PRODUCERS BANK
2019 ANNUAL REPORT

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CORPORATE LOGO

The Producers Bank logo represents the aspiration of the Bank as expressed by the ideals of its four (4) publics (customers, employees, creditors and shareholders) represented by the four (4) sides of the logo. These interlocking publics, if put together, share a common spirit of sacrifice, honesty, and teamwork; thus creating a solid and stable institution represented by the square of the logo. The Bank sees itself becoming the avenue - the yellow path - through which the countryside's green resources are transformed into new golden wealth. It aims to be the primary development financial institution in the Philippine countryside. The Bank, therefore, is the yellow sun rising on the Philippine countryside bringing new hope to Filipinos who seek a better future. Producers Bank is the dawn rising, shedding light to families and towns and bringing hope by being the number one (1) partner of entrepreneurs and farmers in producing more wealth for the country.

VISION

To be the number one (1) partner bank of entrepreneurs and farmers in producing more wealth for the country

MISSION

- To make our depositors happy with the value and quality of services they get from Producers Bank
- To provide responsive and innovative credit and other services needed by farmers, small and medium-entrepreneurs
- To assure challenging and rewarding jobs and long-term employment for our employees
- To make our stakeholders very proud of our contributions to economic development in the Philippine countryside

TAGLINE

With **PRODUCERS BANK**...*you're way ahead!*

PHILOSOPHY

The main purpose for our existence is to create long-term value to our shareholders by generating for them superior and sustainable returns. We will achieve this by:

- Providing our customers value-added products and better service delivery;
- Adhering to what our laws and regulations require;
- Promoting a corporate culture that subscribes to high moral and ethical standards underpinned by codes of corporate governance and best practices;
- Creating a working environment based on the values of equal opportunity and meritocracy; and
- Improving the quality of life of our employees and in the communities that we serve particularly in areas that are not served by the large financial institutions.

BUSINESS MODEL

In keeping with its vision and mission, Producers Bank supports the drivers of the local economy for the creation of more wealth and to spur economic growth. Majority of the branches are in the countryside outside the main growth hubs, and where many of the unbanked sectors of the population are located. By reaching to the folks in the countryside, Producers Bank is actively supporting the financial inclusion program of the government.

Producers Bank has been accredited continuously by the Bangko Sentral ng Pilipinas as a Rural Financial Institution for the purpose of implementing the Agri-Agra Reform Credit Act of 2019 (R.A. 10000). Per the latest list of accredited RFIs, Producers Bank is the only thrift bank so accredited. As such, it accepts deposits from other banks for their alternative compliance under the said law.

To further strengthen its commitment to support the local economy in the countryside, Producers Bank targets a portfolio mix of 40% agricultural loans, 30% consumer loans and 30% commercial loans. To ensure this, lending operations have been rationalized with the Branch Banking Sector taking charge of farmer's loans, consumer loans and SME loans below ₱5 Million. Commercial loans will be the responsibility of two Lending Sectors, one focused on the countryside and the other on the largely urban areas including the National Capital Region and nearby areas.

	Consolidated[1]		Parent Bank (Solo)	
Minimum Required Data	**2019**	**2018**	**2019**	**2018**
Profitability				
Total Net Interest Income	1,366,284,812	859,302,616	969,646,535	831,224,113
Total Non-Interest Income	776,668,548	493,671,051	635,063,832	477,307,707
Total Non-Interest Expenses	1,737,010,517	1,027,848,932	1,225,613,009	992,769,343
Pre-provision profit	405,942,843	325,124,735	379,097,358	315,762,477
Allowance for credit losses	124,381,931	106,117,271	7,973,969	102,294,423
Net Income	281,560,912	231,746,629	371,123,389	226,207,219
Selected Balance Sheet Data				
Liquid Assets	7,720,068,444	3,837,702,353	7,279,288,612	3,637,675,265
Gross Loans	17,866,145,674	12,654,777,209	15,136,106,106	12,406,432,124
Total Assets	28,311,360,957	18,994,590,526	26,122,393,603	18,746,659,818
Deposits	16,858,153,951	11,976,346,859	15,150,502,875	11,736,600,237
Total Equity	2,655,759,448	2,266,956,832	2,655,759,448	2,266,956,832
Selected Ratios				
Return on equity	14.39%	12.80%	14.39%	12.80%
Return on assets	1.58%	1.49%	1.58%	1.49%
Capital Adequacy Ratio	10.92%	12.70%	12.40%	12.70%
Per common share data (For UB, KBs and publicly listed Banks)				
Net Income per share	2.17	1.85	2.86	1.70
Basic	129,955,801	125,471,910	129,955,801	125,471,910
Book Value	20.44	18.07	20.44	18.07
Others				
Stock dividends declared	0	30,000,000.00		
Headcount	1712	1565		
Officers	290	202		
Staff	1,422	1,363		

Advancing Our Growth Agenda

2019 was an exciting and eventful year for PSBC as the bank continued to take audacious steps towards providing timely and relevant products and services to its priority sectors - the country's farmers and entrepreneurs.

Banking on the breadth and depth of our experience in serving our clients, we know that the only way to be viable and thrive in the banking industry is to GO further and DO better in order to sustain long term growth.

We have confidence that this can be achieved by expanding our network of branches, diversifying our products and services to stay relevant to our customer base while also establishing our presence in new markets, and aiming for consistent strengthening and enrichment of our human resource through integrated organizational, training and career development initiatives.

As Chairman of Producers Bank, I am confident to say that for 2019, we did just that...... we have GONE further and DONE our job better.

Our Net Income has increased tremendously to ₱308.6 million which exceeded our target for the year. This intense growth is a result of thoroughly planned and efficiently implemented strategic actions. Total resources reached P25.4 billion, up by 38.79% from the previous year's ₱18.38 billion. Deposit liabilities expanded to ₱15.15 billion, while the loan portfolio grew to ₱17.67 billion.

The Bank is firing on all cylinders as it continues to further strengthen its branch network. To date, Producers Bank is one hundred ninety four (194) branches strong. This total does not yet include the branches we recently acquired from the four (4) banks, namely: Rural Bank of San Quintin (RBSQ), Peoples Bank of Caraga (PBCAR), Inc. (A Rural Bank), Philippine Bank of Communications Rural Bank (PBCRB) and Bangko Carrascal, Inc. which totaled sixty (62) branches. The acquisition of PBCAR and PRCRB led to an unprecedented growth, with PBCAR bringing in thirty three (33) branches and PBCOM, twenty six (26) branches. These strategic acquisitions will elevate our presence in Mindanao and increase our client reach, particularly in Surigao, Agusan and Zamboanga.

With the Bank's trajectory towards going digital with some of its operations to increase inclusivity and reach the underbanked and underserved, it launched its partnership with Electronic Commerce Payments Inc. (ECPay), the leading electronic payment service provider in the Philippines. Producers Bank is now part of ECPay's network which offers accurate, secure and timely payment services to their customers. Producers Bank has several online and digital banking services in the pipeline, and the Bank's management will ensure that these will be implemented the soonest to give our clients more options in transacting and building their livelihood and enterprise.

All these achievements are not only signs of progress but milestones that represent how Producers Bank has successfully immersed itself in various communities and localities across the country, serving its priority sectors tirelessly and helping them be financially sustainable. The overall growth in Producers Bank's operations would not be possible if not for the collective efforts, hard work and passion of all the officers and staff. I commend you all for your dedication and perseverance, without which we will not reach this level of success.

Let me also express my gratitude to all our stakeholders – our creditors, our shareholders and our clients, for the continued support and patronage of Producers Bank.

Yet, our agenda is far from over.

As the famous hotelier, Conrad Hilton, once said, "Success seems to be connected with action. Successful people keep moving. They make mistakes, but they don't quit." This is where we see ourselves as a progressive savings bank. We do not stop. We do not quit. We keep on moving. We keep flowing with the changing times. We remain true to our core values yet flexible to what tomorrow brings. We understand that how Producers Bank came to be today was not a result of being stiff, stubborn and unwilling to adapt. We are committed to remain dynamic to fulfill our goal and mission to be our priority sector's partner bank in the countryside.

Gilda E. Pico

GILDA E. PICO
Chairman

Colin Powell, former U.S. Secretary of State, said that "a dream does not become reality through magic; it takes sweat, determination and hard work." At Producers Bank, we put these words into action every day as we work hard diligently and industriously in pursuit of our vision "to become the Number One partner bank of farmers and entrepreneurs in producing more wealth for the country." We believe that hard work works and everything that we accomplished in the past year is a testament to this.

Thus, it is with great pride that I present the results of Producers Bank's operations in 2019. The year was once again a banner year as Producers Bank made big strides, driven by its dynamic growth in accordance with its Five (5) Year Business Plan. I sincerely believe that all our efforts and achievements are making tremendous impact to help improve the economic and social well-being of the people, especially in the countryside. While maintaining a strong balance sheet and sound profitability, we will continue to make our products and services accessible and relevant to serve the needs of our target clients, especially the farmers and SMEs who are the drivers of the local economy.

We have chronicled in this report Producers Bank's accomplishments during the twelve-month period ending December 31, 2019, which now serve as the guideposts in the path to where the Bank is strategically headed for the coming years.

FINANCIAL PERFORMANCE

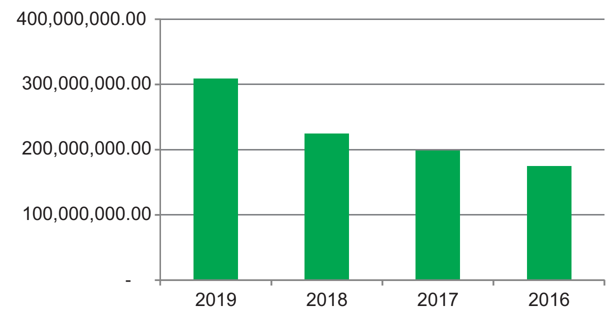
Producers Bank remains to be a progressive thrift bank, now expanding its reach across the country through strategic acquisitions of rural and development banks. The financial highlights of the Bank in 2019 based on key indicators, with comparative figures for the last three years (2016-2018), are presented below:

Table 1 – Financial Highlights (in Million Pesos)

	2019	2018	2017	2016
Net Income	308.867	233.478	200.823	174.228
Capital	2,344.598	1,977.454	1,774.145	1,585.786
Return on Equity	14.39%	10.40%	12.61%	17.74%
Total Resources	25,450.567	18,386.900	15,895.013	12,022.585
Return on Assets	1.58%	1.29%	1.73%	2.60%
Loan Portfolio	17,487.057	13,006.432	11,078.448	8,314.481
Deposit Liabilities	15,150.503	11,746.321	9,162.100	7,783.309
Past Due	1,059.621	715.051	389.408	494.118
Past Due Ratio	5.99%	5.49%	3.51%	5.94%
NPL	691.837	369.106	235.828	311.506
NPL Ratio	3.92%	2.84%	2.13%	3.75%

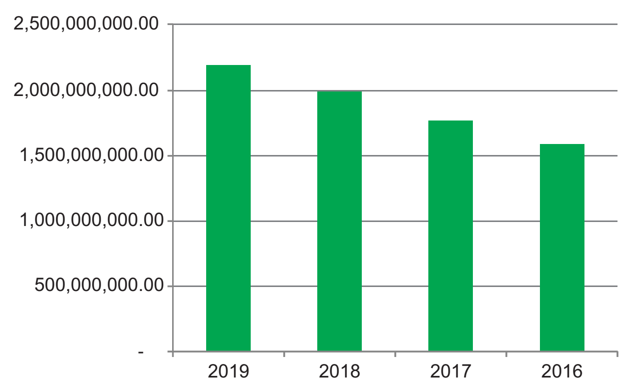
In 2019, Producers Bank generated a Net Income of PhP 308.867 Million, up by 32.29% from the previous year. The increase is due to the expansion of our loan portfolio by servicing more borrowers. This translates to a Return on Equity of 14.39% and a Return on Assets of 1.58%.

NET INCOME



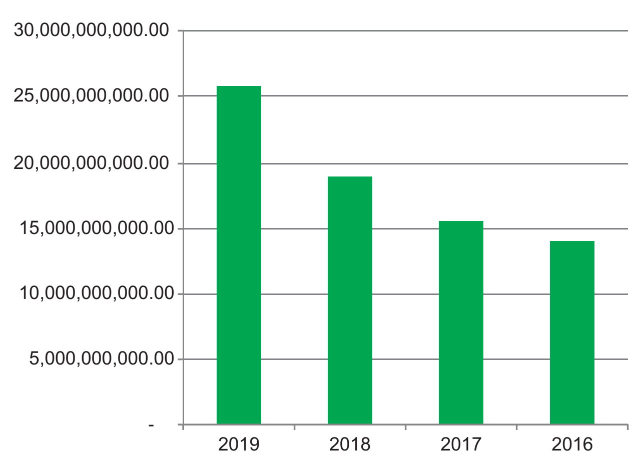
The Bank's earnings resulted in a sizable increase in capital to PhP2.346 Billion from PhP1.977 Billion the previous year thereby complying with the minimum capital requirement of the Bangko Sentral ng Pilipinas.

CAPITAL



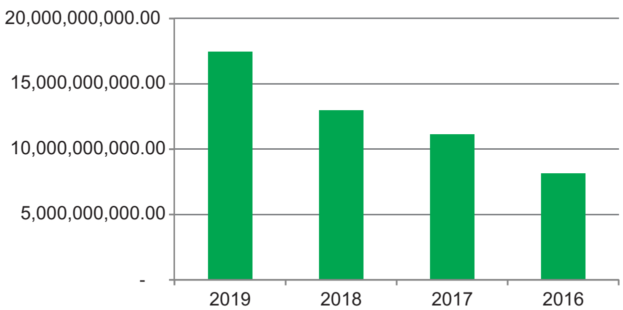
The Bank's total resources amounted to PhP 25.451 Billion as of the end of 2019, a growth of PhP 7.064 Billion or 38.42% from the previous year.

TOTAL RESOURCES



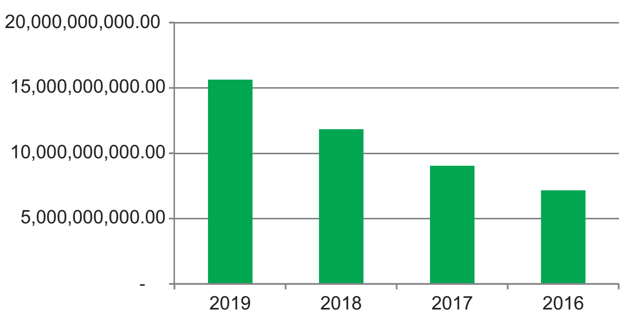
Loans reached P17.487 Billion, a growth of P4.481 Billion or 34.45% from last year's PhP 13.006 Billion.

LOAN PORTFOLIO



Deposits, on the other hand, increased by 28.98% to PhP 15.151 Billion from the previous year's deposits of PhP11.746 Billion.

DEPOSIT LIABILITIES



BRANCH NETWORK EXPANSION

Expanding its network of branches allowed the Bank to reach out to unbanked and underserved areas in the countryside where its products and services are needed by its target markets.

The Bank's branch network expanded by nineteen (19) branches during the year, nine (9) of which were newly opened. The other ten (10) branches were acquired via merger on June 01, 2019 from seven (7) banks, namely, Rural Bank of Pamplona (Camarines Sur), Inc., Rural Bank of President Quirino (Sultan Kudarat), Inc., Bangko Rural ng Magarao (Camarines Sur) Inc., Bangko Rural ng Pasacao (Camarines Sur), Inc., Rural Bank of San Fernando (Camarines Sur), Inc., Rural Bank of Barotac Nuevo, Inc., and Rural Bank of Sibalom (Antique), Inc.

The Bank ended on a solid note with one hundred ninety four (194) branches spread over eleven (11) regions and thirty six (36) provinces of the country.

Table 2 – Branch Network Expansion in 2019

Number of Branches as of December 31, 2018			175
Branches Opened in 2019			
1	Valladolid, Negros Oriental	April 04, 2019	Organic
2	Pamplona, Camarines Sur (from RB Pamplona)	June 01, 2019	Merged
3	Sipocot, Camarines Sur (from RB Pamplona)	June 01, 2019	Merged
4	Pres. Quirino, Sultan Kudarat (from RB Pres. Quirino)	June 01, 2019	Merged
5	Tacurong City, Sultan Kudarat (from RB Pres. Quirino)	June 01, 2019	Merged
6	Magarao, Camarines Sur (from BR Magaro)	June 01, 2019	Merged
7	Pasacao, Camarines Sur (from BR Pasacao)	June 01, 2019	Merged
8	Pasacao, Camarines Sur (from RB San Fernando; to be transferred to a site to be determined; accounts were moved to Pasacao Branch, re: item 7 above)	June 01, 2019	Merged
9	San Fernando, Camarines Sur (from RB San Fernando)	June 01, 2019	Merged
10	Barotac Nuevo, Iloilo (from RB Barotac Nuevo; to be transferred to a site to be determined; accounts were moved to PSBC Barotac Nuevo Branch)	June 01, 2019	Merged
11	Sibalom, Antique (from RB Sibalom; transferred to Pandan, Antique on July 04, 2019; accounts were moved to PSBC Sibalom Branch)	June 01, 2019	Merged
12	Cabanatuan East	May 31, 2019	Organic
13	Lagawe, Ifugao	June 21, 2019	Organic
14	Victoria, Tarlac	July 19, 2019	Organic
15	El Salvador City, Misamis Oriental	July 31, 2019	Organic
16	Carig, Tuguegarao, Cagayan Province	September 26, 2019	Organic
17	La Paz, Tarlac	November 07, 2019	Organic
18	Candelaria, Quezon	November 07, 2019	Organic
19	Asuncion, Davao del Norte	December 06, 2019	Organic
Number of Branches as of December 31, 2019			**194**

ACQUISITION OF RURAL BANKS

The Bank made major acquisitions in 2019 to further its growth strategy. A total of four (4) rural banks were acquired for the purpose of merger. Two (2) of these were relatively large-sized banks in terms of number of branches, one with a total of thirty three (33) banking units and the other with twenty six (26) banking units. The two banks are based in Mindanao, one in the western area (Region IX or Zamboanga Pensinsula) and the other at the eastern part of Mindanao (Caraga Region). Their acquisition and eventual merger with Producers Bank thrusts the Bank into the role of a major financial institution in Mindanao.

The banks that were acquired in 2019 are as follows:

TABLE 3 – BANKS ACQUIRED IN 2019

	Name of Bank	Closing Date
1	Rural Bank of San Quintin (Pangasinan), Inc.	February 19, 2019
2	Peoples Bank of Caraga, Inc. (A Rural Bank)	July 10, 2019
3	PBCOM Rural Bank, Inc.	July 29, 2019
4	Bangko Carrascal, Inc. (A Rural Bank)	November 21, 2019

Rural Bank of San Quintin (Pangasinan), Inc. - Producers Bank acquired 100% ownership of Rural Bank of San Quintin (Pangasinan), Inc. on February 19, 2019. It is a single-unit bank located at Figueroa St., Poblacion, Zone II, San Quintin, Pangasinan.

Peoples Bank of Caraga, Inc. (A Rural Bank) - Producers Bank acquired 100% ownership of Peoples Bank of Caraga, Inc. (A Rural Bank) and formally took over its management on July 10, 2019. It has twelve (12) regular branches and twenty one (21) branch-lite units in the CARAGA Region. Its corporate head office is located along National Highway, San Francisco, Agusan del Sur.

PBCOM Rural Bank, Inc. -Producers Bank acquired 100% ownership of PBCOM Rural Bank, Inc. on July 29, 2019 and formally took over its management on August 01, 2019. It has seventeen (17) regular branches and nine (9) branch-lite units. Its corporate office is located at 083 Rizal Ave. cor. Calibo St., Dipolog City, Zamboanga Del Norte.

Bangko Carrascal, Inc. (A Rural Bank) -Producers Bank acquired Bangko Carrascal, Inc. (A Rural Bank) on October 31, 2019 and formally took over its management on 21 November 2019. It has two (2) branch offices located in Arreza cor. Cervantes Sts., Embarcadero, Carrascal, Surigao del Sur, and Capitol Road, Telaje, Tandag City, Surigao del Sur.

Pending the merger, the acquired banks were functionally merged with Producers Bank from the time they were acquired. Effectively, therefore, the Bank had a total of two hundred fifty six (256) branches as of December 31, 2019 (total of 194 branches as listed in Table 2 above plus 62 branches of the acquired banks).

The request for merger of Producers Bank and Bangko Carrascal, with the former as the surviving bank, was submitted to Bangko Sentral ng Pilipinas (BSP) on January 14, 2020. Approval of this request is forthcoming.

A separate request for merger of Producers Bank, Rural Bank of San Quintin and Peoples Bank of Caraga, with Producers Bank as the surviving bank, was submitted to the BSP on May 26, 2020. Approval is similarly forthcoming.

With respect to the merger of Producers Bank and PBCOM Rural Bank, we are still awaiting for a no-objection letter from the Philippine Competition Commission as required by BSP.

Submission of the Plan of Merger with the BSP will likewise be done as soon as all the requirements are complied with.

ATM INSTALLATIONS

As of the end of 2019, the Bank has deployed 244 ATM units. Of these, 22 were in off-site locations or non-Producers Bank facilities, while the rest were installed in the Bank's branches.

