, Safety and Wellbeing	
	No. of work-related injuries		
	No. of work-related fatalities		
	No. of work-related ill-health		
	No. of safety drills		
Labor Laws and Human Rights			
General Disclosures	Management Approach	About this Section/Our People	
	The Impact and Where it Occurs		
	ESG Risks and Opportunities		

KPIs	Policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace	Our People/Diversity and Inclusion/Our Suppliers	
	No. of legal actions or employee grievances involving forced or child labor	--	
Supply Chain Management			
Supplier Accreditation and Screening			
General Disclosures	Management Approach	About this Section/Our Suppliers	
	The Impact and Where it Occurs		
	ESG Risks and Opportunities		
KPIs	Supplier Accreditation Policy	Our Suppliers	
	Sustainability Topics Considered When Selecting/Screening Suppliers		
Relationship with Community			
Significant Impacts on Local Communities			
General Disclosures	Management Approach		
	ESG Risks and Opportunities		
KPIs	Operations with significant impacts on local communities (by location, vulnerable group/indigenous people (IPs))		Omitted – Data not available at time of reporting.
	Mitigating measures (if negative) or enhancement measures (if positive)		
	For operations affecting IPs, total number of Free and Prior Informed Consent (FPIC) consultations and Certification Preconditions (CPs) secured		
Customer Management			
Customer Satisfaction			
General Disclosures	Management Approach	About this Section/Our Customers	
	The Impact and Where it Occurs		
	ESG Risks and Opportunities		
KPI	Customer Satisfaction Score(s)	Our Customers	

Health and Safety			
General Disclosures	Management Approach The Impact and Where it Occurs ESG Risks and Opportunities	Our People	
KPIs	Number of substantiated complaints on product or service health and safety	Our Customers	
	Number of complaints addressed	Our Customers	
Marketing and Labelling			
General Disclosures	Management Approach The Impact and Where it Occurs ESG Risks and Opportunities	--	
KPIs	Number of substantiated complaints on marketing and labelling		
	Number of complaints addressed		
Customer Privacy			
General Disclosures	Management Approach The Impact and Where it Occurs ESG Risks and Opportunities	Our Customers	
KPIs	Number of substantiated complaints on customer privacy	Our Customers	
	Number of complaints addressed	Our Customers	
	Number of customers, users and account holders whose information is used for secondary purposes		Omitted - Data not available at time of reporting
Data Security			
General Disclosures	Management Approach The Impact and Where it Occurs ESG Risks and Opportunities	Our Customers	
KPI	No. of data breaches, including leaks, thefts and losses of data	Our Customers	