MONEY TRANSFER

Producers Bank is a direct agent of Western Union for money transfer services which are offered in all branches and a network of sub-agents. Total volume of transactions in 2019 amounted to PhP 600 Million, from which the Bank generated PhP 4.44 Million in revenues.

In support of BSP's policy to establish a safe, efficient and reliable retail payment system in the Philippines, Producers Bank had enlisted itself in the Philippine EFT Systems and Operations Network (PESONet) starting October 2018. PESONet is the first automated clearing house under the National Retail Payment System (NRPS). The NRPS is envisioned to bring about an interoperable ecosystem allowing seamless electronic fund transfers and payments between and among accounts for bank-to-bank fund transfers. With the spread and reach of Producers Bank's branches, participation in PESONet allows Producers Bank to provide its clients with more convenient options for funds transfer services. Total volume of transactions in 2019 amounted to PhP 173 Million, from which the Bank generated revenue of PhP 275 Thousand.

On July 10, 2019, Producers Bank also tied up with Electronic Commerce Payments Inc. (ECPay), the leading electronic payment service provider in the Philippines. Producers Bank is now part of ECPay's network which offers accurate, secure and timely payment services to their customers while providing merchant and biller clients with real-time electronic reconciliation, web-based reporting and system management. As of December 31, 2019, total volume of transactions amounted to PhP 30 Million, from which the Bank generated PhP 54 Thousand in revenues.

RURAL FINANCIAL INSTITUTION

The Bank continues to uphold its mandate to support and develop the Philippine countryside, as supported by BSP's renewal of its accreditation as a Rural Financial Institution for another year until February 7, 2021.

Producers Bank's accreditation has been renewed annually since it was accredited initially on February 7, 2012. Producers Bank was the first thrift bank as an ARFI and is now the sole thrift bank among the current ARFIs. The accreditation allows Producers Bank to accept deposits from other banks for their alternative compliance with the Agri-Agra Reform Credit Act of 2009 (R.A. 10000). As of the end of 2019, Producers Bank had 136 depositor banks issued with Agri-Agra alternative compliance certification.

HUMAN RESOURCES

Producers Bank recognizes that human resource is invaluable to any organization. And it continues to commit to the growth and development of its increasing workforce, which now stands at 1,712 employees. An additional 147 employees (or 9.39% more from 2018) joined the ranks as a result of opening new branches.

As in the past, the personnel welfare and benefits program was made more responsive and with a standardized performance appraisal system, employee performances are objectively measured. The succession plan of the Bank was regularly updated.

The Bank had a rationalization of its organizational structure to address the aggressive growth needs as evidenced by the Bank's M&A strategy to break down the Branch Banking Sector into five (5) Branch Banking Groups. To upgrade the skills of the staff, an organizational development program was instituted through relevant and critical training programs, both in-house and outsourced to third-party training providers. Also, the Bank proactively complied with DOLE-mandated workplace regulations by maintaining health and safety standards.

INDUSTRY RANKING

Producers Bank remains to have an outstanding performance in the thrift bank industry. Following is a summary of how the Bank fares vis-à-vis industry averages as of the end of the year. The Bank is superior in majority of the measures, and in the few where it is deficient, the variances are not significant. Overall, Producers Bank has a very sound financial standing as of the end of 2019.

Presented below are the Bank's performance ratios as of December 31, 2019 vis-à-vis the TB System ratios.

Table 5 – Comparative Ratios of the Thrift Bank Industry vs. Producers Bank

Ratios		TB System[1]	Producers Bank[2]	Variance
CSOC				Favorable
1	Cash and Due from Banks to Deposits	15.06%	24.26%	9.20%
2	Liquid Assets to Deposits	26.76%	43.52%	16.76%
3	Loans (gross) to Deposits	96.35%	116.52%	20.17%
4	Capital Adequacy Ratio (CAR) (30 Sept 2017 TB System) • Internal Requirement is 12.00%; • Regulatory Requirement is 10.00%	16.71%	12.40%	- 4.31%
5	Total Capital to Total Assets	14.61%	9.21%	- 5.40%
CSIE				Favorable
6	Earning Asset Yield	8.04%	10.64%	2.60%
7	Funding Cost	2.91%	2.59%	-0.32%
8	Net Interest Margin	5.13%	8.05%	2.92%
9	Net Interest Margin	5.45%	7.99%	2.54%
10	Net Interest Income to Total Operating Income	82.16%	65.85%	-16.31%
11	Cost to Income Ratio	67.24%	58.84%	-8.40%
12	Return on Assets	1.21%	1.58%	0.37%
13	Return on Equity	8.77%	14.39%	5.62%
Others				
13	Past Due Ratio	8.34%	5.99%	-2.35%
14	NPL Ratio (Gross)	6.00%	3.92%	-2.08%
13	NPL Ratio (Net NPL)	4.34%	3.13%	-1.21%
14	NPL Coverage	48.06%	23.20%	-24.86%

Cash and due from other banks, liquid assets to deposit, loans to deposits, earnings asset yield, funding cost, interest spread, net interest margin, net interest income to total operating income, cost to income ratio, return on asset, return on equity, past due ratio, NPL ratio, and net NPL ratio are better than the industry ratio. CAR, total capital to total assets, and NPL coverage ratios are slightly below the industry ratios for valid reasons.

With the support of our shareholders and the leadership of our Board of Directors, we will "seize the day," continue to expand our business based on success, endeavor to make our operations as efficient as possible, and implement prudent credit risk management at all times by following the best practices in the banking industry. Our Management and staff will work as hard and as diligently as ever to realize our vision "to become the Number One partner bank of farmers and entrepreneurs in producing more wealth for the country."

God bless us all in our endeavor.

Thank you.

ANDRES M. CORNEJO
President and Chief Executive Officer

In 2019, PSBC was presented with several opportunities to expand its reach and operations as four major acquisitions were negotiated and completed throughout the year –Rural Bank of San Quintin, Inc. [SAQUI] in February; People's Bank of Caraga, Inc. (A Rural Bank) [or PBCAR] in July; PBCOM Rural Bank, Inc. [PBCRB] also in July, and finally, Bangko Carrascal, Inc (A Rural Bank) [or BCARR] in November.

The Bank's previous acquisitions were smaller banks with a few branches under its ownership. However, two of these acquisitions stood out as they were larger banks with a wider network of branches strategically situated in the countryside: PBCAR with 12 branches and 21 Branch Lite Units (BLUs) while PBCRB with 17 branches and 9 BLUs. Thus, PSBC was faced with the challenge of managing a total of 62 new bank units all over the island of Mindanao with the task of transforming these units into performing bank units with positive bottom lines prior to merger, using the tried and tested PSBC business model.

As PSBC took the helm of control in these acquisitions, it also held the responsibility of managing the liquidity, people, reputation and overall financial risks of these four separate bank entities. Management of these risks is key to ensuring proper compliance and regular evaluation of the Bank's performance as it continues to grow its network and reach.

Notwithstanding the above major endeavor of PSBC in 2019, Credit Risk Management remained as top priority of the Bank in terms of risk management. Loans and Receivables grew at a remarkable pace of 41% from ₱12.682 Billion in 2018 to ₱17.908 Billion in 2019. This feat was achieved with an agile organization responding to changes in structure easily and seamlessly to cater to the needs of target clients in the countryside.

RISK MANAGEMENT STRUCTURE

The PSBC Board of Directors exercise overall governance across the whole enterprise through three Board Committees – the Corporate Governance and Compliance Committee (CGCC), the Risk Oversight Committee (ROC) and the Audit Committee (AC). Each of these Board Committees is guided by its own Charter and chaired by an Independent Director (ID). The Committee Charters are amended as needed, the most recent amendments were done to comply with new regulations.

The ROC is supported by the Risk Management Group (RMG) headed by the Chief Risk Officer (CRO) and the AC is supported by the Internal Audit Group (IAG) headed by the IAG Head.

Top management proposes new policies and guidelines for review by the board committees and approval by the board of directors who make sure that said policies and guidelines are in accordance with government regulatory requirements and with PSBC long term corporate strategy. Henceforth, the approved policies and guidelines are implemented by the bank operating units and monitored by top management for proper compliance.

In addition, oversight on implementation of approved policies and guidelines are exercised by CO, RMG and IAG in behalf of the Board Committees. Results of such oversight functions are reported to the Board Committees during regular monthly committee meetings for notation.

RISK APPETITE AND STRATEGY

PSBC can be classified generally as a “moderately risk averse” savings bank.

The Bank's preference for REM-secured loans unequivocally proves this risk appetite. As of 30 Dec 2019,majority (62.40%)of the Gross Loan Portfolio of the Bank is REM-secured. The remaining 37.6%of the loan portfolio is secured either by Chattel mortgage, claims from Agricultural Guaranty Fund Pool (AGFP) surety, salary proceeds from Automatic Payroll Deduction System (APDS) of the Department of Education (DepEd), and/or assignment of receivables. In fact, the truly clean loans are considerably small.

Another indicator of the Bank's risk appetite is the institution of a *Codified Approving and Signing Authorities (CASA)* Manual which specifies the approving and signing authorities for *all* Bank transactions. In the CASA, no loan account is approved by a single signatory, but by a minimum of two signatories. Loans amounting to ₱20 Million up to ₱50 Million are approved by the Loan Executive Committee (LEC) while loans amounting to more than ₱50 Million are approved by the Board.

As it actively pursues to implement its vision to become the number 1 partner bank of farmers and MSMEs (Micro, Small & Medium Entrepreneurs) in the countryside, the Bank has developed and implemented the Business Model of focusing on serving the needs of farmers, entrepreneurs and teachers in the countryside. Such Business Model has guided the expansion activities of the Bank, whether buying existing banks or establishing organic branches. In addition, preferential lending to farmers and agri-based MSMEs has remained the “end-in-mind” of all PSBC staff and officers.

FINANCIAL RISK

Despite being a sound and sizeable financial institution, the Bank is exposed to a variety of financial risk arising from its operating, investing and financing activities. The main objective of financial risk management is to minimize the adverse impact of financial risks on the Bank's financial performance and financial position due to the unpredictability of financial markets.

The Bank's principal financial instruments consist of Due From BSP, Due From Other Banks, Investments at Amortized Cost, Financial Assets at FVTOCI (Fair Value Through Other Comprehensive Income), Loans & Receivables, Sinking Fund and Security Deposits. These financial instruments are used mainly to raise funds to sustain operations and ultimately, to generate income for the Bank.

Table 1 shows the summary of PSBC's principal financial instruments as of end-year 2019.The largest Risk Exposure of the Bank is "Loans & Receivables" which stood at ₱17.908 Billion by year-end. This is followed by "Due from BSP" at ₱2.286 Billion and "Due from other Banks" at ₱0.908.

Loans & Receivables are the major source of income for the Bank; the continued and sustained growth of this asset through the years has enabled the Bank to grow at the strategic pace that it has intended. At the end of each banking day, excess funds which were not lent out are placed in safe (low risk, highly liquid) instruments such as Due from BSP and Other Banks to ensure adequate liquidity and comply with regulatory requirements.

Table 1 - PSBC's Principal Financial Instruments as of end-year 2019

	2019	2018
Due from BSP	2,286,471,523	1,503,106,577
Due from other banks	907,834,259	670,687,275
Investment at amortized cost	705,812,684	649,256,176
Financial assets at FVTOCI	400,702,858	387,260,836
AFS Investments	-	-
Loans and Receivables	17,907,966,167	12,682,581,181
Sinking Fund	46,558,792	46,699,933
Security Deposits	4,659,340	4,659,340
	P 22,260,005,623	**P 15,944,251,318**

The main risks arising from the Bank's use of financial instruments are summarized as follows:

• Credit Risk

Credit Risk is defined as the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss. The Bank is exposed to credit risk in its lending and investing activities. But because the Bank only invests in government securities, credit risk exposure emanates mainly from lending activities.

Expansion of loan portfolio. In 2019, the Bank aggressively expanded its reach to its target market for loans, ending the year with a Gross Loan Portfolio of ₱15.161 Billion – a substantial increase of ₱2.730 Billion for a growth of 22%.

To achieve this remarkable growth, branches were mandated to offer Crop Production Loans to farmers and Working Capital Loans to MSMEs. This was in addition to the Teachers Loans and Consumer Loans being handled by the branches.

The Account Management Group (AMG), on the other hand, was mandated to focus on developing the market of Large Entrepreneurs and Corporations. In addition, the AMG Head was tasked to oversee all the government lending programs where PSBC is active participant under AMG's GFI Lending Programs Management Unit.

The Bank's recent reorganization centered on dividing the Branch Banking Sector into five Branch Banking Groups to facilitate and innovate how loan proposals are packaged and approved. To ensure that the quality of the loans are maintained, loan officers from the streamlined AMG were assigned as FSME (Farmers, Small & Medium Entrepreneurs) Officers in clusters of areas to assist in the packaging of loan proposals and in managing the projected increase in the branches' loan portfolio.

The strategy proved quite successful as agriculture and agri-based MSMEs portfolio grew at robust 25% from ₱2.647 Billion in 2018 to ₱3.302 Billion in 2019.

At the same time, the salary loans increased at a remarkable rate of 42% from ₱3.243 Billion in 2018 to ₱4.661 Billion in 2019. Buoyed by reputation that the Bank has gained as a financial institution compliant with the DepEd policies and regulations, the branches gained a strong foothold in servicing teachers loans in the areas where the branches are situated.

It is noteworthy that the loan expansion was achieved with the Past Due Ratio (PDR) and Non-Performing Loan (NPL) Ratio maintained at much better than industry levels as shown below:

Particular	PSBC	Thrift Banks
Past Due Ratio	5.99%	8.34%
NPL Ratio (Gross)	3.92%	6.00%
NPL Ratio (Net)	3.13%	4.34%

***ACPC Accreditation*.**

Recognizing the important role PSBC plays in direct lending to farmers and livestock raisers, the Agricultural Credit Policy Council (ACPC) tapped the Bank as ***conduit bank*** for two of ACPC's initiatives for these sectors - the Production Loan Easy Access (PLEA) and the Survival and Recovery Loan (SURE) Programs. PSBC disburses the ACPC funds to pre-identified loan recipients and collects the same at the end of the term of the loan and remits the funds back to ACPC. This service does not expose the Bank to credit risk as the loans are secured by sovereign guaranty. Total ACPC funds disbursed in 2019 reached ₱40.167 Million.

New Loan Products.

The Check Rediscounting Line was crafted to service the volume of trader clients requiring a facility that will allow them to liquefy their post-dated checks. For the fast-growing cooperative depositors of the branches, credit facilities for cooperatives were developed – Term Loan for their asset acquisition and capital expenditures as well as Credit Line for their working capital needs. As for the PLEA and SURE programs, new product guidelines were issued to ensure streamlining and efficient implementation

Updating the Credit Manual.

In 2019, another revision of *Credit Manual* was crafted and approved by the Board to ensure that the manual is aligned with the new PSBC organizational set-up, as well as, the new products, new procedural guidelines and new applicable regulations. Throughout the year, in order to quickly come up with guidelines that would comply with regulatory requirements, as well as, reflect changes on actual lending operations, the Bank issued 28 Executive Orders (EOs) duly approved by the Board: 17 on Credit Risk Policies and 11 on Procedural Guidelines related to credit.

• Concentration Risk of Credit Assets

The Bank is exposed to Concentration risk whenever its exposure to a certain industry or a loan type exceeds 50% of its portfolio. Through the robust Finacle system, the Bank is able to monitor the levels and the status of all its credit assets daily. This ensures that concentration risk of the Bank is managed effectively, in accordance with its risk appetite.

As of 31 December 2019, the distribution of loans according to industry is shown in Table 2.

Table 2 - Distribution of Loans and receivables according to industry

	Consolidated 31-Dec-2019	%	Consolidated 31-Dec-2018	%
Other community, social and personal service activities				
Salary Loans	6,523,665,040	36%	3,356,628,424	26%
Cash Secured Loan & Other Industries	1,180,464,058	7%	2,012,555,262	16%
Agriculture, Forestry and Fishing	3,896,746,859	22%	2,461,809,570	19%
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycles	2,485,248,405	14%	2,118,409,425	17%
Real Estate Activities	944,742,699	5%	749,866,294	6%
Accommodation and Food Service Activities	899,471,996	5%	559,733,050	4%
Construction	662,612,384	4%	404,567,412	3%
Others*	1,315,014,726	7%	1,019,011,834	8%
Total	**17,907,966,167**	**100%**	**12,682,581,271**	**100%**

**8 industry Classification with less than 2%*

As shown in Table 2, the Bank is not unduly exposed to concentration risks. No industry is more than 50% of the Total Loan Portfolio. In 2019, the two industry segments where the Bank has the largest Credit Risk exposures were Salary Loans [36%] and Agriculture, Forestry and Fishing [22%].

• Credit Quality of Financial Assets

The credit quality of the Bank's financial assets [Due From BSP & Other Banks, Investments At Amortized Cost, Financial Assets At FVOCI, Sinking Fund And Security Deposits] are based on the nature of the counterparty and internal rating system.

The credit quality of the Group's financial assets that are neither past due nor impaired is considered to be of good quality and expected to be collectible without incurring any credit losses.

The financial assets are classified as follows:

• **High Grade** - receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables is readily enforceable)

• **Standard Grade** - receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time

• **Substandard Grade** - receivables that can be collected provided a persistent effort to collect them is made

Table 3 shows the credit quality of financial assets, net of unearned discount.

Table 3. Credit Quality of Financial Assets.

	December 31, 2019			
	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Total
Neither past due nor impaired	15,717,145,288	3,194,305,782	1,106,515,542	20,017,966,612
Past due but not impaired	463,139,511	-	-	463,139,511
Impaired	1,727,681,368	-	-	1,727,681,368
Gross	17,907,966,167	3,194,305,782	1,106,515,542	22,208,787,491
Less allowances for probable losses	993,156,286	-	-	993,156,286
Net	**P16,914,809,881**	**P3,194,305,782**	**P1,106,515,542**	**P21,215,631,205**

**Comprised of Due from BSP and Due from other Banks*
***Comprised of Financial assets at FVOCI and investments at amortized cost*

• Liquidity Risk

Liquidity risk is the risk from the inability of the Bank to meet obligations when these become due because of inability to liquidate assets or obtain adequate funding.

The Bank is very liquid throughout 2019 and as of 31 December 2019, the Bank's Minimum Liquidity Ratio is **46.05%** which is way above the regulatory requirement of 20% as shown in the table below.

Item	Nature of Item	As of December 31, 2019
A.	Stock of Liquid Assets	6,336,066,025.47
B.	Qualifying Liabilities	13,758,268,633.92
C.	Minimum Liquidity Ratio (A/B)	46.05%

The MLR as of year-end is high due to substantial availment of credit lines from financial institutions. The Bank, however, manages the MLR on a daily basis to ensure efficient use of funds and maximize earnings of the Bank while meeting regulatory requirements. Thus, the Treasury Management Group (TMG) monitors the liquidity, cash and reserve positions daily to ensure that sufficient liquid assets are available to meet short-term funding.

Available lines from financial institutions, as of 31 December 2019 are as follows:

Bills Payable (in Million Pesos)		
As of 31 December 2019		
Creditor	**Amount**	**O/S**
BSP	3,565.00	
LBP	9,700.00	5,850.00
DBP	1,500.00	1,500.00
RCBC	1,050.00	
PDIC	42.82	42.82
Total	15,857.82	7,392.82

• Market Risk

Market Risk is the risk of loss of future earnings or future cash flows arising from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, equity prices and other market changes.

The Bank is exposed to minimal Market Risk. As of 31 December 2019, the Bank holds only a small amount of Government Securities booked as *Available For Sale (AFS)* with a total Face Value of ₱400.00 Million and with Amortized Cost/Booked value of ₱400.70 Million. These investments are marked-to-market monthly but monitored for their market value on a daily basis.

In addition, PSBC also holds other Government Securities booked as *Held to Maturity (HTM)* with a total Booked Value of ₱654.76 Million. Unlike the securities booked as AFS, the investments booked as HTM are *not* subject to market risk and are therefore not marked-to-market. However, TMG also monitors the market value of the HTM investments on a regular basis.

OPERATIONS RISK

Operations Risk is defined as probability of loss arising from *inadequate or failed internal processes, people, systems or from external events* [includes legal risk, but excludes strategic and reputational risk].

The Bank crafted a new Operational Risk Management (ORM) Manual which was approved by the BOD as endorsed by the Risk Oversight Committee. New inclusions in the revised manual consist of additional chapters on Business Continuity Management (BCM), Information Security Management, as well as, Management of Human Resource Related Risks.

Four ORM Policy Guidelines issued in 2017 and all other ORM practices being implemented in PSBC [such as Loss Data Base Management, Vendor Selection Risk Assessment, Advisories on Risk Events, as well as, Risk Event Reporting and Resolution] were also incorporated in the said manual.

• Information Technology/Systems Risk

IT/Systems Risk arises from the use of computer systems in the day-to-day conduct of the Bank's operations, reconciliation of accounts, as well as, storage and retrieval of information and reports. Such risks can occur due to the choice of faulty or unsuitable technology and adoption of untried and obsolete technology.

The Bank continuously undertakes system improvements both in hardware and system applications and is always on the look-out for applicable innovative technology that would enhance risk management and process efficiency. In all such decisions, adequate risk assessment of the new technology is conducted in accordance with System Development Life Cycle (SDLC) process.

Automation of AML Process. Because acquisition was completed only towards year-end of 2018, the Integral 360 AML system became fully operational starting January 2019. With Integral 300, the Bank was able to 1) fully automate its "Know Your Client" process with accurate classification of transactions either as "covered transaction" (CTR) or "suspicious transaction" (STR), 2) implement a straight through submission of daily reports to the Anti-Money Laundering Council (AMLC), and 3) achieve an efficient monitoring of such transactions. The Compliance Office can efficiently verify disposition of STRs by the branches as acceptable or not and advise immediate corrective action, if necessary.

Co-location of the Disaster Recovery site. Like the automation of AML process, the co-location of the Disaster Recovery site at the PLDT Data Center Vitro Clark in Pampanga was activated before year-end in 2018. As Disaster Recovery Site, the servers in Clark Vitro will be operational whenever alternate server/s for the core systems is/are required during disruptions/disasters. To maximize the use of the servers at Clark, beginning May 2019, the alternate Data center was utilized to host production of Integral 360, a non-core system. In turn, the disaster recovery site for Integral 360 is co-located at PLDT Vitro Makati where the production of all core systems are co-located.

The PLDT Vitro sites (both in Makati and Clark) have state of the art data center facilities with the best-of-breed architecture and design exceeding internationally-set tier 3 data center design standard. These will assure the Bank of top-notch security management of the Bank's production and disaster recovery servers.

Partnership with ECPAY. The Bank expanded its services for processing Bills Payment, collection and prepaid loading transactions over the counter by partnering with ECPAY. By using the web portal of ECPAY, the Bank is able to offer an additional channel for fund transfers and remittances.

Migration to Windows 10 Operating Systems (OS). All PC workstations being used bank wide have all been migrated for all IT transactions being implemented using the Windows OS. In the meantime, the migration of the Bank ATMs to Windows 10 OS has been completed and now awaiting certification from Bancnet prior to full implementation.

Migration to Finacle System. The Bank completed the merger of seven rural banks in 2019, all of which were acquired in the previous years: Rural Bank of Pamplona (Camarines Sur), Inc. with two branches; Rural Bank of President Quirino (Sultan Kudarat), Inc. with two branches; Bangko Rural ng Pasacao (Camarines Sur), Inc. with one branch; Bangko Rural ng Magarao (Camarines Sur), Inc. with one branch; Rural Bank of San Fernando (Camarines Sur), Inc. with two branches; Rural Bank of Barotac Nuevo, Inc. with one branch; and Rural Bank of Sibalom (Antique), Inc. with one branch. All ten branches were migrated to the Finacle System which facilitated the consolidation of financial information and enabled the effective monitoring of the merged bank units, ensuring the early adoption of the PSBC Business Model.

• Process Risk

The Bank continues to implement process improvements not only to strengthen control and reduce the process risks but also to improve efficiency which ultimately leads to increased income and reduce financial risks.

• Events Risk

In 2019, the Risk Management Group (RMG) and Information, Communications and Technology Group (ICTG) collaborated to complete the *Information Security Risk Assessment (ISRA)* for the entire Bank in order to prepare an *enterprise-wide Business Continuity Plan (BCP).* The BCP will enable the Bank to continue business operations during disruptions caused by natural or man-made events. The existing BCP which focused on continuity of IT operations was, thus, expanded to include all functional units of the Bank.

Business units of the Bank were classified into 15 business unit types, according to functions. The business units, under the guidance of RMG, prepared individual *Information Asset Inventory* encompassing all information, physical and people assets of the business unit. Depending on the functions, the criticality of each information asset was then determined to establish the MTPOD (Maximum Tolerable Period of Disruption), RTO (Recovery Time Objective) and RPO (Recovery Point Objective) – all of which constituted the *Business Impact Analysis* (BIA).

Each critical information asset were then assessed for risk level as to low, medium or high and consolidated such assessments into the *Information Security Risk Assessment* (ISRA) so that an appropriate *Risk Treatment Strategy* (RTS) could be determined for the information Asset.

Having completed the whole process, each business unit is then ready to prepare their own BCP based on the results of the BIA they conducted and the existing BCP of the Bank.

Towards year-end, PSBC identified its *Emergency*

Operations Center (EOC) site should the Pasig Head Office be unavailable during a major business disruption. The site has been renovated according to an approved plan and facilities to fully activate the site has been identified and for implementation for 2020. Testing of the EOC is slated as soon as all the facility requirements have been set-up in the site. Management has decided that the EOC shall be used for IT Training during slack time.

- **People Risk**

One of the major sources of operational risk is “people risk”. In this regard, Producers Bank has a bank wide risk management framework measures to identify, measure, monitor, and control human resource related risks. Producers Bank has an existing risk management and control measures in the following areas: (i) recruitment and selection, (ii) performance management and training and development.

Producers Bank has institutionalized first, its selection and hiring system to ensure that the people they hire have the appropriate educational background, related professional/banking experience and competence and integrity. Secondly, Producers Bank has a well planned out performance management protocol from evaluating performances of its employees before they become permanent employees, to monitoring their annual performances versus set out targets and goals for the year and in ensuring that performers are well rewarded while training or developing what management interventions can be done for non-performers. Lastly, Producers Bank has a training and development program set out to all its employees in order to ensure that the needed knowledge, skills and attitude in relation to their jobs are continuously being enhanced and developed.

- **Legal Risk**

All systems during their life cycle, no matter how simple, will generate legal implications that need to be managed.

The legal perspective of risk management is often seen as a method of protecting the Bank – as a plan for putting out fires. Although there is nothing wrong with protecting the Bank, risk management is not about protection. It is about making changes within the Bank that lead to an ability to control risk.

Legal Risk Management refers to the process of evaluating alternative regulatory and non-regulatory responses to risk and selecting among them. It ensures that the Bank follows relevant laws, regulations and business rules i.e. the Bank's policies must be consistent with the law.

It is very important for all employees of the Bank to remember that the banking industry is impressed with public interest that the highest degree of diligence is expected and high standards of integrity and performance are required. A Bank is under obligation to treat the accounts of its depositors with meticulous care and always to have in mind the fiduciary nature of its relationship with them.

This Bank has an existing legal risk manual which aims to provide the Bank's management, officers and employees a reference as to what are the legal risks that the Bank will face in case of non compliance with the Bank's standard operating procedures as well as existing banking rules and regulations, in general.

STRATEGIC RISK

The Bank has achieved sustained and unprecedented growth mainly through mergers and acquisition, supplemented by establishment of organic branches. Its business model consists of extending loans to its niche markets (farmers and SMEs) complemented by consumer loans to salaried people. It has chosen to locate its bank units in unbanked communities where its services are vastly needed.

Although PSBC's aggressive expansion may have included acquisition of some financially challenged banks, the Bank has adequately utilized lessons learned in turning around such challenges, leveraging the incentives for mergers to its advantage.

The expansive strategy has been supported by internally generated capital and adoption of agile technology in delivering products and services, supported by a committed human resource.

This strategy is being put to test in the latest acquisitions in Mindanao which involves two big rural banks totaling 62 bank units. PSBC hired General Managers to oversee the operations of the four banks to ensure the successful transformation of these banks upon approval of the merger of these banks with PSBC by the *Bangko Sentral ng Pilipinas* (BSP).

All four rural banks have undergone changes in organizational set-up in preparation for the adoption of the PSBC business model,. The staff has been trained in the PSBC loan and deposit products to assist them in the transformation of their existing portfolios. Finally, the acquired banks has adopted the CASA, the standard ALCO rates and the independent credit review being practiced by PSBC.

REPUTATIONAL RISK

PSBC has been operating for 23 years. It enjoys the trust and confidence of its clients, funders and the banking industry as manifested by the steady growth in deposits, increasing credit lines with its funders/creditors, as well as recognitions from the industry. The Board and Management constantly strive to increase financial viability, economic stability, and customer satisfaction by offering innovative and customer-focused banking services.

Furthermore, PSBC continuously supports Financial Inclusion Program of the BSP by opening new branches in unbanked municipalities in the Philippines.

ANTI-MONEY LAUNDERING RISK

Producers Bank is committed to protect the integrity and confidentiality of bank accounts and to assure the BSP and the Anti-Money Laundering Council ("AMLC") that its branches and units shall not be used as a money laundering site and conduit for the proceeds of an unlawful activity as defined under the Anti-Money Laundering Act ("AMLA").

1. Conduct business in conformity with high ethical standards in order to protect its safety and soundness as well as the integrity of the institution;
2. Know sufficiently our customers at all times and ensure that the financially or socially disadvantaged are not denied access to bank services while at the same time prevent suspicious individuals or entities from opening or maintaining an account or transacting with the Bank by himself or otherwise;
3. Adopt and effectively implement a sound anti-money laundering and terrorist financing risk management system that identifies, assesses, monitors and controls risks associated with money laundering and terrorist financing;
4. Comply fully with AMLA rules and existing laws aimed at combating money laundering and terrorist financing by making sure that officers and employees are aware of their respective responsibilities and carry them out in accordance with superior and principled culture of compliance; and
5. Fully cooperate with the AMLC for the effective implementation and enforcement of the AMLA, as amended, and its Revised Implementing Rules and Regulations, by disclosing all covered and suspicious transactions to them.

RISK BASED CAPITAL ADEQUACY RATIO COVERING COMBINED CREDIT, MARKET AND OPERATION RISK

Tier 1 (Core plus Hybrid) Capital		
Paid up common stock	1,299,558,010.00	
Additional paid-in capital	419,111,470.55	
Retained earnings	347,630,300.62	
Undivided profits	308,866,509.45	2,375,166,290.62
Less:		
Deferred tax asset, net of deferred tax liability 2/	73,180,658.69	
Goodwill, net of allowance for losses 3/	55,469,218.28	-128,649,876.97
Total Core Tier 1 Capital		**2,246,516,413.65**

Tier 2 (Supplementary) Capital		
Paid-up limited redeemable preferred stock with the replacement requirement upon redemption	40,180,400.00	
General loan loss provision	141,123,843.54	181,304,243.54
Less:		
Sinking fund for redemption of limited life redeemable preferred stock with the replacement required upon redemption	45,459,285.35	- 45,459,285.35
Total Tier 2 Capital		**135,844,958.19**
Total Qualifying Capital		**2,382,361,371.84**

Total Credit Risk Weighted Assets	17,636,712,656.24
Total Market Risk-Weighted Assets	0
Total Operational Risk-Weighted Assets	1,578,630,828.57
	19,215,343,484.81

Capital Adequacy Ratio		
Solo		
	Total CAR	12.40%
	Tier 1	11.69%
Consolidated		
	Total CAR	10.92%
	Tier 1	10.29%

The Board of Directors ensures that the necessary corporate policies and organizational structures are put in place to foster the long-term success of the Bank and secure its sustained competitiveness. It regularly reviews existing policies and structures to ensure compliance with pertinent laws and regulations, and that they are aligned with best practices and good governance principles.

The Board accomplishes its mandate through the different committees that address specific areas of focus.

CORPORATE GOVERNANCE AND COMPLIANCE COMMITTEE

Pursuant to Monetary Board Resolution No. 1326 dated 3 August 2017, the Bangko Sentral ng Pilipinas (BSP) issued on 22 August 2017 Circular No. 969, series of 2017, approving the revisions to guidelines for BSP-Supervised Financial Institutions in strengthening corporate governance in BSP Supervised Financial Institutions amending relevant provisions of the Manual of Regulations for Banks (MORB), the Bank has amended its Corporate Governance & Compliance Committee Charter as follows:

The committee shall be composed of at least three (3) members of the board of directors who shall all be non-executive directors, majority of whom shall be independent directors, including the chairperson.

Preferably, the members of the corporate governance and compliance committee shall have the management expertise or business experience to be able to develop appropriate strategies in governing the Bank.

The Board shall appoint the members of the CGCC and one of them as the Chairperson from the independent directors.

More than 50% of the members shall be present to form a quorum.

The CGCC shall have the following duties and responsibilities:

1. The Committee shall report to the Board of Directors.
2. The Committee shall assist the Board of Directors in fulfilling its corporate governance responsibilities. It shall review and evaluate the qualifications of all persons nominated to the Board as well as those nominated/promoted to senior management positions, particularly those with the rank of Vice President and up requiring appointment by the Board of Directors.
3. The Committee shall be responsible for ensuring the Board's effectiveness and due observance of corporate governance principles and guidelines. It shall oversee the periodic performance evaluation of the Board and its committees and executive management; and shall also conduct an annual self-evaluation of its performance.
4. The Committee shall also decide whether or not a director is liable to and has been adequately carrying out his/her duties as director bearing in mind the director's contribution and performance (e.g. competence, candor, attendance and preparedness and participation). Internal guidelines shall be adopted that address the competing time and commitments that are faced when directors serve on multiple boards.
5. The Committee shall make the recommendations to the Board regarding the continuing education of directors, assignment to board committees, succession plan for the board member and senior officers, and their remuneration commensurate with corporate and individual performance.
6. The Committee shall decide the manner by which the Board's performance may be evaluated and propose an objective performance criteria approved by the Board. Such performance indicators shall address how the Board has enhanced long-term shareholders' value.
7. The Committee shall assist the Board of Directors in fulfilling its oversight responsibilities on the following:

Compliance Function

a. Ensure compliance of the Bank with the rules and regulations issued by the regulatory bodies, such as but not limited to BSP, PDIC, SEC, BIR, etc., to prevent the Bank from incurring monetary and non-monetary penalties and sanctions;
b. Ensure the independence of the compliance office from the business activities of the Bank;
c. Review and approve the appointment and/or replacement of the Chief Compliance Officer;
d. Review and approve the compliance program of the Chief Compliance Officer and its consequent implementations;
e. Ensure the Chief Compliance Officer's right to obtain access to information necessary to carry out his responsibilities;
f. Review the effectiveness of the system for monitoring compliance with laws and procedures and the results of Management's investigation and follow-up, including disciplinary action on any fraudulent acts or non-compliance;
g. Obtain regular updates from the Chief Compliance Officer regarding compliance matters;
h. Review the reports of the Compliance Officer on the results of the compliance testing performed; and
I. Ensure that the Management is taking corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by the Chief Compliance Officer.

Anti-Money Laundering

a. Ensure compliance of the Bank with AML rules and regulations;
b. Approve Bank's AML Manual for any updates or amendments;
c. Ensure that AML reports (CTRs and STRs) to AMLC are submitted on time;
d. Review reports of the Compliance Office on the results of compliance testing or monitoring of AML transactions; and
e. Check if AML education and training (basic and refresher courses) are performed regularly; and
f. Obtain regular updates on AML regulations and policies.

RISK OVERSIGHT COMMITTEE

The Risk Oversight Committee is responsible for the development and oversight of the risk management program for the Bank. The committee is composed of three (3) members of the Board of Directors including two (2) Independent Directors, and a Chairperson who is a non-executive member of the Board. The members of the Risk Oversight Committee possess a range of expertise as well as adequate knowledge of the Bank’s risk exposure to be able to develop appropriate strategies for preventing losses and minimizing the impact of losses when they occur. It oversees the system of limits to discretionary authority that the Board delegates to management, ensures that the system remains effective, that the limits are observed and that immediate corrective actions are taken whenever limits are breached. The Bank's Chief Compliance Officer communicates formally and informally to the Risk Oversight Committee any material information relative to the discharge of its function.

The Risk Oversight Committee has access to external expert advice, particularly in relation to proposed strategic transactions, such as mergers and acquisitions.

Meanwhile, as embodied in the Bank's Financial Consumer Manual, the Legal Department shall be concurrently designated as the Consumer Assistance Group of Producers Bank, with the Branch Managers as the concurrent Consumer Assistance Officers at the branch level to handle consumer concerns.

The Consumer Assistance Group shall, as a minimum, perform the following: (a) monitor consumer assistance process; (b) keep track, identify, and analyze the nature of complaints and recommend solutions to avoid recurrence; (c) report to senior management, i.e the President, Branch Banking Group Head and/or Chief Compliance Officer the complaints received on a monthly basis including reasons to avoid recurrence, and the suggestions for process or personnel competency needing improvement; and (d) ensure escalation of any significant complaint to the concerned unit of the Bank (Credit, Branch Banking, Treasury Management, etc.).

AUDIT COMMITTEE

The Audit Committee is composed of at least three (3) members of the Board of Directors, two (2) of whom are independent Directors, including the Chairperson, who must have accounting, auditing, or related financial management expertise or experience.

The Chief Executive Officer, Chief Financial Officer and/or Treasurer, or officers holding equivalent positions, are not to be appointed as members of the Audit Committee.

The Audit Committee provides oversight over the Bank's financial reporting policies, practices and control. It shall monitor and evaluate the adequacy and effectiveness of the internal control system. It is responsible for the appointment of the Internal Auditor as well as the independent External Auditor who shall both report directly to the Audit Committee. In cases of appointment or dismissal of external auditors, it is encouraged that the decision be made only by the independent and non-executive members of the Audit Committee.

The Audit Committee reviews and approves the audit scope and frequency. It receives key audit reports, and ensures that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws and regulations and other issues identified by the Auditors.

The Audit Committee has explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions. The Audit Committee ensures that a review of the effectiveness of the Bank's internal controls, including financial, operational and compliance controls, and risk management, is conducted at least annually.

The Audit Committee establishes and maintains mechanisms by which officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It ensures that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

CHAIRMAN OF THE BOARD

The Chairman leads the Board of Directors as an effective working group at the head of the Bank. It promotes a culture of openness and debate and is responsible for effective communication within the Board and with shareholders. It ensures that there is a good working relationship between the Board committees and executive management and that there is sufficient time to discuss and effectively address strategic issues during Board and committee meetings.

The Chairman of the Board has a collaborative working relationship with the President and Chief Executive Officer of the Bank, but very clearly, it is not involved in the running of the Bank's day-to-day operations. They share a common understanding of the Bank's goals and strategies and work together to achieve such goals. Invaluable views, inputs and directions are sought on emerging issues such as new projects and initiatives of the Bank. It is kept abreast with the Bank's operations by being available at least three days a week and by attending the Management Committee meetings.

The Chairman of the Board keeps the integrity and goals of the Bank at the forefront of every decision that it makes.

Director's Attendance

NAME OF DIRECTOR	NUMBER OF BOARD MEETINGS ATTENDED	%
Gilda E. Pico	14	100%
Sandra C. Mendoza	13	93%
Andres M. Cornejo	14	100%
Andrei D. Cornejo, Jr.	13	93%
Alejandrino J. Ferreria	13	93%
Adrian Jean Claude D. Cornejo	13	93%
Francisco Ed. Lim	13	93%
Edwin V. Fernandez	13	93%
Cecilio B. Lorenzo	14	100%
Total Number of Meetings Held During the Year	14	

Board and Committee Meetings

AUDIT COMMITTEE		
Attendance: 98% for 12 meetings in 2019		
Chairman:	Cecilio B. Lorenzo	10
Members:	Alejandrino J. Ferreria	10
	Francisco Ed. Lim	9
	Edwin V . Fernandez	5

RISK OVERSIGHT COMMITTEE		
Attendance: 92% for 12 meetings in 2019		
Chairman:	Edwin V. Fernandez	12
Members:	Alejandrino J. Ferreria	10
	Cecilio B. Lorenzo	12

CORPORATE GOVERNANCE AND COMPLIANCE COMMITTEE		
Attendance: 100% for 12 meetings in 2019		
Chairman:	Francisco Ed. Lim	12
Members:	Edwin V. Fernandez	12
	Gilda E. Pico	12
	Andres M. Cornejo	12

SELF-ASSESSMENT PROGRAM

The Bank has created the Internal Audit Group (IAG) Charter in order to set the direction of the IAG, serve as guidelines in the efficient discharge of the internal audit function consistent with BSP Regulations and international standards; as well as improving its relations with other control functions of the Bank; set the guidelines in outsourcing internal audit activities, in providing consulting or advisory services, and in coordinating with external auditors and supervisory authority.

The IAG shall be composed of two (2) departments, namely: Head Office Operations and IT Systems Audit Department (HSAD) and Field Operations Audit Department (FOAD), which shall be both functionally and administratively under the IAG Head.

1. HSAD is divided into two (2) Audit Area Units - the HO Operations Audit Unit responsible in examining and evaluating operations of Head Office units (except IT Departments) and the IT System Audit Unit responsible in examining and evaluating IT Risk exposures throughout the Bank, including the areas of IT management and strategic planning, IT operations, client/server architecture, local and wide area networks, telecommunications, physical and information security, electronic products & services, systems development and acquisition, and business continuity planning.

2. The FOAD, on the other hand, shall be responsible in conducting internal audit of provincial branches/lending centers. FOAD is divided into six (6) Audit Area Units to delineate audit coverage based on geographic locations and proximity to the Audit Area office location. Under each Audit Area Unit are the Financial Audit Team and Credit Review Team which will handle operations review/examination of Branches/Accounting Units and the Regional Lending Centers respectively.

The IAG, in the exigency of service, may reassign change audit coverage of HSAD and FOAD.

Scope

All processes, systems, unit and activities including outsourced activities shall fall within the scope of the IAG. The scope of internal audit shall cover, among others, the following:

1. Evaluation of the adequacy, efficiency and effectiveness of internal control risk management and governance systems;
2. Review of reliability, effectiveness and integrity of management and financial information systems, including electronic information system and electronic banking services;
3. Review of systems and procedures to safeguard the Bank's physical and information assets;
4. Review of compliance system and implementation of established policies and procedures;
5. Review of regulators area of interest and the monitoring of compliance with relevant rules/laws such as assessment of adequacy of capital and provisions; liquidity level; regulatory and internal reporting.

PERFORMANCE ASSESSMENT PROGRAM

The Bank's board of directors as the primary body to influence and enforce good corporate governance within the organization through its officers and all its employees ensures that everyone discharges their duties with utmost integrity, takes responsibility and ensures the appropriate discharge of their duties for the benefit of the Bank as well as all its stakeholders.

Review and evaluation of the qualifications of all persons nominated to the board as well as those nominated/promoted to senior management positions, particularly those with the rank of Vice President and up requiring appointment by the board of directors are being adhered to.

Through the constitution of a Corporate Governance and Compliance Committee, a board-level committee, oversight to a periodic performance evaluation of the board and its committees and executive management is conducted as well as an annual self-evaluation of its performance.

Continuing education of directors, assignment to board committees, succession plan for the board members and senior officers, and their remuneration commensurate with corporate and individual performance are ensured and are assessed to ensure contribution to shareholders' value.

ORIENTATION AND EDUCATION PROGRAM

Orientation and Education Program for the Bank's directors and senior management includes Corporate Governance Certifications for all Directors, in-house mandated trainings as required by BSP which exemplifies their excellence as the pillars of the Bank, Basic Branch Operations Training and Advanced Branch Operations Training (both are compilations of module-based topics and seminars – including, but not limited to, classroom-method and workshop method). For topics which are offered to the public, the Bank has affiliations and membership with Training Providers, for example, but not limited to, BSP, BAIPHIL, Chamber of Thrift Banks, DB Quest Inc. (to name a few).

The Bank, through the Human Resources and Management Department (HRMD), provides employee development programs in answer to their training needs.

The HRMD is permanently responsible in seeing to it that BSP Training requirements are complied with. They are to schedule employees who may attend BSP training programs and shall for the purpose of determining training needs, consult other departments of branch offices from time to time.

HRMD is responsible in arranging/advertising group trainings or seminars that may be conducted by Producers Bank regardless of the subject matter. If the training is highly specialized, the same will be conducted with necessary assistance and consultative services from specialized staff, resource persons or training institutes.

Other areas in personnel training outside the field of money and banking shall likewise be the responsibility of HRMD including but not limited to the selection of speaker/trainer/preparation of course study, selection of trainees (in coordination with the branches and departments), conduct of examination related to such training/seminar and evaluation of the said trainings/seminar programs.

RETIREMENT AND SUCCESSION POLICY

Retirement

Republic Act No. 7641 requires the entitlement by employees to receive retirement benefits at the time of his/her retirement.

Republic Act no. 4917 on the other hand, provides for tax exemptions (subject to certain guidelines) on retirement benefits received by officials and employees of private firms in accordance to a reasonable private benefit plan maintained by the employer.

The aim of Producers Bank Retirement Plan is to assure employees of retirement, death, disability and separation benefits, in the light of management's continuing effort to uphold the well-being of its employees.

- **Features of the Producers Bank Retirement Plan**

Effectivity Date	27 November 2005
Coverage	Regular Full-Time Employees
Covered Service	Measured from Hiring Date
Retirement Benefit	Based on vesting schedule, but the maximum is 1.25 month's Final Salary for every year of continuous service
Normal Retirement	Age 65
Early Retirement	Age 55 with 15 years of continuous service
Late Retirement	Beyond age 65 upon mutual agreement between Company and the Employee
Death or Disability Benefit	One (1) month's final salary for every year of continuous service
Vesting	Minimum of 50% of Retirement Benefit for those with five (5) years of continuous service; thereafter, an increment of 25% for every 5 years of continuous service until 125% of final salary is reached

Succession Policy

The Bank's succession plan aims to identify officers and employees who could potentially fill and perform effectively and efficiently in each position. Hiring and training programs of the Bank ensure that potential successors are readily available.

REMUNERATION POLICY

In its remuneration policy, Producers Bank fully adheres to what Philippine laws and regulations require.

In particular, please refer to the Labor Code of the Philippines (Presidential Decree No. 442), the Wage Rationalization Act (Republic Act No. 6727), the Implementing Rules and Regulations (IRR) to the Wage Rationalization Act, and pertinent Executive Orders and Wage Orders.

The Bank provides a commensurate and rational salary structure depending on the scope of responsibilities / functions of each employee, which is reviewed periodically to align with the current regulatory provisions and industry trends. It complies with the wage orders or government mandated pay adjustments issued by the Department of Labor and Employment, the Tripartite Wage Boards and applicable provisions of the existing Collective Bargaining Agreement.

For 2019, the total compensation of the Bank's Chief Executive Officer and the four (4) highly compensated executive officers amounted to Pesos: Forty Two Million One Hundred Twenty Three Thousand Two Hundred Forty Seven (P42,123,247.00) Only.

MAJOR STOCKHOLDER

As of December 31, 2019, Mr. Andres M. Cornejo owns eighty eight point ten percent (88.10%) of the total stockholdings of Producers Bank.

SECURITY OWNERSHIP OF DIRECTORS

As of December 31, 2019, the following are known to Producers Savings Bank Corporation to be directly the record and/or beneficial owners of Producers Savings Bank Corporation voting securities:

Stockholders	Citizenship	No. of Shares	Amount	Ratio
Gilda E. Pico	Filipino	118	1,180.00	0.0009%
Sandra C. Mendoza	Filipino	5,649,116	56,491,160.00	4.21715%
Andres M. Cornejo	Filipino	118,026,071	1,180,260,710.00	88.10822%
Andrei D. Cornejo, Jr.	Filipino	3,637,006	36,370,060.00	2.71508%
Adrian Jean Claude D. Cornejo	Filipino	3,637,005	36,370,050.00	2.71508%
Alejandrino J. Ferreria	Filipino	30	300.00	0.00002%
Francisco Ed. Lim	Filipino	11	110.00	0.00001%
Edwin V. Fernandez	Filipino	2	20.00	0.00000%
Cecilio B. Lorenzo	Filipino	30	300.00	0.00002%

GILDA E. PICO, 73
Chairman
(since September 2016)

Mrs. Pico was the Chief Executive Officer and President of Land Bank of the Philippines from November 2006 to July 2016. She served Land Bank for 35 years and was the Bank President for 10 years. She was the first woman President and Chief Executive Officer of Land Bank and the first Landbanker in career position to be appointed as head of the institution. Mrs. Gilda E. Pico is a Certified Public Accountant. She earned her degree, Bachelor of Commerce major in Accounting at the College of the Holy Spirit, Manila (Magna Cum Laude). She earned her MBA at the University of the East.

SANDRA C. MENDOZA, 45
Vice Chairman
(Director, since October 2002)

Ms. Mendoza is a graduate of the University of Asia and the Pacific where she earned her degree in Bachelor of Science in Information Technology. Prior to her current position, she was the Head of Human Resources and Administration Group. She and her husband are also entrepreneur-restaurateurs operating several very successful restaurants.

ANDRES M. CORNEJO, 71
President and Chief Executive Officer
(Director, since November 1995)

Mr. Cornejo is a highly successful, self-made businessman and entrepreneur from Nueva Ecija. Prior to becoming a full-time entrepreneur and banker, he worked for 16 years with the First Philippine Holdings Corporation (First Holdings) holding the positions of Comptroller, Treasurer and finally Chief Financial Officer. Prior to joining First Holdings, he worked for 9 years with the local accounting firm, Carlos J. Valdez & Company CPAs. He is a graduate of the Philippine School of Business Administration with a Bachelor of Science degree in Accountancy. He has a Masters in Entrepreneurship degree from the Asian Institute of Management. Mr. Cornejo is a Certified Public Accountant. He is the Chairman of Cabiao General Hospital, Inc., Chairman of C & D Properties, Inc., and General Manager of C & D Pawnshop.

ANDREI D. CORNEJO, JR. 43
Senior Executive Vice President and Chief Operating Officer (Director since May 2015)

Mr. Cornejo is a graduate of Bachelor of Science in Business Administration from the Philippine School of Business Administration. He was President and General Manager of Iloilo City Development Bank prior to its merger with Producers Bank. He is now the Senior Executive Vice President and Chief Operating Officer for Producers Bank.

ADRIAN JEAN CLAUDE D. CORNEJO, 28
Vice President and Director (since June 2017)

Mr. Cornejo is a Bachelor of Science in Management graduate at the Ateneo de Manila University. Mr. Cornejo first joined the Bank as Assistant Manager and Management Trainee under the Bank's Management Training Program. He was assigned to different areas of bank operations to allow him to learn basic skills and principles involved in the management of the Bank. In July 2013, Mr. Cornejo was promoted to Manager and Branch Head of the Bank's Main Branch. Two years after, in July 2015, he was promoted to Senior Manager rank and as Assistant to the Chairman and Chief Executive Officer, and Branch Head of the Main Branch on concurrent capacity. He was appointed Cluster Head for branches in the National Capital Region in November 2015, Assistant Vice President and Area Head in January 2017 and eventually, Vice President for Branch Banking Group 2. He is also the President of Cabiao General Hospital.

ALEJANDRINO J. FERRERIA, Ed. D., 69
Director (since May 2015)

Dr. Ferreria was the Bank of America Foundation Professor of Business Management at the Asian Institute of Management. From 2002 to 2004, he was the Dean of the Asian Center for Entrepreneurship at the Asian Institute of Management where he was a Guru. He earned his degree of Bachelor of Science in Management from the Ateneo de Manila University, his Masters in Business Administration from the University of the Philippines, and his Doctorate in Education Management from the National University. Dr. Ferreria currently sits on several boards: Goodyear Philippines, Pascual Laboratories, Construction Management and Development Foundation, Filipino Car Foundation and Channel Technologies. He is a Partner/ Director at ACE Management Education, Inc., and Chief Executive Officer of Lakpue Drug, Inc.

ATTY. FRANCISCO ED. LIM, 65
Independent Director
(since October 2012)

Atty. Lim was formerly the President and Chief Executive Officer of the Philippine Stock Exchange. He was the longest serving President of the Exchange. He was also formerly President and Chief Executive Officer, Securities Clearing Corporation of the Philippines; former Chairman, Philippine Stock Exchange Foundation, Inc.; and former Chairman, Capital Market Development Center, Inc. He finished his Bachelor of Philosophy (Magna Cum Laude) at the University of Sto. Tomas (UST); his Bachelor of Arts (Cum Laude) also at UST; his Bachelor of Laws (Second Honors) at the Ateneo de Manila University; and his Master of Laws at the University of Pennsylvania, USA. Atty. Lim is a member of the Philippine Bar and New York State Bar. Currently, he is a co-managing partner at ACCRALAW.

EDWIN V. FERNANDEZ, 70
Independent Director
(since November 2017)

Mr. Fernandez finished his Bachelor of Arts in Economics at the University of the Philippines Diliman, Quezon City. He also took his Masters of Business Administration in the same institution. Mr. Fernandez was connected with various industries as advisor for both private and government owned organizations as well as in the academe. He was an Advisor and Management Strategist of Perpetual Succor Hospital and Maternity, Inc. (2002-present); Advisor, Renal Systems, Inc. (2014); Advisor, Land Transportation and Communication (2009); Advisor, Nichols Airport Hotel and Protacio General Hospital (2008-2009); Advisor and Management Strategist, ELRO Commercial and Industrial Corporation (2009); Advisor, National Transmission Corporation (2003-2007); Advisor, E-Myth, Inc. (2008); Advisor, St. Jude College (2004).

CECILIO B. LORENZO, 70
Independent Director
(since January 2018)

Mr. Lorenzo finished his Bachelor of Science in Management Engineering at the Ateneo de Manila University. He also took Masters of Business Management at the Asian Institute of Management. Mr. Lorenzo was connected with various private and government owned industries. He was a Consultant and General Manager of Guevent Industrial Development Corporation (2010-2015); President of Fisher Comprehensive Security Services (2009-2010). Mr. Lorenzo held various positions for government entities. He was a Director of Development Bank of the Philippines (2010-2016); Director of DBP Center Corporation (2011-2016); Director and DBP Representative of National Resources Development Corporation (2014-2016); Director and DBP Representative of Philippine Mining Development Corporation; Director and DBP Representative of Metro Rail Transit Corporation (2014-2016) Further, he also served actively as Chairman of DBP IT Governance Board Committee; Vice Chairman of DBP Audit & Compliance Board Committee; Vice Chairman of DBP Risk Oversight Board Committee and Chairman of the Board of DBP Data Center, Inc. At present, he is the Chief Operations Officer and Board Member of Cogitat Technologies, Incorporated.

EXECUTIVE AND SENIOR MANAGEMENT

ANDRES M. CORNEJO
President and Chief Executive Officer

- 71 years old, Filipino
- Former Chief Financial Officer of the First Philippines Holdings Corp. and Manager of Carlos J. Valdez & Co.
- Graduate of BS Accountancy
- Masters in Entrepreneurship
- Certified Public Accountant

SANDRA C. MENDOZA
Executive Vice President and Head, Management Support and Services Group

- 45 years old, Filipino
- Graduate of BS Information Technology

ANDREI D. CORNEJO, JR.
Senior Executive Vice President and Chief Operating Officer

- 43 years old, Filipino
- Graduate of BS Banking and Finance

FILIPINAS M. FERNANDEZ
Executive Vice President and Head of Branch Banking Group I

- 56 years old, Filipino
- Former Chief Accountant of Nueva Ecija Electric Cooperative, Inc.
- Graduate of BS Commerce Major in Accounting

NOMER A. CRISOSTOMO
Senior Vice President and Treasurer

- 44 years old, Filipino
- Graduate of BS Accountancy
- Certified Public Accountant

TERESITA E. CHENG
Senior Vice President and Chief Risk Officer

- 69 years old, Filipino
- Former Board Member of LBP Insurance Brokerage, Inc, First Vice President/RMG Head and CRO of LandBank of the Philippines
- Graduate of BS Agricultural Chemistry
- Licensed Chemist
- Masters in Business Management and Masters of Science in Chemistry

CENON M. LADRINGAN
Senior Vice President and Head, Account Management Group

- 49 years old, Filipino
- Graduate of BS Agricultural Engineering

ADRIAN JEAN CLAUDE D. CORNEJO
Vice President and Head, Branch Banking Group II

- 28 years old, Filipino
- Graduate of BS Management

ELMER C. CAYOG
Vice President and Head, Branch Banking Group III

- 48 years old, Filipino
- Graduate of BS Accountancy

RODOLFO E. ESTIOKO
Vice President and Head, Strategic Planning Department

- 64 years old, Filipino
- Former Provincial Coordinator of Economic Development Foundation and Model Courts Manager of Philippine Mediation Center
- Graduate of BS Management Engineering

GINA T. RIVERA
Vice President and Chief ICT Officer

- 51 years old, Filipino
- Former Regional Coordinator of MB Philippines
- Graduate of BS Business Administration Major in Accounting and Masters in Business Administration

SENIOR ASSISTANT VICE PRESIDENTS

LOUREANNE A. BAUTISTA
Senior Assistant Vice President and Head, Administrative Services Dept.

- 42 years old, Filipino
- Former Accountant of Merchants Rural Bank
- Graduate of BS Accountancy

AMY A. FERNANDEZ
Senior Assistant Vice President and Area Head, Pangasinan

- 58 years old, Filipino
- Former Head Treasury of Rosbank, Inc..
- Graduate of BS Commerce Major in Accounting

MARICEL C. LADIGNON
Senior Assistant Vice President and Head, Branch Operations Support Group BBG 1

- 43 years old, Filipino
- Graduate of BS Accountancy

JEEL S. VANA
Senior Assistant Vice President and Head, Internal Audit Group

- 40 years old, Filipino
- Graduate of BS Accountancy

ASSISTANT VICE PRESIDENTS

REVIER R. AVESTRUZ
Assistant Vice President and Area Head, Camarines Sur

- 40 years old, Filipino
- Graduate of BS Accountancy

PAB RONALD H. CALANOC
Assistant Vice President and Information Security Officer

- 39 years old, Filipino
- Graduate of Bachelor of Science in Information Technology

PATRICIO M. CORNEJO
Assistant Vice President and Head, Special Projects Department

- 59 years old, Filipino
- Graduate of BS Commerce

PETER JOEL S. CORNEJO
Assistant Vice President and Head, Lending Center Southern Nueva Ecija and Aurora

- 41 years old, Filipino
- Graduate of BS Commerce Major in Banking and Finance

TEODORA C. GARCIA
Assistant Vice President and Area Head, Pangasinan & RB San Quintin

- 46 years old, Filipino
- Former Branch Head of the RosBank, Inc.
- Graduate of BS Accountancy

LIRIO G. JUMAQUIO
Assistant Vice President and Head, Clearing Operations Department

- 39 years old, Filipino
- Graduate of BS Accountancy

ARLYN D. LABASAN
Assistant Vice President and Area Head, Nueva Vizcaya

- 50 years old, Filipino
- Former Senior Personal Banker of Rizal Commercial Banking Corporation(RCBC)
- Graduate of BS Mathematics

KEITH SUSIE B. LEGASPI
Assistant Vice President and Chief Compliance Officer

- 35 years old, Filipino
- Former Chief Compliance Officer of PBCOM Rural Bank, Inc.
- Graduate of Juris Doctor

ARTHUR JOHN O. LUGTU
Assistant Vice President and Area Head Northern Mindanao

- 61 years old, Filipino
- Former Assistant Vice President, Philippine National Bank
- Graduate of BS Accountancy
- Certified Public Accountant
- Graduate of Bachelor of Laws

MARIA CRISTINA YASMIN S. MARIÑAS
Assistant Vice President and Area Head, Rizal

- 42 years old, Filipino
- Former Vice-President of Rural Bank of Cainta, Inc. and former Network Engineer of WeSolv Open Computing, Inc.

- Graduate of BS Electronics and Communications Engineering and Postgraduate in Master in Business Administration

LAMBERTO C. MARTIN
Assistant Vice President and Area Head, Bulacan & Pampanga

- 59 years old, Filipino
- Former Branch Manager of New Rural Bank of San Leonardo
- Graduate of BS Business Administration Major in Economics
- Graduate of Bachelor of Laws

BERNARD APRILONE S. PADILLA
Assistant Vice President and Head, Controllership Group

- 31 years old, Filipino
- Graduate of BS Accountancy

MARIGOLD C. RIVERA
Assistant Vice President, Corporate Communications Officer and Head, Human Resource Management Department

- 41 years old, Filipino
- Former Associate Instructor, AMA Computer Learning Center
- Graduate of AB Philosophy
- Graduate of Bachelor of Laws

ARIEL M. TATLONGHARI
Assistant Vice President and Area Head, Cavite

- 53 years old, Filipino
- Former AVP of People's Credit and Finance Corporation and VP and Former General Manager of Rural Bank of Lupao, Inc.
- Graduate of BS Agriculture

EDUARDO A. TRINIDAD
Assistant Vice President and Head, Remittance Department

- 37 years old, Filipino
- Former Agency Development Group Director at Universal Storefront Services Corporation (USS) and Project Lead at Pasco Certeza Mapping Corporation
- Graduate of BS Computer Science

OPERATING MANAGEMENT

The Board of Directors delegates to the President and Chief Executive Officer (CEO) the responsibility of managing the Bank's business operations. Closely supporting and working with the President and CEO at the higher level is the Chairman who directs the overall execution of the strategic plans and policies as established by the Board of Directors. Reporting directly to the President and CEO are as follows:

- Loan Executive Committee
- Technical Support Unit
- Account Management Sector
- Controllership Sector
- Treasury Management Sector
- Manpower and Special Services Sector
- Legal Department
- Chief Security Officer

Meanwhile, supporting the President and Chief Executive Officer is the Senior Executive Vice President and Chief Operating Officer who is in charge of the day-to-day operations of the operating sectors as follows:

- Credit Committee
- Clearing Operations Dept.
- Remittance Dept.
- ATM Operations & Reconciliation Dept.
- Branch Banking Sectors
  - Branch Banking Sector 1
  - Branch Banking Sector 2
  - Branch Banking Sector 3
  - Branch Banking Sector 4
  - Branch Banking Sector 5

MONEY TRANSFER

Producers Bank money transfer services have transacted P772 million combined principal amounts via its remittance (Western union) and fund transfer (PESONet) services. The Western Union and PESONet, reported a 14% increase in its principal amount combined business versus same period last year of 2018. The Remittance Group delivered another year of solid and significant growth on fee-based income for retail customers (refer to the table below).

Principal Amount Money Moved 2018 vs. 2019

Remittance Services	2018	2019	Percent Growth
Western Union	506,895,522	516,967,954	2%
PESONet	170,419,158	254,593,840	49%
Total Principal Amount	677,314,680	771,561,795	14%

Western Union enables an account holder to transfer money to a person via OTC, immediately received the money in any Western Union authorized partners globally.

On the other hand, PESONet is designed for high value transactions of companies, other businesses, government agencies and individuals. It is the electronic alternative for transferring funds via checks. Money transfers made under PESONet have no transaction limit per day. Crediting to the recipient account is on the same banking day, provided that a

ECPAY

sender transfers money within the cut-off time set by financial institutions.

Meanwhile, to fast tract adoption of electronic banking services, the Bank forms strategic partnership with Commerce Payments, Incorporated (ECPAY) for a more convenient and also a safe way for bank customer to pay their utility bills and more. ECPAY provides the largest network of e-payment channels in the country with support of various national utilities, local merchants and other enterprises.

ECPAY service, launched in August 15, already collected total of P30 million in bills payment transaction in last quarter (Q4) of 2019. The fourteen thousand (14,000) transactions since August up to December 2019, is attributed to the collections among the top ten (10) billers of the bank namely: Meralco, Gcash, MetroBank, Home Credit, SSS, PLDT, Manila Water, Globe lines and Prime Water.

Producers Bank supports Brigada Eskwela

PRODUCERS BANK SUPPORTS BSP FINANCIAL INCLUSION PROGRAM

For 2019, Producers Bank continues to support the Bangko Sentral ng Pilipinas' (BSP) Financial Inclusion Program as it continues to expand its branch network namely: Valladolid, Negros Oriental; Cabanatuan East, Nueva Ecija; Lagawe, Ifugao; Victoria and La Paz, Tarlac; El Salvador, Misamis Oriental; Carig, Tuguegarao; Candelaria, Quezon and Asuncion, Davao Del Norte.

The successful expansion and operations of Producers Bank in all areas where it opened branches only proves that given access to financial services, banking especially in unbanked localities is good business.

On the other hand, Producers Bank believes that it has a responsibility to make its financial services accessible most especially to the farmers and entrepreneurs if it wants to achieve its vision of becoming the number one (1) partner bank of farmers and entrepreneurs in producing more wealth for the country.

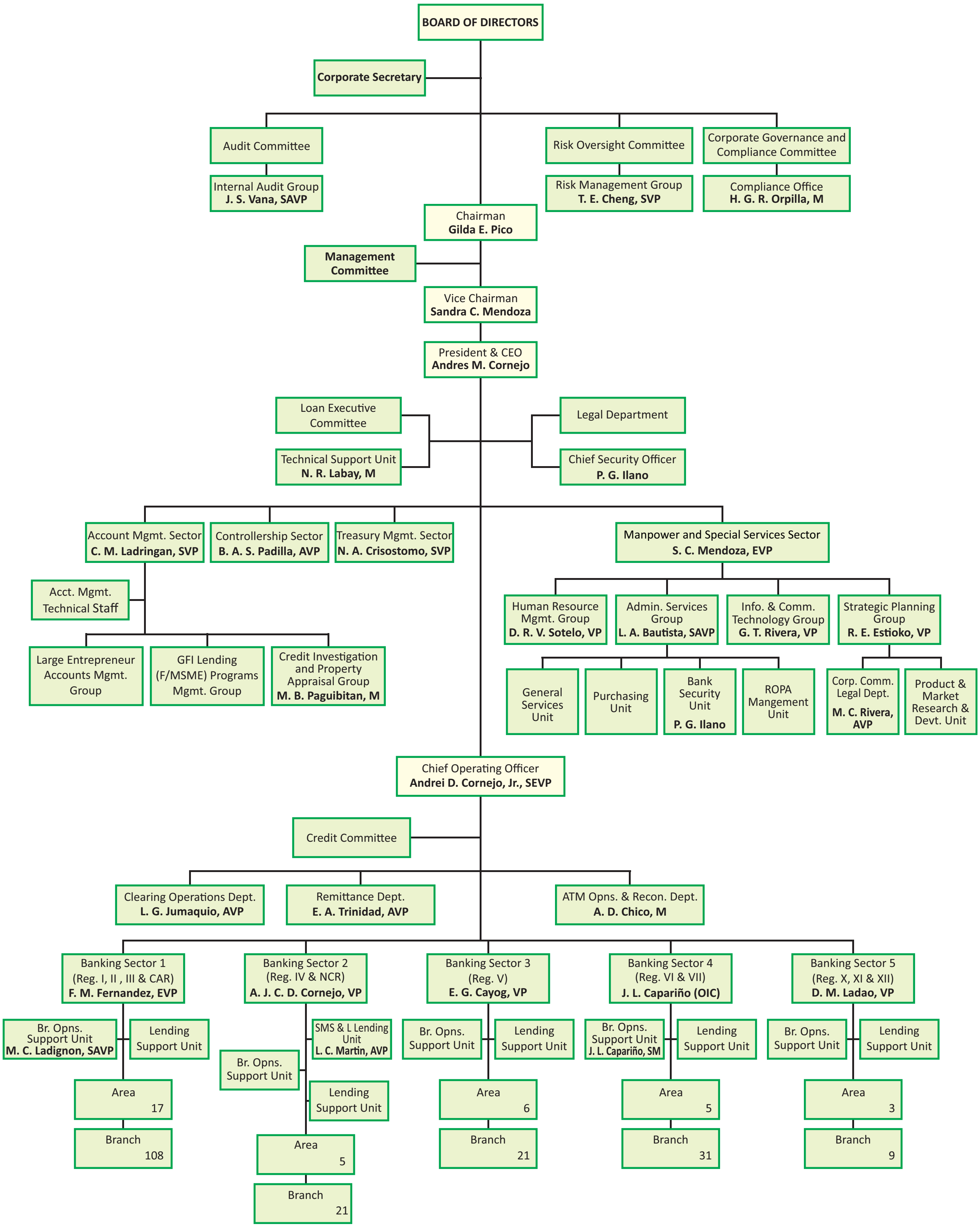
Producers Bank Branch Openings

"Producers Bank aims to create a culture of excellence in all aspects of its operations."

Board of Directors Meeting

Loan Promo Caravan

TABLE OF ORGANIZATION



RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank grants loans and has other transactions with certain directors, officers, shareholders and related interests (”DOSRI”).

DOSRI LOANS

Under the Bank’s Policies and Procedures Manual, the transactions of the Bank with its DOSRI, which are comprised of loans and other transactions, are made substantially on the same terms as with other individuals and businesses of comparable risks. Under the Bank’s DOSRI policy manual and current BSP regulations, the amount of individual accommodations to DOSRI, of which 70% must be secured, should not exceed the amount of their respective deposits and book values of their respective investments in the Bank. Such limit does not apply to loans secured by assets considered as non-risk as defined in the regulations and loans granted to officers under the Bank’s Employee Fringe Benefit Programs approved by the BSP. In the aggregate, loans to DOSRI should not exceed the Bank’s total regulatory capital or 15% of its total loan portfolio, whichever is lower.

Information on loans to DOSRI as of 31 December 2019 and 2018 is as follows:

	2019	2018
Total outstanding DOSRI loans	P419,923,819.00	P84,524,065.00
Percent of DOSRI loans to total loans	2.38%	0.65%
Percent of unsecured DOSRI loans to total DOSRI loans	0%	0%
Percent of past due DOSRI loans to total DOSRI loans	0%	0%
Percent of non-performing DOSRI loans to total DOSRI loans	0%	0%

KEY MANAGEMENT COMPENSATION AND DIRECTOR’S REMUNERATION

Key management personnel are the persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any of its Directors.
Short-term employee benefits pertain to the compensation received by key management personnel. Compensation includes all benefits constituting all forms of consideration paid, payable or provided by the Bank, or on its behalf, in exchange for services rendered to the Bank.

	Consolidated	Separate	Individual
	2019	2019	2018
Short-term employee benefits	P42,348,956	P39,896,248	P38,256,784
Directors’ remuneration	7,335,525	3,076,666	3,654,999
	P49,684,481	P42,972,914	P41,911,783

DIVIDEND POLICY

Under Philippine Law, dividends may be declared out of a corporation’s unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC. The approval of the board of directors is generally sufficient to approve the distribution of dividends. As provided for in Section 5 of the By-Laws of Producers Bank, declaration of dividends shall be subject to existing laws and Bangko Sentral ng Pilipinas (BSP) rules and regulations.

Producers Bank did not declare stock dividends for 2019.

Producers Bank's CSR Program:
More Than Just Profits

Producers Bank takes Corporate Social Responsibility (CSR) to heart. It has elevated its CSR Programs to a level that goes beyond mere compliance. In fact, the Bank has embraced it as an extension of its mission and mandate.

Producers Bank is not just the partner bank in the Philippine countryside, but the partner institution in advancing overall well-being for every Filipino. The Bank believes that its CSR Programs are not just a way of giving back, but providing what's right and necessary for all members of society.

The Bank continues to encourage its employees to actively participate in its CSR Programs, and while doing so, embeds in them a passion for serving the public that transcends public service. And while it is a formidable financial institution, Producers Bank anchors itself in the principle of operating for **more than just the profits** or increasing the Bank's bottom line. Producers Bank takes time and effort to create a positive and consistent impact through its activities for the environment, its consumers, its employees and the communities where it operates.

Producers Bank's continued pursuit for a harmonious balance between progress and prosperity for all embodies what former Prime Minister Tony Blair once said: *The emphasis placed by more and more companies on corporate social responsibility symbolizes the recognition that prosperity is best achieved in an inclusive society.*

Some of the Bank's Corporate Social Responsibility Programs include:

MEDICAL MISSION

conducted three medical programs wherein we provided free medicines and medical consultations

RELIEF OPERATIONS

made cash donations to the ABS CBN Kapamilya Foundation, Inc. Sagip Kapamilya in their efforts to alleviate the victims of the Mindanao Earthquake

TAKE CARE OF YOUR HEART & BLOOD LETTING PROGRAM

an annual free blood pressure check up for employees and customers of the Bank

TREE PLANTING ACTIVITY

the principle of agriculture is in keeping with financial stewardship, and this activity parallels with the goals and aspirations of the Bank for the countryside

HELP BUILD THE CHURCH PROGRAM

the Bank recognizes the importance of spiritual wellbeing and living in harmony with society through its cash donation to help build the St. Nicholas of Tolentine Basilica Crypt

"Producers Bank commits to improve the quality of life of our employees, and in the communities that we serve particularly in the areas that are not served by the large financial institutions."

CONSUMER PROTECTION OVERSIGHT FUNCTION

The Board of Directors (BOD) of Producers Bank is ultimately responsible for ensuring that consumer protection practices are embedded in the Bank's business operations and that the Bank is adhering to the highest service standards and is embracing a culture of fair and responsible dealings in the conduct of business that will be appropriate to the Bank's corporate structure, operations and risk profile.

(a) Role and Responsibility of the Board of Directors and Senior Management

The Board of Directors and Senior Management are responsible for developing the Bank's consumer protection strategy and establishing an effective oversight over the programs it will develop as well as overseeing their effective implementation. The Senior Management team and Management Committee of the Bank shall be responsible in managing the day-to-day consumer protection activities of the Bank.

(b) Consumer Protection Risk Management System (CPRMS)

The CPRMS is part of the corporate-wide Risk Management System of the Bank. It is a means by which Producers Bank identifies, measures, monitors, and controls consumer protection risks inherent in its operations. These include both risks to the financial consumers and the Bank. The products and services of the Bank remain to be traditional and non-complex and as such, the required Consumer Protection policies can be incorporated in the various product manuals of the Bank to address and prevent the various financial risks that will cause harm or loss to consumers.

1. Board and Senior Management Oversight

   The Board and Senior Management shall annually review the effectiveness of the existing policies on Consumer Protection to evaluate their effectiveness and whether the audit mechanisms are in place to enable adequate oversight. In case any weaknesses in the CPRMS are noted, these should be addressed immediately and corrective actions should be taken in a timely manner.

2. Compliance Program

   The required Consumer Protection Program shall be incorporated in the over-all Compliance System and Program of the Bank to prevent and reduce regulatory violations and protect consumers from financial and associated harm or loss. The Chief Compliance Officer (CCO) shall be responsible in incorporating in the Compliance System and Program for financial consumer protection.

3. Policies and Procedures

   The Bank's policies and procedures governing consumer protection policies and procedures shall be approved by the Audit Committee and the Bank's Board. The policies and procedures shall:

   a. Be consistent with Consumer Protection policies as approved by the Board;
   b. Ensure that consumer protection practices are embedded in the Bank's business operations;
   c. Address compliance with consumer protection laws, rules, and regulations; and
   d. Be reviewed periodically and kept up-to-date to serve as reference for employees in their day-to-day activities

4. Internal Audit Function

   The Internal Audit Group of the Bank shall develop and include the Consumer Protection Audit Program in its audit function/program. It shall conduct the annual review of the Bank's consumer protection practices, ensure adherence to internal policies and procedures and compliance with existing laws, rules and regulations. The results of the audit findings and exceptions that will be noted by the Internal Audit Group will enable the Audit Committee to assess the effectiveness of the implementation and adequacy of the approved policies and standards in meeting the established consumer protection objectives.

5. Training

   All Bank personnel that have customer interface should be given specific and comprehensive training that reinforces and helps in the implementation of written policies and procedures on consumer protection as well as continuing education about Consumer Protection laws, rules and regulations.

CONSUMER ASSISTANCE MANAGEMENT SYSTEM (CAMS)

The Financial Consumer Protection Manual (the “Policy”) of the Bank applies to all officers and employees, including non-permanent employees (those under training and probationary status, and those employees under fixed tenure contracts) that have direct interface with the Bank clients, and clients/consumers of the Bank. The scope of this policy includes the requirements and minimum guidelines on receiving, recording, evaluating, resolving, monitoring, reporting, and giving feedback to all complaints filed by the clients/consumers of Producers Bank. Customer complaints and/or disclosures shall include, but not limited to the following:

1. Dissatisfaction with the products or services availed from the Bank;

2. Non-compliance of the Bank, its officers and employees with the terms and conditions provided to the client;

3. Unlawful acts or orders requiring violation of law, bank policies and procedures, abuse of authority, serious breach of disclosure of information of employees about the clients, questionable relationship with the Bank clients, and specific threats to the Bank clients;

4. Fraudulent activities of employees such as but not limited to:

   a. Any act or omission, including misrepresentation, that knowingly and recklessly misleads, or attempts to mislead the client/s of the Bank to obtain financial or other benefit or to avoid an obligation;
   b. Stealing or attempting to steal from the Bank clients;
   c. Falsification of bank and client records for purposes of defrauding Bank clients;
   d. Conflicts of interest or any intentional, unauthorized disclosure of confidential and proprietary information of Bank clients to outside parties;
   e. Soliciting money, gifts, shares, benefits, or favors from the existing clients and potential clients of the Bank; and
   f. Concealment of defective work by employees which directly results in loss or prejudice to the client/s.

5. Giving false testimonies or promises to the clients;

6. Misconduct or failure by the employees to observe the Bank's rules of conduct or standards of behavior when dealing with clients;

7. Coercive practices, which mean impairing or harming, or threatening to impair or harm, directly or indirectly, the client, including retaliation; and

8. Any other activity which undermines the protection of consumers of the Bank.

PRODUCTS AND SERVICES

DEPOSIT SERVICES

SAVINGS ACCOUNT
- Regular Savings
- Regular ATM Savings

TIME DEPOSIT
- Premium Time Deposit
- Special Deposit Account (SDA)
- Long Term Certificate of Time Deposit (LTCTD)

CHECKING ACCOUNT

US DOLLAR SAVINGS & TIME DEPOSITS

LOAN SERVICES

BUSINESS LOAN

CROP PRODUCTION LOAN

LIVESTOCK LOAN

CONSUMER LOAN
- Car/Truck Loan
- Housing Loan
- Teacher's Loan

CORPORATE LOAN

FINANCIAL INCLUSION LOAN

OTHER SERVICES

MONEY TRANSFER
- Western Union
- PESONet
- ECPay

ATM SERVICES

HEAD OFFICE
1706 AIC Burgundy Empire Tower, ADB Avenue corner Sapphire Street, Ortigas Center, Pasig City
(02) 667-3811 / (02) 667-3812 / (02) 570-4137

HEAD OFFICE EXTENSION
17th Floor, One San Miguel Avenue, San Miguel Avenue corner Shaw Boulevard, Ortigas Center, Pasig City
(02) 667- 3022 / (02) 687-6287

DATA CENTER
Unit 205 Pacific Place Condominium, Pearl Drive corner Amethyst Street, Ortigas Center, Pasig City
(02) 638-0599 / (02) 637-6495

BRANCHES

ALAMINOS
Marcos Avenue, Palamis, Alaminos City, Pangasinan
(075) 540-5502

ALIAGA
Gen. Luna St., Poblacion West 3, Aliaga, Nueva Ecija
(044) 951-5099

ALICIA
G/F Danison Commercial Building, Magsaysay Street, Alicia Public Market, Alicia, Isabela
(078) 323-2173

ALTAVAS
Bonifacio St., Poblacion, Altavas, Aklan
(036) 269-1418

AMADEO
A. Mabini Street, Poblacion 1, Amadeo, Cavite
(+63) 917-109-5051

ANAO
Poblacion, Anao, Tarlac
(+63) 917-557-2175

ANGELES
Producers Bank Building, Sto. Rosario Street, San Jose, Angeles City, Pampanga
(045) 409-0840

ANGONO
69 M.L. Quezon Avenue, Brgy. San Isidro, Angono, Rizal
(02) 552-0799

ANTIPOLO
145 M.L. Quezon Street, Brgy. San Roque, Antipolo City, Rizal
(02) 697-0605 / (02) 697-1917

APARRI
G/F 5-Storey Commercial Building, J.P. Rizal corner Alvarado Streets, Brgy. Maura, Aparri, Cagayan
(078) 888-0152

ARITAO
National Highway, Poblacion, Aritao, Nueva Vizcaya
(+63) 997-532-9900

ASUNCION
Block 13-B-6., Aguinaldo corner Mabini St., Purok 3, Cambanogoy, Asuncion, Davao del Norte
0921-821-3469

AURORA
MM Pua Building, San Pedro, San Pablo, Aurora, Isabela
(078) 652-1578

BAAO
National Highway, Producers Bank Building Del Rosario, Baao, Camarines Sur
(054) 455-7049
(054) 266-3087

BACOLOD
VCY Center, Hilado Ext., Capitol Shopping Center, Bacolod City, Negros Occidental
(034) 433-7518 / (034) 433-4708

BAGABAG
Zapata Bldg., Provincial Road, Brgy. San Geronimo, Bagabag, Nueva Vizcaya
(078) 392-0669

BAGO
G/F Ramon Gonzaga Arcade, Brgy. Poblacion, Bago City, Negros Occidental
(034) 461-1526

BAGUIO
G/F Mount Crest Hotel, Legarda Road corner Urbano Street, Baguio City
(074) 661-0658

BAIS
National Highway corner Aguinaldo Street, Mercado de Bais, Bais City, Negros Oriental
(035) 402-3162

BALANGA
G/F EGS Building Don Manuel Banzon Avenue, Balanga City, Bataan
(047) 633-3329

BALER
Quezon Street, Brgy. Suklayin, Baler, Aurora
(+63) 919-063-7004

BAMBANG
ERJ Building Maharlika Highway, Bambang, Nueva Vizcaya
(078) 392-9735

BALOC
Maharlika Highway, Baloc, Sto. Domingo, Nueva Ecija
(+63) 917-566-1324

BANI
Quezon Avenue, Poblacion, Bani, Pangasinan
(075) 523-0235

BAROTAC NUEVO
L. Araneta St., Barotac Nuevo, Iloilo
(033) 528-8215

BAYAMBANG
NIF Building Rizal Avenue, Poblacion Sur, Bayambang, Pangasinan
(075) 632-3681

BAYOMBONG
Ongtao Bldg., Provincial Highway, Brgy. Don Mariano Perez, Bayombong, Nueva Vizcaya
(078) 321-2690

BINALBAGAN
Poblacion, Binalbagan, Negros Occidental
(034) 742-8609

BINALONAN
Bayanmoto Gas Building,
McKinley Street, Binalonan,
Pangasinan
(075) 633-4889

BINANGONAN
Baltazar Street corner Rizal
Avenue, Brgy. Layunan,
Binangonan, Rizal
(02) 368-3164 / (02) 289-4050

BOCAUE
McArthur Highway, R.M. Mariz
Building, Wakas, Bocaue, Bulacan
(044) 762-5588

BOLINAO
Don Prudencio Street, Bolinao,
Pangasinan
(075) 523 0448

BONGABON
National Road, Brgy. Commercial,
Bongabon, Nueva Ecija
(044) 958-1243

BUGASONG
Ilauod, Bugasong, Antique
(+63) 916-949-4143

BULAN
C. Gotladera Street, Zone 4,
Bulan, Sorsogon
(+63) 906-352-1903
(+63) 921-773-7174

BUSTOS-BONGA MENOR
Gen. Alejo Santos Highway,
Bonga Menor, Bustos, Bulacan
(044) 761-8040

BUSTOS-POBLACION
Poblacion, Bustos, Bulacan
(044) 309-2319

CABANATUAN EAST
Fortaleza Street, Brgy. Bangad,
Cabanatuan City,
Nueva Ecija
(044) 803-6967

CABANATUAN NORTH
G/F Producers Bank Building,
Maharlika Highway, Sangitan East
corner Gen. Tinio Street,
Cabanatuan City, Nueva Ecija
(044) 464-1768
(044) 600-0359

CABANATUAN SOUTH
G/F Producers Bank Center II,
Maharlika Highway, Brgy. H.
Concepcion, Cabanatuan City,
Nueva Ecija
(044) 940-8979

CABARROGUIS
G/F Uy Building, Provincial Road,
Cabarroguis, Quirino
(+63) 943-063-1294

CABATUAN
Unit 5, Los Angeles Arcade,
Centro, Cabatuan, Isabela
(078) 652-2724

CABIAO
San Juan North, Poblacion,
Cabiao, Nueva Ecija
(044) 951-2065

CADIZ
Cabahug Street, Brgy. Zone 4,
Cadiz City, Negros Occidental
(034) 466-0076

CAGAYAN DE ORO
281Recto Avenue, Lapasan,
Highway, Cagayan De Oro City,
Misamis Oriental
(088) 885-0182

CAINTA
A. Bonifacio Avenue corner
Marick Drive, Brgy. Sto. Domingo,
Cainta, Rizal
(02) 655-0776
(02) 656-3876

CALABANGA
Old Market Site, San Antonio,
Calabanga, Camarines Sur
(054) 470-1079
(054) 881-2622

CALAMBA
National Highway corner Sta.
Cecilia Village, Brgy. Parian,
Calamba City, Laguna
(049) 834-3770

CALOOCAN
G/F Steve Ko Tang Building,
C3 Road corner J. Teodoro
Street, 5th Avenue, Brgy. 55,
District 2, Caloocan City
(02) 287-0825

CALUMPIT
McArthur Highway, Brgy. Corazon,
Calumpit, Bulacan
(044) 815-5173

CAMILING
G/F M and E Building, Quezon
Avenue, Camiling, Tarlac
(045) 934-1880

CANDELARIA
Aho Building, Maharlika Highway,
Malabanban Norte, Candelaria,
Quezon
(042) 784-3038

CANLA-ON
Andres Bonifacio Street, Midtown,
Brgy. Mabigo, Canla-on City,
Negros Oriental
(035) 404-1565
(+63) 0917-168-5795

CARIG
Maharlika Highway Carig Sur,
Tuguegarao City, Cagayan
(078) 377-8108

CARMEN
McArthur Highway, Brgy. Carmen
West, Rosales, Pangasinan
(075) 649-4454

CAPAS
Provincial Road, Sto. Domingo,
Capas, Tarlac
(045) 491-6203

CARRANGLAN
Brgy. F.C. Otic, Carranglan,
Nueva Ecija
(+63) 919-063-7005

CASTILLEJOS
National Highway, San Juan,
Poblacion, Castillejos, Zambales
(047) 913-1390

CATICLAN
PRCG Building, Caticlan,
Malay, Aklan
(036) 268-7827

CAUAYAN
G/F Prince Christopher
Commercial Complex Building,
Maharlika Highway corner Cortez
Street, Cauayan City, Isabela
(078) 652-1833

COGEO
LG/F City Mall of Antipolo, Olalia Road, Brgy. Dela Paz, Antipolo City, Rizal
(02) 682-0646

CORDON
Rosete Building, Magsaysay, Cordon, Isabela
(078) 682-0596

CULASI
Jesus of Nazareth Building, Cadiao Street, Centro Poblacion, Culasi, Antique
(+63) 917-551-3899 /
(+63) 932-315-7247

CUYAPO
D.M. Jose Street, District 7, Cuyapo, Nueva Ecija
(044) 456-0776

DAET
Governor Panotes Avenue, Brgy. 8, Daet, Camarines Norte
(+63) 915-398-9788

DAGUPAN
PSBC Building, Burgos Street, Dagupan City, Pangasinan
(075) 523-1440

DAU
Aguarin Bldg., McArthur Highway, Dau, Mabalacat, Pampanga
(045) 892-4730

DASMARIÑAS
Annie's Plaza, Emilio Aguinaldo Highway, San Agustin 1, Dasmariñas, Cavite
(046) 416-6322

DAVAO-BAJADA
Candelaria Building, 547 J.P. Laurel Avenue, Bajada, Davao City
(082) 295-0599

DAVAO-ECOLAND
Door 101-103 Ground Floor Pink Walters Bldg., Quimpo Boulevard, Ecoland, Davao City
(082) 295-7784

DINALUPIHAN
San Juan St., Mabini Extension, Poblacion, Dinalupihan, Bataan
(047) 237-1452

DINGALAN
Baler Street, Brgy. Poblacion Dingalan, Aurora
(+63) 922-981-7275

DUMAGUETE
Plaza Doña Milagros Bldg., Perdices, corner Sta. Rosa & Pinili Streets, Dumaguete City, Negros Oriental
(035) 420-9233

EL SALVADOR
GPA Land Bldg., Door#1A, Pedro SaBaculio, El Salvador City, Misamis Oriental
(088) 882-6989

ESCALANTE
Rotonda, Brgy. Balintawak, Escalante City, Negros Occidental
(034) 435-0093

GAPAN
E. Jacinto Street, San Vicente, Gapan City, Nueva Ecija
(044) 486-8184

GOA
G/F Multi-Storey Commercial Building, J.P. Rizal National Road corner Panday Street, Poblacion, Goa, Camarines Sur
(054) 881-9458

GONZAGA
G/F Cortes Building, National Highway, Brgy. Paradise, Gonzaga, Cagayan
(+63) 905-443-9195

GUIGUINTO
G/F Rockavilla Building, Poblacion, Guiguinto, Bulacan
(044) 794-1420

GUIMBA
M.C. Leonardo Building, Afan Salvador corner Sarmiento Streets, Guimba, Nueva Ecija
(044) 951-3700

HAGONOY
MH Del Pilar Street, San Sebastian, Hagonoy, Bulacan
(044) 794-3763

HINIGARAN
Tupas Building, Rizal St., Brgy. III, Hinigaran, Negros Occidental
(034) 740-7375

IBA
Bugallon Street corner Taveria, Zone V, Iba, Zambales
(047) 602-2139

ILAGAN
G/F LSP Building, Osmeña, City of Ilagan, Isabela
(078) 624-1161

IMUS
Costa Grande - Our Lady of Remedies Building, 496 Emilio Aguinaldo Highway, Palico I, Imus, Cavite
(046) 450-9710

IRIGA
Lemar's Building, San Roque, Iriga City, Camarines Sur
(054) 299-7113

JAEN
Parumog Bldg., Brgy. G.E. Antonino, Poblacion Jaen, Nueva Ecija
(044) 486 8265

JARO
Lilia Wong Building, Castilla Street, Jaro, Iloilo City
(033) 333-2682

KABANKALAN
G/F HLJ Building Tan Lorenzo St., Kabankalan City, Negros Occidental
(034) 471-3032 / (034) 471-3457

KALIBO
The Waldolf-Garcia Building, Osmeña Avenue, Kalibo, Aklan
(036) 500-7835 / (036) 268-1298

LAGAWE
JP Rizal Avenue, Poblacion West, Lagawe, Ifugao
(+63) 917-147-1496

LA PAZ
Market Place Building, San Isidro, La Paz, Tarlac
(045) 606-0848

LA TRINIDAD
Lubos Building, Km 5, Pico, La Trinidad, Benguet
(074) 422-2779 / (074) 309-1516

LAUR
Gen. Tinio corner Gen. Natividad Streets, Brgy. II, Laur, Nueva Ecija
(+63) 919-063-8641

LEGAZPI
G/F 2-Storey Commercial Building, Peñaranda St., Legazpi City, Albay
(052) 480-2278
(052) 742-2247

LINGAYEN
Avenida Rizal, East Road, Lingayen, Pangasinan
(075) 632-5380

LIPA
General Luna Street, Sabang, Lipa City, Batangas
(043) 702-6673

LLANERA
Municipal Compound, Victoria, Llanera, Nueva Ecija
(044) 958-1979

LUCENA
ADAD Building, M.L. Tagarao corner Allarey Streets, Lucena City, Quezon
(042) 660-1911

LUPAO
Producers Bank Building, National Highway, Brgy. Flores, Lupao, Nueva Ecija
(044) 958-3922

MADDELA
Maddela's Point Building, Poblacion Norte, Maddela, Quirino
(+63) 997-983-7429

MAGARAO
San Pantaleon, Magarao, Camarines Sur
(054) 881 0973

MALASIQUI
Ramon Magsaysay Street, Brgy. Poblacion, Malasiqui, Pangasinan
(075) 536-5796

MALITA
Doña Pilar Building, Poblacion Highway, Malita, Davao Occidental
(075) 536-5796
(+63) 965-225-9935

MALLIG
Centro 2, Mallig, Isabela
(+63) 917-624-4383

MALOLOS
M. Crisostomo St., San Vicente, Malolos City, Bulacan
(044) 795-0042

MANAOAG
G/F Veloria-Samera Building, Rizal Street, Poblacion, Manaoag, Pangasinan
(075) 529-1088 / (075) 519-3487

MANGALDAN
G/F Berex Enterprises Building, Mangaldan Commercial Center, J. Rizal Ave., Bari, Mangaldan, Pangasinan
(075) 529-3337

MANGATAREM
G/F C&D Building, Burgos Street, Mangatarem, Pangasinan
(075) 632-3405

MARIA AURORA
ML Quezon Street, Brgy. 4, Maria Aurora, Aurora
(+63) 919-063-8645

MARIKINA CITY
90 J. P. Rizal Street, Calumpang, Marikina City
(02) 239-2062

MARILAO
McArthur Highway, Abangan Sur, Marilao, Bulacan
(044) 815-4218
(044) 711-2667

MOLO
KBEN Building, MH Del Pilar Street, Molo, Iloilo City, Iloilo
(033) 336-3855

MUÑOZ
T. Delos Santos Street, Science City of Muñoz, Nueva Ecija
(044) 463-0318 / (044) 456-0544

NABUA
Nabua Municipal Library Building, National Road, Poblacion, Nabua, Camarines Sur
(054) 881-7079
(054) 228-0690

NAGA-MAGSAYSAY
G/F ADC Building corner Catmon II, Magsaysay Avenue, Naga City, Camarines Sur
(054) 871-5844

NAGA-PANGANIBAN
G/F Producers Bank Building, Panganiban Drive, Brgy. Concepcion Pequeña, Naga City, Camarines Sur
(054) 472-0160

OLONGAPO
G/F Agabao Building, 1070 Rizal Avenue, East Tapinac, Olongapo City, Zambales
(047) 611-0358
(047) 611-0145

ORTIGAS (OSMA)
LG/F One San Miguel Avenue, San Miguel Avenue corner Shaw Boulevard, Ortigas Center, Pasig City
(02) 910-0029
(02) 687-1386

OTON
J.C. Zulueta St., Poblacion South, Oton, Iloilo
(033) 510-8876

PALAYAN
Brgy. Caimito, Palayan City, Nueva Ecija
(044) 940-9798

PAMPLONA
Maharlika Highway, Tambo, Pamplona, Camarines Sur
0956-806-9603

PANDAN
DyBuco Bldg., Brgy. Centro Sur, Pandan, Antique
(036) 278-9077 / 0939-230-8562

PANDI
G/F Megamart Mall, Bunsuran 1st, Pandi, Bulacan
(044) 309-5627

PANTABANGAN
East Poblacion, Pantabangan, Nueva Ecija
(+63) 919-063-8642

PASACAO
Sta. Rosa Del Sur, Pasacao, Camarines Sur
(054) 513-9378 / (054) 513-9113

PASIG (ADB Ave.)
Unit 109, G/F AIC Burgundy Empire Tower, ADB Avenue corner Sapphire Street, Ortigas Center, Pasig City
(02) 661-8008

PASSI
F. Palmares Sr. Street, Poblacion Ilaya, Passi City, Iloilo
(033) 536-9723

PLARIDEL
Sayo Building, Cagayan Valley Road, Banga 1st, Plaridel, Bulacan
(044) 795-1138

POLANGUI
KRDC Building, National Road, Ubaliw, Polangui, Albay
(052) 431-2006
(+63) 977-802-9857
(+63) 942-099-9489

POZORRUBIO
Quezon Building, Caballero Street, Cablong, Pozorrubio, Pangasinan
(075) 636-2967

PRESIDENT QUIRINO
Ramos Bldg., National Highway, Poblacion, Pres. Quirino, Sultan Kudarat
(064) 543-9049

RAGAY
Poblacion Ilaod, Ragay, Camarines Sur
(+63) 950-827-4262

RIZAL
Aglipay Street, Poblacion Sur, Rizal, Nueva Ecija
(044) 951-2182

RAMOS
Poblacion Center, Ramos, Tarlac
(045) 491-1265

ROOSEVELT
235 Roosevelt Avenue, K-square Building, San Francisco Del Monte, Quezon City
(02) 570-8430

ROSALES
Rizal Street, Zone II, Rosales, Pangasinan
(075) 582-7196 / (075) 582-2832

ROSARIO
Carillo Building, Brgy. Subusub, Rosario, La Union
(072) 687-0446

ROXAS, CAPIZ
Arturo Building, Burgos-Ilaya Street, Roxas City, Capiz
(033) 621-7305

ROXAS, ISABELA
Espejo Building, Osmeña Street, Bantug, Roxas, Isabela
(078) 642-0371

SAN ANTONIO
Brgy. Tikiw, San Antonio, Nueva Ecija
(044) 456-7337

SAN CARLOS, PANGASINAN
Palaris Street, San Carlos City, Pangasinan
(075) 531-3757

SAN CARLOS, NEGROS OCCIDENTAL
Gaisano Mall, FC Ledesma Avenue corner Ledesma Street, San Carlos City, Negros Occidental
(034) 312-5882 / (034) 729-9328

SAN FABIAN
31 Rizal Street, Poblacion, San Fabian, Pangasinan
(075) 653-0853 / (075) 511-2158

SAN FERNANDO, CAMARINES SUR
Bonifacio, San Fernando, Camarines Sur
(054) 471-4012

SAN FERNANDO, LA UNION
Quezon Avenue, Brgy. 1, San Fernando City, La Union
(072) 700-2887 / (072) 888-6860

SAN FERNANDO, PAMPANGA
McArthur Highway, Dolores, City of San Fernando, Pampanga
(045) 963-0709

SAN ILDEFONSO
Cagayan Valley Road, Poblacion, San Ildefonso, Bulacan
(044) 762-0625

SAN JOSE, ANTIQUE
Susana 6 Building, E. Nietes Street, Funda Dalipe, San Jose, Antique
(036) 540-8172

SAN JOSE CITY, NUEVA ECIJA
G. Salvador Building, Maharlika Road, San Jose City, Nueva Ecija
(044) 940-1035

SAN LEONARDO
Poblacion, San Leonardo, Nueva Ecija
(044) 958-5925

SAN MANUEL
Guiset Sur, San Manuel, Pangasinan
(075) 565-2549

SAN MATEO
G/F EVC Building, Magsaysay Avenue corner Bonifacio Street, Public Market, San Mateo, Isabela
(078) 323-0884

SAN MIGUEL
Tecson Street, Poblacion, San Miguel, Bulacan
(044) 762-0500

SANTIAGO
Maharlika Highway corner Lino Barrera Street, Santiago City, Isabela
(078) 305-0522

SIBALOM
Veñegas St., District III, Sibalom, Antique
(036) 543-7986

SILAY
Door 2, APSSI Building, Rizal Street, Brgy. Mambulac, Silay City, Negros Occidental
(034) 495-0362

SIPOCOT
San Juan Avenue, South Centro,
Sipocot, Camarines Sur
0927-584-0255

SOLANO
G/F Tam-An Building, J.P. Rizal
Street, Old Solano Commercial
Complex/District, National
Highway, Solano,
Nueva Vizcaya
(078) 329-2089

STA. BARBARA, ILOILO
Teresita Building, Magalona
Street, Sta. Barbara, Iloilo
(033) 333-1273

STA. BARBARA, PANGASINAN
Poblacion Sur, Sta. Barbara,
Pangasinan
(075) 518-4180

STA. ROSA
Producers Bank Building,
Poblacion, Sta. Rosa, Nueva Ecija
(044) 463-0327

STA. MARIA
Palaruan Street, Poblacion East,
Sta. Maria, Pangasinan
(075) 633-0424

STO. DOMINGO-HIGHWAY
Provincial Road, Brgy. Pulong Buli,
Sto. Domingo, Nueva Ecija
(+63) 943-383-6816

STO. DOMINGO-POBLACION
D. Noriel Street, Hulo,
Sto. Domingo, Nueva Ecija
(+63) 917-566-1323

SORSOGON
G/F 3-Storey Commercial Bldg.,
Rizal St., Piot, Sorsogon City,
Sorsogon
(056) 311-8678 / 0951-6996-729

TABACO
G/F De Ramas Bldg., A. A. Berces
Street, Basud, Tabaco City, Albay
(052) 742-2741
(+63) 920-706-4610

TACURONG
G/F SMIT Building, National
Highway, Barangay Buenaflor,
Tacurong City, Sultan Kudarat
(064) 477-0148

TAGUDIN
Brgy. Del Pilar, Tagudin, Ilocos Sur
(077) 632-0027

TAGUM
Sobrecary Street, Magugpo South,
Tagum City, Davao
(084) 216-8271 / 0950-191-1461

TALAVERA
Maharlika Highway, Talavera,
Nueva Ecija
044-486-8260

TALUGTUG
Provincial Road, Brgy. Magsaysay,
Talugtug, Nueva Ecija
(+63) 933-006-3972

TANAY
Unit 2 & 3, RK Building, New
Market Road, Brgy. Plaza Aldea,
Tanay, Rizal
(02) 534-8591

TARLAC
AL's Building, MacArthur Highway,
San Nicolas, Tarlac City, Tarlac
(045) 491-7094

TAYABAS
62 Gen. Luna Street, Angeles Z-2,
Tayabas City, Quezon
(042) 793-2324

TAYTAY
Unit 114 Manila East Arcade,
Rizal Avenue, Taytay, Rizal
(02) 658-5903

TAYUG
Quezon Boulevard corner
Bonifacio St., Tayug, Pangasinan
(075) 572-2821 / (075) 523-0468

TERESA
Magsaysay Avenue, Brgy. San
Gabriel, Teresa, Rizal
(02) 470-3599

TINAMBAC
G/F Tinambac Commercial
Complex, Tinambac,
Camarines Sur
(+63) 917-713-8207

TORIL
Grandma Building, National
Highway, Toril, Davao City, Davao
(082) 225-5683 / (082) 295-7784

TUGUEGARAO
G/F Twin Luck Building,
No. 36 Luna Street,
Tuguegarao City, Cagayan
(078) 844-9676

TUMAUINI
Padron Bluilding, Brgy. San Pedro,
National Highway, Tumauini,
Isabela
(078) 323-0809

UMINGAN
G/F Sibayan E-Square, National
Highway corner Zamora Street,
Poblacion West, Umingan,
Pangasinan
(075) 576-2678
(075) 576-2679

URBIZTONDO
Rizal St., Urbiztondo,
Pangasinan
(075) 636-1507

URDANETA
Alexander Street, Urdaneta City,
Pangasinan
(075) 568-7207

VALENZUELA CITY
38 M.H. Del Pilar Street,
Brgy. Palasan, Valenzuela City
(02) 282-5094

VALERIA
Dolores O. Tan Building, Valeria
Street, Iloilo City, Iloilo
(033) 337-2145

VALLADOLID
Brgy. Poblacion, Valladolid,
Negros Occidental
(034) 431-3789

VICTORIA
G/F General's Corner Building,
Rizal Street, Brgy. San Fernando,
Victoria, Tarlac
(045) 628-9459

VICTORIAS
Osmeña Avenue, Victorias City,
Negros Occidental
(034) 399-2778

VILLASIS
McArthur Highway, Poblacion
Zone II, Villasis, Pangasinan
(075) 564-2077

ZARAGOZA
San Isidro, Zaragoza,
Nueva Ecija
(+63) 933-863-4090

ACQUIRED BANKS (2019)

PEOPLES BANK OF CARAGA, INC.

BAYUGAN
Esperanza Road, Bayugan City,
Agusan del Sur
(085) 830-1116 / 0909-067-8147

BLU- TAGLATAWAN
Yakal St. Taglatawan, Bayugan
City, Agusan del Sur
(085) 830-1116 / 0909-616-9329

SIBAGAT
Poblacion, Sibagat,
Agusan del Sur
0907-660-2156

BLU- LIBERTAD
Lemon, Butuan City,
Agusan del Norte
0909-318-7259

BLU- GINGOOG
New Gingoog, Esperanza,
Agusan del Sur
0950-760-2793

CABADBARAN
Barangay 9,Quary, Cabadbaran
City, Agusan del Norte
(085) 343-0851 / 0948-288-4733

BLU-KITCHARAO
P-2, Brgy. Crossing Kitcharao,
Agusan Del Norte
0948-924-9017

OROQUIETA
Rizal St., Corner Villarin Upper
Loboc, Oroquieta City, Misamis
Occidental
(808) 531-0020
0947-892-4255

BLU- PLARIDEL
Burgos St., Southern Poblacion,
Plaridel, Misamis Occidental
0946-111-8022

BLU- MOLAVE
Mabini St., Brgy. Maloloy-on,
Molave, Zamboanga Del Sur
0912-684-6585

TALACOGON
Del Monte, Talacogon, Agusan
del Sur
0920-394-3781

BLU-TALACOGON
Anthorium, San Agustin,
Talacogon, Agusan del Sur
0920-394-3781

BLU-LA PAZ
P-4, Poblacion, La Paz, Agusan
Del Sur
0912-165-5587

BLU-SAN LUIS
P-2, Doña Flavia, San Luis,
Agusan Del Sur

SAN FRANCISCO
National. Highway, Purok-4, Brgy.
5, San Francisco,
Agusan del Sur
0907-580-7137

BLU-MANGAGOY
Camazura Bld., P-3 Castillo
Village, Mangagoy, Bislig City,
Surigao del Sur
0948-406-2307

BLU-TAGBINA
P-2 Poblacion, Tagbina,
Surigao del Sur
0946-735-5863

PROSPERIDAD
Purok 14, Poblacion, Prosperidad,
Agusan del Sur
0910-215-3954

BLU-CAGWAIT
P-Camia, Aras-asan, Cagwait,
Surigao del Sur
0946-306-7131

BLU- TANDAG
P-JDN, National Highway, Mabua,
Tandag City, Surigao del Sur
0948-939-9642

STA. JOSEFA
Poblacion, Sta. Josefa,
Agusan del Sur
0920-777-1731

BLU- LORETO
Zone 4 Poblacion, Loreto,
Agusan del Sur
0912-165-5585

BLU- TRENTO
P-4 Poblacion, Trento,
Agusan del Sur
0948-992-5910

COMPOSTELA
Lagab, Pob. Compostela,
Compostela Valley Province
0938-448-8265

BLU- MAWAB
P-7 Poblacion, Mawab,
Compostela Valley Province
0946-524-7678

LUPON
E. Aguinaldo St., Pob. Lupon,
Davao Oriental
0910-162-8396

BLU- TIBANBAN
Door 4, Anasco Bldg., P- Rose,
Brgy. Tibanban Governor
Generoso Davao Oriental
0909-789-4898

BLU- MATI
Door 1 Gregs Bldg., Rizal
Extension, Madang,
Brgy. Central Mati City,
Davao Oriental
0938-857-7625

DIGOS
Estrada 1st St., Brgy. Zone II,
Digos City, Davao del Sur
(082) 553-2382 / 0948-516-1876

BLU- TORIL
Ground Floor Door 20-C,
Ermelyn's Complex, Agton St.,
Toril, Davao City, Davao del Sur
(082) 553-2382 / 0948-516-1876

KAPALONG
Purok 5, Quezon Street, Maniki,
Kapalong, Davao del Norte
0930-090-2240
0936-388-7380

BLU- STO. TOMAS
P10 FD Road 3, Tibal-og.
Sto. Tomas, Davao del Norte
0909-782-8610

BLU-PANABO
P. Ubas, GavinaSubd., Sto. Niño, Panabo City, Davao del Norte
0918-326-8614

PBCOM RURAL BANK

CALAMBA
Ground Flr., ALX Bldg. National Highway, Brgy. Halang Calamba City, Laguna
(049) 502-8662
(049) 576-4556

LOS BAÑOS
National Highway, Brgy. San Antonio, Los Banos, Laguna
(049) 501-4319

NAGCARLAN
692 Jose Coronado Street, Nagcarlan, Laguna
(049) 563-1290

SAN PABLO
#80 J.P. Rizal Avenue, Brgy. VI-A, San Pablo City
(049) 562-2771
0917-501-8087

CEBU CITY
Villalon Bldg. 206 Osmeña Blvd. Cebu City, Cebu
(032) 415-7645

BLU –MANDAUE
A&J Bldg. Brgy. Alang-Alang, Mandaue City, Cebu
(032) 422-4393

DUMAGUETE
DPEC Bldg. Acias St. Dumaguete City, Negros Oriental
(035) 522-0955

MAIN- DIPOLOG
083 Rizal Ave. cor. Calibo Street, Dipolog City, Zamboanga del Norte
(065) 212- 2466
(065) 212-5143

BLU- PIÑAN
Poblacion, Pinan, Zamboanga Del Norte
0917-896-1739

BLU- MANUKAN
Caballero Bldg. National Highway Poblacion, Manukan, Zamboanga del Norte
0917-322-7267

DAPITAN
Justice F. Saguin St. Dapitan City, Zamboanga del Norte
(065)-213-6508

SINDANGAN
Quezon Ave., Poblacion, Sindangan, Zamboanga del Norte
(065) 224-2241
(065) 224-2834

BLU – SIAYAN
Poblacion, National Highway Siayan, Zamboanga Del Norte
0998-5464-890
0917-8961-746

BLU – LILOY
Baybay, Liloy, Zamboanga Del Norte
0917-501-8184

PAGADIAN
F.S Pajares cor. Sanson St. Pagadian City, Zamboanga del Sur
(062) 215-4185

BLU- MOLAVE
Rizal Ave., Brgy. Makugihon Molave, Zamboanga Del Sur
0917-843-0318
0917-504-6600

BLU- AURORA
Aurora Town Center, Poblacion Aurora, Zamboanga Del Sur
0936-265-5994

IMELDA
Calamohoy Bldg., Rizal Street, Poblacion Imelda, Zamboanga, Sibugay
(062)-955-4970

IPIL
Osmeña St. Ipil, Zamboanga Sibugay
(062)-333-5799

BLU- CALAMBA
Rotonda, Poblacion Calamba, Misamis Occidental
0917-896-1714

OZAMIZ
LKT Bldg. Don Anselmo Bernard Ave.,. Ozamiz City, Misamis Occidental
(062)333-5799

BLU – OROQUIETA
LM Bldg. Ozamiz St., Lower Langcangan, Oroquieta City, Misamis Occidental
(088) 531 0477

ILIGAN CITY
035 Quezon Ave. Ext. Pala-o, Iligan City, Lanao del Norte
(063) 222-2818

CAGAYAN DE ORO
Ground Floor J & L Building, Corners, Don Apolinar Velez & T. Chavez Streets, Cagayan de Oro City, Misamis Oriental
(088) 850-2298

VALENCIA
Sayre Highway corner T.N. Pepito St., Valencia City, Bukidnon
(088) 828-5373

DAVAO CITY
Door 1 Grand Menseng Hotel, Magallanes St., Davao City, Davao del Sur
(082) 322-2179

RURAL BANK OF SAN QUINTIN, INC.

SAN QUINTIN
Figueroa St, Poblacion Zone II, San Quintin, Pangasinan
(075) 575-7718 / 0922-853-4181

BANGKO CARRASCAL

CARRASCAL
Arreza Corner Cervantes Streets, Embarcadero, Carrascal, Surigao del Sur
(086) 212-8023

TANDAG
Capitol Road, Telaje, Tandag City
(086) 211-5079

Official website
www.producersbank.com.ph

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 2 1 5 9 3 9

COMPANY NAME

PRODUCERS SAVINGS BANK CORPORATION

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

17F AIC BURGUNDY EMPIRE TOWER ADB AVE.
COR. SAPPHIRE ST. ORTIGAS CENTER,
PASIG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.producersbank.com.ph	(02) 706 4852	-
No. of Stockholders	**Annual Meeting (Month / Day)**	**Fiscal Year (Month / Day)**
173	May 28	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
Andres Cornejo	andres.cornejo@producersbank.com.ph	(02) 706 4852	-

CONTACT PERSON'S ADDRESS

17th Floor, AIC Burgundy Empire Tower, ADB Ave. Cor. Sapphire St., Ortigas Center, 1605 Pasig 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.*

BOA/PRC Reg. No. 0005,
December 13, 2018, valid until July 20, 2021
SEC Accreditation No. 0007-FR-5,
July 5, 2018, valid until July 4, 2021

2nd Floor Multinational Bancorporation Centre
6805 Ayala Avenue, Makati City 1226 Philippines
www.bdo-roxascruztagle.ph
Tel: + (632) 8844 2016
Fax: + (632) 8844 2045

INDEPENDENT AUDITOR'S REPORT

The Shareholders and the Board of Directors
Producers Savings Bank Corporation
17th Floor, AIC Burgundy Empire Tower, ADB Avenue
Corner Sapphire St., Ortigas Center
1605 Pasig City

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Producers Savings Bank Corporation (the "Group"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated and separate 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.

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

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

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group'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 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 Separate Financial Statements

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

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

- Identify and assess the risks of material misstatements of the consolidated and separate 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 misstatements 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 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

ROXAS CRUZ TAGLE AND CO.

Christian Francis S. Felismino
Partner
CPA Certificate No. 0111361
Tax Identification No. 237-332-255
BIR Accreditation No. 08-001682-016-2019, issued on November 5, 2019, effective until November 4, 2022
SEC Accreditation No. 111361-SEC, Group A, issued on February 4, 2020, effective until February 3, 2023
BSP Accreditation No. 111361-BSP, Group A, issued on February 4, 2020, effective until February 3, 2023
PTR No. 814-7781, issued on January 20, 2020, Makati City

June 30, 2020
Makati City

INDEPENDENT AUDITOR'S SUPPLEMENTAL WRITTEN STATEMENTS

The Shareholders and the Board of Directors
Producers Savings Bank Corporation
17th Floor, AIC Burgundy Empire Tower, ADB Avenue
Corner Sapphire St., Ortigas Center
1605 Pasig City

We have audited the consolidated and separate financial statements of Producers Savings Bank Corporation (the "Group") for the year ended December 31, 2019, on which we have rendered the attached report dated June 30, 2020.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Group has a total number of one hundred thirty-eight (138) shareholders owning one hundred (100) or more shares each.

ROXAS CRUZ TAGLE AND CO.

Christian Francis S. Felismino
Partner
CPA Certificate No. 0111361
Tax Identification No. 237-332-255
BIR Accreditation No. 08-001682-016-2019, issued on November 5, 2019, effective until November 4, 2022
SEC Accreditation No. 111361-SEC, Group A, issued on February 4, 2020, effective until February 3, 2023
BSP Accreditation No. 111361-BSP, Group A, issued on February 4, 2020, effective until February 3, 2023
PTR No. 814-7781, issued on January 20, 2020, Makati City

June 30, 2020
Makati City

PRODUCERS SAVINGS BANK CORPORATION

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

		December 31		
		Consolidated	Separate	Individual
	Note	2019	2019	2018
ASSETS				
Cash and other cash items		₱901,387,143	₱871,386,266	₱610,557,594
Due from Bangko Sentral ng Pilipinas (BSP)	*6*	2,286,471,523	2,221,294,446	888,665,071
Due from other banks	*6*	907,834,259	582,305,367	507,710,235
Interbank loans receivable	*6*	2,517,859,977	2,517,859,977	600,000,000
Investments at amortized cost	*7*	705,812,684	685,739,698	643,481,529
Financial assets at fair value through other comprehensive income (FVOCI)	*8*	400,702,858	400,702,858	387,260,836
Loans and receivables, net	*9*	17,601,228,239	15,539,715,516	12,752,657,372
Noncurrent assets held for sale	*10*	43,130,303	43,130,303	9,304,303
Property and equipment, net	*11*	811,905,456	670,434,552	554,186,512
Right-of-use assets	*26*	323,193,476	283,167,308	-
Investment properties, net	*12*	1,540,935,168	1,343,186,958	1,340,216,271
Investment in subsidiaries	*14*	-	703,929,137	99,858,881
Sinking fund	*13*	46,558,792	45,459,285	45,738,644
Intangible assets, net	*14*	131,879,840	124,381,956	143,948,129
Other assets	*15*	118,094,041	89,699,976	163,074,441
		₱28,336,993,759	₱26,122,393,603	₱18,746,659,818

LIABILITIES AND EQUITY				
Liabilities				
Deposit liabilities				
Demand	*17*	₱2,070,167,824	₱2,053,211,203	₱1,812,083,789
Savings	*17*	7,779,528,888	6,743,849,318	5,655,320,235
Time	*17*	7,008,457,239	6,353,442,354	4,269,196,213
		16,858,153,951	15,150,502,875	11,736,600,237
Bills payable	*18*	7,685,255,656	7,392,819,252	4,350,000,000
Accrued interest, taxes and other payable	*19*	357,507,345	279,340,413	166,925,403
Lease liabilities	*26*	312,155,000	270,527,110	-
Redeemable preference shares	*21*	40,180,400	40,180,400	40,000,000
Deposit for stock subscription		25,632,800	-	-
Deferred tax liabilities, net	*28*	100,090,659	78,662,886	93,408,818
Other liabilities	*20*	302,258,500	254,601,219	92,768,528
		25,681,234,311	23,466,634,155	16,479,702,986
Equity				
Capital stock	*23*	1,299,558,010	1,299,558,010	1,254,719,110
Paid-in surplus		419,111,471	419,111,471	419,111,340
Surplus free		921,980,207	921,980,207	584,522,062
Surplus reserves		40,000,000	40,000,000	40,000,000
Unrealized gains (losses) on financial assets at FVOCI	*8*	702,858	702,858	(12,739,165)
Remeasurement losses on retirement plan	*25*	(25,593,098)	(25,593,098)	(18,656,515)
		2,655,759,448	2,655,759,448	2,266,956,832
		₱28,336,993,759	₱26,122,393,603	₱18,746,659,818

See Notes to the Consolidated and Separate Financial Statements.

PRODUCERS SAVINGS BANK CORPORATION

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

		December 31		
	Note	Consolidated 2019	Separate 2019	Individual 2018
INTEREST INCOME				
Loans and receivables	9	1,856,852,038	1,352,858,048	1,012,619,639
Investment at amortized cost	7	33,502,806	33,002,180	37,225,234
Due from BSP and other banks	6	49,096,730	47,218,709	42,086,943
		1,939,451,574	1,433,078,937	1,091,931,816
INTEREST EXPENSE				
Deposit liabilities	17	256,278,205	191,894,514	119,425,849
Bills payable	18	289,264,976	246,367,008	141,281,854
Lease liabilities	26	27,623,581	25,170,880	-
		573,166,762	463,432,402	260,707,703
NET INTEREST INCOME		1,366,284,812	969,646,535	831,224,113
OTHER INCOME				
Service charges, fees and commissions	24	525,247,734	444,349,318	296,352,462
Gains on foreclosure and sale of nonfinancial assets	12	140,591,163	121,123,333	89,612,176
Gain on curtailment	25	17,202,908	-	-
Recoveries from written-off accounts		11,074,561	-	-
Miscellaneous		82,552,182	69,591,181	91,343,069
		776,668,548	635,063,832	477,307,707
OTHER EXPENSES				
Salaries and other employee benefits	25,30	753,593,794	548,346,332	447,625,592
Depreciation and amortization	11,12,14,26	206,283,648	168,402,156	109,638,287
Taxes and licenses		167,555,365	125,720,260	79,048,726
Provision for probable losses	16	124,381,931	7,973,969	92,523,399
Transportation and travel		72,785,905	53,551,805	40,205,011
Communication, light and water		69,035,671	54,350,949	51,263,306
Security, janitorial and other services		68,333,881	40,284,387	34,171,115
Insurance		40,607,567	30,826,150	32,470,293
Stationery and supplies		33,150,232	25,781,931	15,619,687
Representation and entertainment		20,864,986	16,351,117	13,936,622
Information technology		18,701,237	8,604,063	10,996,711
Repairs and maintenance		17,855,938	13,178,013	12,327,485
Litigation and asset acquired expenses		13,054,932	12,139,982	9,335,888
Foreign exchange losses, net		1,050,524	1,050,524	1,762,915
Rent	26	-	-	70,944,953
Miscellaneous	27	82,535,227	55,544,403	49,916,036
		1,689,790,838	1,162,106,041	1,071,786,026
INCOME BEFORE INCOME TAX		453,162,522	442,604,326	236,745,794
INCOME TAX EXPENSE	28	171,601,610	71,480,937	23,277,740
NET INCOME		₱281,560,912	₱371,123,389	₱213,468,054

See Notes to the Consolidated and Separate Financial Statements.

PRODUCERS SAVINGS BANK CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

		December 31		
	Note	**Consolidated 2019**	**Separate 2019**	Individual 2018
NET INCOME		**₱281,560,912**	**₱371,123,389**	₱213,468,054
OTHER COMPREHENSIVE INCOME				
Items that may not be reclassified to profit or loss				
Change in remeasurement losses on retirement plan	*25*	**(6,936,583)**	**(6,936,583)**	(1,592,946)
Items that may be reclassified to profit or loss				
Change in unrealized gains on financial assets at FVOCI, net of tax	*8*	**13,442,023**	**13,442,023**	14,489,285
TOTAL COMPREHENSIVE INCOME		**₱288,066,352**	**₱377,628,829**	₱226,364,393

See Notes to the Consolidated and Separate Financial Statements.

PRODUCERS SAVINGS BANK CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Consolidated	Capital Stock (Note 23)	Paid-in Surplus	Surplus Free	Surplus Reserves	Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 8)	Remeasurement Losses on Retirement Plan (Note 25)	Total Equity
As at January 1, 2019	₱1,254,719,110	₱419,111,340	₱584,522,062	₱40,000,000	(₱12,739,165)	(₱18,656,515)	₱2,266,956,832
Traditional adjustment due to PFRS 16	-	-	691,839	-	-	-	691,839
As at January 1, 2019 (As restated - Note 3)	1,254,719,110	419,111,340	585,213,901	40,000,000	(12,739,165)	(18,656,515)	2,267,648,671
Net income for the year	-	-	371,123,389	-	-	-	371,123,389
Other comprehensive income:							
Net change in remeasurement losses on retirement plan	-	-	-	-	-	(6,936,583)	(6,936,583)
Net change in unrealized gains (losses) on financial assets at FVOCI	-	-	-	-	13,442,023	-	13,442,023
Total comprehensive income for the year	-	-	371,123,389	-	13,442,023	(6,936,583)	377,628,829
Issuance of Shares	44,838,900	-	-	-	-	-	44,838,900
Adjustment from merger/others	-	131	(34,357,083)	-	-	-	(34,357,083)
As at December 31, 2019	₱1,299,558,010	₱419,111,471	₱921,980,207	₱40,000,000	₱702,858	(₱25,593,098)	₱2,655,759,448

Forward

Separate	Capital Stock (Note 23)	Paid-in Surplus	Surplus Free	Surplus Reserves	Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 8)	Remeasurement Losses on Retirement Plan (Note 25)	Total Equity
As at January 1, 2019	₱1,254,719,110	₱419,111,340	₱584,522,062	₱40,000,000	(₱12,739,165)	(₱18,656,515)	₱2,266,956,832
Traditional adjustment due to PFRS 16	-	-	691,839	-	-	-	691,839
As at January 1, 2019 (As restated - Note 3)	1,254,719,110	419,111,340	585,213,901	40,000,000	(12,739,165)	(18,656,515)	2,267,648,671
Net income for the year	-	-	371,123,389	-	-	-	371,123,389
Other comprehensive income:							
Net change in remeasurement losses on retirement plan	-	-	-	-	-	(6,936,583)	(6,936,583)
Net change in unrealized gains (losses) on financial assets at FVOCI	-	-	-	-	13,442,023	-	13,442,023
Total comprehensive income for the year	-	-	371,123,389	-	13,442,023	(6,936,583)	377,628,829
Issuance of Shares	44,838,900	-	-	-	-	-	44,838,900
Adjustment from merger/others	-	131	(34,357,083)	-	-	-	(34,357,083)
As at December 31, 2019	₱1,299,558,010	₱419,111,471	₱921,980,207	₱40,000,000	₱702,858	(₱25,593,098)	₱2,655,759,448

Forward

Individual	Capital Stock (Note 23)	Paid-in Surplus	Surplus Free	Surplus Reserves (Note 23)	Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 8)	Remeasurement Losses on Retirement Plan (Note 25)	Total Equity
	Years Ended December 31						
As at January 1, 2018	₱954,518,410	₱418,870,939	₱685,468,469	₱40,000,000	₱1,750,120	(₱17,063,569)	₱2,083,544,369
Net income	-	-	213,468,054	-	-	-	213,468,054
Other comprehensive income:							
Net change in remeasurement losses on retirement plan	-	-	-	-	-	(1,592,946)	(1,592,946)
Net change in unrealized losses on financial assets at FVOCI	-	-	-	-	(14,489,285)	-	(14,489,285)
Total comprehensive income for the year	-	-	213,468,054	-	(14,489,285)	(1,592,946)	197,385,823
Declaration of stock dividends	300,000,000	-	(300,000,000)	-	-	-	-
Adjustment from merger/others	200,700	240,401	(14,414,461)	-	-	-	(13,973,360)
As at December 31, 2018	₱1,254,719,110	₱419,111,340	₱584,522,062	₱40,000,000	(₱12,739,165)	(₱18,656,515)	₱2,266,956,832

See Notes to the Consolidated and Separate Financial Statements.

PRODUCERS SAVINGS BANK CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

		December 31		
	Note	Consolidated 2019	Separate 2019	Individual 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱453,162,522**	**₱442,604,326**	₱236,745,794
Adjustments for:				
Depreciation and amortization	*11,12,14,26*	**206,283,648**	**168,402,156**	109,638,287
Provision for allowance for credit losses	*16*	**95,378,265**	**7,973,969**	92,523,399
Gains on foreclosure of investment properties	*12*	**(70,527,758)**	**(66,252,133)**	(89,612,176)
Gain on sale of noncurrent assets held for sale	*12*	**(70,063,405)**	**(54,871,200)**	-
Provision for losses on investment properties	*16*	**29,003,666**	**-**	-
Interest on lease liabilities	*26*	**27,623,581**	**25,170,880**	-
Gain on curtailment	*25*	**(17,202,908)**	**-**	-
Recoveries from written-off accounts		**(11,074,561)**	**-**	-
Income (loss) on sinking fund		**279,359**	**279,359**	(961,332)
Retirement benefits	*25*	**1,413,773**	**-**	5,000,000
Operating Income before working capital changes		**644,276,182**	**523,307,357**	353,333,972
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Loans and receivables		**(2,517,690,915)**	**(2,798,268,617)**	(2,499,418,347)
Other assets		**52,850,635**	**73,374,465**	(29,004,386)
Increase (decrease) in:				
Deposit liabilities		**2,818,056,846**	**3,413,902,638**	2,580,411,771
Accrued interest, taxes and other expenses		**155,127,218**	**142,001,158**	45,746,158
Other liabilities		**172,728,518**	**154,896,108**	(10,540,355)
Net cash generated from operations		**1,325,348,484**	**1,509,213,109**	440,528,813
Contributions paid	*25*	**(3,153,832)**	**-**	-
Income taxes paid		**(41,905,702)**	**(29,586,148)**	(23,277,740)
Net cash provided by operating activities		**1,280,288,950**	**1,479,626,961**	417,251,073
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries		**(703,929,137)**	**(703,929,137)**	-
Proceeds from sale or redemption of:				
Non-current assets held for sale		**64,175,503**	**64,175,503**	13,228,782
Property and equipment		**16,421,082**	**-**	-
Investments at amortized cost		**11,481,969**	**-**	-
Investment properties		**21,336,839**	**-**	-
Acquisition of:				
Property and equipment		**(249,119,162)**	**(220,541,681)**	(230,528,189)
Investments at amortized cost		**(42,422,832)**	**(42,258,169)**	(607,555,135)
Intangible assets		**(9,986,905)**	**(9,538,705)**	(4,244,122)
Net cash used in investing activities		**(892,042,643)**	**(912,092,189)**	(829,098,664)

Forward

	December 31		
	Consolidated 2019	Separate 2019	Individual 2018
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from bills payable	₱7,908,819,252	₱7,392,819,252	(₱335,714,286)
Payment of bills payable	(4,676,256,019)	(4,350,000,000)	-
Payment of lease liability	(80,080,227)	(69,279,768)	-
Issuance of shares	44,838,900	44,838,900	-
Payment of cash dividends	(13,500,000)	-	-
Net cash provided by (used in) financing activity	3,183,821,906	3,018,378,384	(335,714,286)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,572,068,213	3,585,913,156	(747,561,877)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and other cash items	655,979,552	610,557,594	402,649,904
Due from BSP	1,019,514,644	888,665,071	1,028,307,057
Due from other banks	765,990,493	507,710,235	279,653,597
Interbank loan receivables	600,000,000	600,000,000	1,643,884,219
	3,041,484,689	2,606,932,900	3,354,494,777
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and other cash items	901,387,142	871,386,266	610,557,594
Due from BSP	2,286,471,523	2,221,294,446	888,665,071
Due from other banks	907,834,259	582,305,367	507,710,235
Interbank loan receivables	2,517,859,977	2,517,859,977	600,000,000
	₱6,613,552,902	₱6,192,846,056	₱2,606,932,900
OPERATIONAL CASH FLOWS FROM INTEREST			
Interest received	₱1,939,153,868	₱1,433,078,459	₱1,091,931,817
Interest paid	₱570,707,212	₱463,432,402	₱260,707,703

See Notes to the Consolidated and Separate Financial Statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018

1. Corporate Information

Producers Savings Bank Corporation (PSBC or the "Parent") was registered with the Philippine Securities and Exchange Commission (SEC) on October 1, 2012 to operate as a thrift banking corporation. Likewise, on the same day, SEC issued the Certificate of Filing of the Articles and Plan of Consolidation by and between PSBC and New Rural Bank of Victorias, Inc. (NRBV) to be known as PSBC.

The registration of PSBC with SEC came after the approval by the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP) of the consolidation of PSBC and NRBV under MB Resolution No. 963 dated June 15, 2012. The MB approval also granted several meaningful consolidation incentives to the consolidated bank.

Pursuant to Republic Act (R.A.) No. 7906 and MB Resolution No. 963 dated June 15, 2012, the BSP awarded PSBC's Certificate of Authority to operate as a thrift bank on October 8, 2012. PSBC commenced operations as a consolidated bank on October 12, 2012.

In 2019, the Parent Company purchased 100% of the total outstanding shares of the following subsidiaries:

Name of bank	BOD approval date	Price per share	Date of BSP approval	Percentage of ownership
Rural Bank of San Quintin (Pangasinan), Inc.	January 28, 2019	₱223.52	July 4, 2019	100.00%
People's Bank of Caraga, Inc.	April 30, 2019	1.00	July 4, 2019	100.00%
PBCOM Rural Bank, Inc.	May 28, 2019	444.87	July 25, 2019	100.00%
Bangko Carrascal, Inc. (A Rural Bank)	August 27, 2019	1,437.60	October 31, 2019	100.00%

PSBC has 194 and 175 operating branches as at December 31, 2019 and 2018, respectively. Currently, it operates in 11 regions, namely, Cordillera Autonomous Region, Regions I to III, National Capital Region, Region IV-A, V, VI, VII, X, and XI.

The principal office of PSBC is located at the 17th floor, AIC Burgundy Empire Tower, ADB Avenue corner Sapphire St., Ortigas Center, 1605 Pasig City, Philippines.

2. Basis of Preparation and Statements of Compliance

Statements of Compliance
The consolidated and separate financial statements of the Parent, and Subsidiaries (collectively referred to as the "Group") have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

Basis of Measurement
The consolidated and separate financial statements have been prepared on the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) which are measured at fair value and retirement liability measured at present value of the defined benefit obligation less the fair value of the plan assets.

Functional and Presentation Currency

The consolidated and separate financial statements include accounts maintained in the Regular Banking Unit (the "RBU") and the Foreign Currency Deposit Unit (the "FCDU"). The functional currency of the RBU and the FCDU is the Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated to their equivalents in PHP (see Note 3 for the accounting policy on *Foreign Currency Transactions and Translations*). The consolidated and separate 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 consolidated and separate financial statements of each entity are measured using that functional currency. The respective functional currencies of the subsidiaries are presented under Basis of Consolidation. The consolidated and separate financial statements are presented in Philippine Peso, and all values are rounded to the nearest peso, unless otherwise stated.

Presentation of Consolidated and Separate Financial Statements

This report includes both the consolidated and separate financial statements as at and for the year ended December 31, 2019, with the individual financial statements presented as comparative information for 2018.

The consolidated and separate statements of financial position is presented broadly in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 22.

Basis of Consolidation

The consolidated and separate financial statements include the consolidated and separate financial statements of the Group and its subsidiaries and are prepared for the same reporting period as the Group using consistent accounting policies. The following are the wholly-owned domestic subsidiaries of the Group in 2019:

Subsidiary	Principal Place of Business and Country of Incorporation	Effective Percentage of Ownership	Functional Currency
Financial Institutions			
Rural Bank of San Quintin (Pangasinan), Inc.	Philippines	100%	PHP
People's Bank of Caraga, Inc.	Philippines	100%	PHP
PBCOM Rural Bank, Inc.	Philippines	100%	PHP
Bangko Carrascal, Inc. (A Rural Bank)	Philippines	100%	PHP

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation (see Note 30). Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group 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. Consolidation of subsidiaries ceases when control is transferred out of the Group or the Parent. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of income and consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

Changes in the Parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid (or to be paid) or received is recognized directly in equity included as part of 'Translation adjustment and others' and attributed to the owners of the Parent.

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any non-controlling interest; (c) derecognizes the related other comprehensive income (OCI) recorded in equity and recycles the same to statements of income or retained earnings; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in statements of income; and (g) reclassifies the Parent's share of components' gains (losses) previously recognized in OCI to statements of income or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The acquisition method of accounting is used when subsidiaries are acquired by the Parent. The cost of an acquisition is measured at the fair value of the consideration, including contingent consideration, given at the date of exchange. Acquisition-related costs are recognized as an expense in the statements of income in the period in which they are incurred. The acquired identifiable assets, liabilities and contingent liabilities are generally measured at their fair values at the date of acquisition.

The Parent reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three (3) elements of control.

Separate Financial Statements
In the separate financial statements, investments in subsidiaries are carried at cost less accumulated impairment in value. Dividends earned are reported as dividend income when the right to receive the payment is established.

Approval of Issuance of Consolidated and Separate Financial Statements
The consolidated and separate financial statements of the Group as at and for the year ended December 31, 2019 were approved and authorized for issue by the BOD on June 30, 2020.

3. Summary of Significant Accounting Policies

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

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* - PFRS 16 supersedes PAS 17 *Leases*, International Financial Reporting Interpretations Committee (IFRIC) 4 *Determining whether an Arrangement contains a Lease*, Standing Interpretations Committee (SIC) Interpretation No 15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires almost all leases to be brought onto lessees' statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases.

  Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 does not have an impact for leases where the Group is the lessor.

  The Group has applied PFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under PAS 17 and IFRIC 4 and under which the cumulative effect on initial application is recognized in retained earnings at January 1, 2019.

  The details of accounting policies under PAS 17 and IFRIC 4 are disclosed separately if they are different from those under PFRS 16 and the impact of changes is disclosed under "Leases" of this note.

  Leases previously accounted for as operating leases
  As a lessee, leases previously classified as operating lease, at transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at their carrying amount as if PFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

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

  - Applied a single discount rate to a portfolio of leases with similar characteristics.
  - Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
  - Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Leases previously classified as finance leases
For leases that were classified as finance leases under PAS 17, the carrying amount of the right-of-use asset and lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under PAS 17 immediately before that date.

The effect of transition to PFRS 16 as at January 1, 2019 follows:

Consolidated	January 1, 2019 *(as previously reported)*	*Adjustments*	January 1,2019 *(as restated)*
Assets			
Right-of-use assets	₱-	₱365,323,485	₱365,323,485
Other assets	104,739,218	(20,000)	104,719,218
	₱104,739,218	₱365,303,485	₱470,042,703
Liabilities			
Lease liabilities	₱-	₱364,611,646	₱364,611,646
Equity			
Surplus free	584,522,062	691,839	585,213,901
	₱584,522,062	₱365,303,485	₱949,825,547

Separate	January 1, 2019 *(as previously reported)*	*Adjustments*	January 1, 2019 *(as restated)*
Assets			
Right-of-use assets	₱-	₱315,327,838	₱315,327,838
Liability			
Lease liabilities	₱-	₱314,635,999	₱314,635,999
Equity			
Surplus free	584,522,062	691,839	585,213,901
	₱584,522,062	₱315,327,838	₱899,849,900

As a lessor, the Group is not required to make any adjustment on transition to PFRS 16. The Group accounted for its leases in accordance with PFRS 16 from the date of initial application.

- Amendments to PFRS 9: *Prepayment Features with Negative Compensation* - Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income (FVOCI), provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Group.

- Amendments to PAS 19: *Plan Amendment, Curtailment or Settlement* - The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

- Annual Improvements 2015-2017 Cycle

  - PFRS 3, *Business Combinations*
    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

    These amendments had no impact on the financial statements of the Group as there is no transaction where joint control is obtained.

  - PFRS 11, *Joint Arrangements*
    An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

    These amendments had no impact on the consolidated and separate financial statements of the Group as there is no transaction where a joint control is obtained.

  - PAS 12, *Income Taxes*
    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events.

    An entity applies the amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the financial statements of the Group.

- PAS 23, *Borrowing Costs*
  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, they had no impact on the financial statements of the Group.

New and Amended PFRS Issued But Not Yet Effective
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2019 and have not been applied in preparing the consolidated and separate financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to PAS 1 and PAS 8, *Definition of Material* - The amendments address the definition of 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

Effective for annual periods beginning on or after January 1, 2021:

- PFRS 17, *Insurance Contracts* - This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* - The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Group.

Foreign Currency Transactions and Translation
Transactions in foreign currencies are initially recorded at the functional rate of exchange at the date of transaction.

Foreign currency-denominated monetary assets and liabilities in the RBU and the FCDU of the Group are translated to their respective presentation currencies based on the Bankers Association of the Philippines (BAP) closing rate prevailing at the statements of financial position date and BAP closing rate for the reporting period for income and expenses. Foreign exchange differences arising from foreign currency transactions and translation of foreign currency-denominated assets and liabilities to the functional currency are credited to or charged against the statements of income under "Foreign exchange losses (gains)", except for differences arising from the translations of financial assets at FVOCI which are recognized directly in "Net change in unrealized gains (losses) of financial assets at FVOCI" in the period in which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the transactions. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value is determined.

Financial Instruments

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated and separate statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss 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.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Business Model Assessment. The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

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

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;

- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales in prior period, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest. For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on the initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;

- leverage features;

- prepayment and extension terms;

- terms that limit the Group's claim to cash flows from specified assets (e.g., non-recourse asset arrangements); and

- features that modify consideration of the time value of money - e.g., periodical reset of interest rates.

Financial Assets and Liabilities at FVPL. Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Group had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Group may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in OCI (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in OCI are not subsequently transferred to profit or loss.

As at December 31, 2019 and 2018, the Group does not have financial assets and liabilities at FVPL.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2019 and 2018, the Group's cash and other cash items (COCI), due from BSP, due from other banks, interbank loans receivable, investments at amortized cost, loans and receivables, sinking fund, and security deposits (included under 'Other assets') are included under this category.

Interbank loans receivable consists of securities sold under repurchase agreements at a specified future date ("repos") that are not derecognized from the consolidated and separate statements of financial position. The corresponding cash received, including accrued interest, is recognized in the consolidated and separate statements of financial position as liability of the Group, reflecting the economic substance of such transaction. Conversely, securities purchased under agreements to resell at a specified future date ("reverse repos") are not recognized in the consolidated and separate statements of financial position. The corresponding cash paid, including accrued interest, is recognized in the consolidated and separate statements of financial position as securities purchased under resale agreement, and is considered as a loan to the counterparty. The Group is not permitted to sell or re-pledge the collateral in the absence of default by the owner of the collateral. The difference between the purchase price and resale price is treated as interest income in the consolidated and separate statements of income and is amortized over the life of the agreement using the effective interest method. The Group normally enters into overnight reverse repurchase agreement with the BSP.

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and

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

For equity instruments, the Group may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the consolidated and separate statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2019 and 2018, the Group's financial assets at FVOCI are classified under this category.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when 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 settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2019 and 2018, the Group's liabilities arising from its accrued interest, accounts payable and other current liabilities, excluding statutory liabilities, are included under this category.

Reclassification
The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

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

Classification of Financial Instruments between Debt and Equity
Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument or a component that is a financial liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- 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.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

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 or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Impairment of Financial Assets

Overview of the Expected Credit Losses (ECL) Principles. Impairment under PFRS 9 requires the use of an expected loss approach for the calculation of impairment allowances. The standard's core principle with respect to impairment is that impairment allowances are recognized before the losses are actually incurred. The losses are recognized through the whole life of the asset regardless of deterioration of credit quality of the asset. However, if credit quality further deteriorates in the lifetime of the loan, the approach on how and to what extent losses are estimated should be changed accordingly.

Definition of "Default" and "Cure". 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 31 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

Staging assessment. The Group's credit exposures shall be classified into three stages using the following time horizons in measuring ECL:

Stage of Credit Impairment	Characteristics	Time horizon in measuring ECL
Stage 1	Credit exposures that are considered "performing" and with no significant increase in credit risk since initial recognition or with low credit risk	Twelve (12) months
Stage 2	Credit exposures that are considered "under-performing" or not yet non-performing but with significant increase in credit risk since initial recognition	Lifetime
Stage 3	Credit exposures with objective evidence of impairment, thus, considered as "non-performing"	Lifetime

Significant increase in credit risk (SICR). The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. If contractual payments are more than specified days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

Also, the Group shall transfer credit exposures from Stage 1 to Stage 2 if the following significant increases in credit risk from initial recognition were identified:

1. Accounts adversely affected by recent typhoons, floods and other catastrophes that are beyond the control of the borrowers and of the Group but the collaterals are not impaired.

2. Government imposed regulations due to outbreaks (bird flu, foot and mouth decease, etc.), lay-off of employees, war, importation, etc.,

3. Collateral securing the loans found to be impaired but not more than 60% of the collateral value.

4. Borrowers that have declared bankruptcy during the period under review but the collaterals are not impaired.

In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL. An account under Stage 3 may be reverted back to Stage 2 if days past due bucket improved to 31 to 90. If the status of an account further improves to current, it will be reverted back to Stage 1, thus, recognizing 12-month ECL.

Collective assessment. Loans and other credit accommodations shall be assessed collectively if not subjected to individual assessment.

The Group's loans and other credit accommodations shall be grouped with other loans that share similar credit risk characteristics for collective impairment evaluation based on or a combination of the following:

a. Loan Type
b. Collateral Type
c. Market/Industry Segment
d. Geographical Location
e. Stage level/Status

The grouping of accounts for collective assessment shall be as follows:

a. Farmers' Loan
b. Corporate and SME loans
c. Salary Loans
d. Auto Loans
e. Housing Loans

The said loans and other credit accommodations shall be classified and provided with allowance based on the expected credit loss rates of the Group with consideration of the future cash flow of the collateral securing the loan (for secured loans).

Components of ECL computation

a. Probability of Default (PD) - the probability of the occurrence of a default events based on the Group's 3-year historical data, which are expected to result in credit losses. The flow rate percentage from one past due bucket to another ranging from 30 to 180 days shall be determined.

b. Exposure at Default (EAD) - the expected outstanding exposure subject to credit risk at the period or cut-off date, when default is considered.

c. Loss Given Default (LGD) - statistically calculated based on historical loan recovery data (including the future cash flow of the property securing the loan) and adjusted according to existing conditions and forward-looking information.

Forward-looking information. The Group incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as growth of the gross domestic product, inflation rates, unemployment rates, interest rates and BSP statistical indicators.

Financial Assets Carried at Amortized Cost and FVOCI. For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of SICR since initial recognition.

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 similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- 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 has either: (a) transferred substantially all the risks and rewards of ownership of the asset; or (b) neither transferred nor retained the risks and rewards of ownership of the asset but has transferred the control over 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.

Gain or loss on derecognition of financial asset is measured at the difference between the fair value of the consideration received over the carrying amount of the financial asset.

Financial Liability. A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired. Where an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of income. A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is difference by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between carrying value of the original liability and fair value of the new liability is recognized in the consolidated and separate statements of income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished by merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Fair Value Measurement

The Group measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

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: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the 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 best economic interest.

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 consolidated and separate 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 consolidated and separate financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

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

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include COCI, amounts due from BSP and other banks with original maturities of three (3) months or less from dates of placement and that are subject to insignificant risk of changes in value.

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

Noncurrent Assets Held for Sale
Noncurrent assets held for sale include assets with or without improvements that are highly probable to be sold within one (1) year and are included in the sales auction program for the year. Assets held for sale are stated at the lower of its carrying amount and fair value less costs of disposal.

The Group measures a noncurrent asset that ceases to be classified as held for sale at the lower of:

- the carrying amount before the Non-current asset was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the noncurrent asset not been classified as held for sale; and

- the recoverable amount at the date of the subsequent decision not to sell.

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

Property and Equipment
Property and equipment, are stated at cost less accumulated depreciation and any impairment losses. Land is stated at cost less any impairment losses.

Initially, an item of property and equipment is measured at its cost, comprised of its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be reliably measured are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Group. The costs of repairs and maintenance of property and equipment are recognized in the consolidated and separate statements of income in the period when these are incurred.

Depreciation is recognized in the consolidated and separate statements of income on a straight-line basis based on the estimated useful lives (EUL) of the related depreciable assets. Leasehold rights and improvements are amortized on a straight-line basis over the EUL of the improvements or the terms of the leases, whichever is shorter. The EUL of property and equipment follows:

Property classification	Number of Years
Bank premises, furniture and fixtures	2 - 30
Equipment	2 - 5
Leasehold improvements	2 - 10 or over the lease terms, whichever is shorter

An asset is depreciated when it is available for use until it is derecognized even if during that period the item is idle. Fully depreciated assets still in use are retained in the accounts until they are no longer in use.

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

When major parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in the consolidated and separate statements of income.

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

Investment Properties

Investment properties are composed of assets acquired from foreclosure or *dacion en pago*, and are initially measured at cost including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of each 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 classified under investment properties from foreclosure date.

Subsequent to initial recognition, depreciable investment properties are carried at cost less accumulated depreciation for the improvement and any impairment in value in the land or improvement.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated and separate statements of income under "Gains on foreclosure and sale of property and equipment and foreclosed assets" account in the period of derecognition.

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 over the EUL of the investment properties of up to 10 years for buildings and improvements.

The useful life and the depreciation and amortization methods are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of investment properties.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation or the start of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the start of owner-occupation or of development with a view to sell. For 2019 and 2018, there were no transfers between investment property and owner-occupied property.

Business Combination

Business combination is accounted for using the acquisition method. The consideration transferred in a business combination is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Parent. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Parent recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportional share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in the statements of income or as a change in OCI. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within capital funds.

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 fair value of 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 as "Gain on bargain purchase" in the consolidated and separate statements 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 (CGUs) 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.

Investment in Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated and separate financial statements from the date on which control commences until the date on which control ceases.

Intangible Assets

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

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

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

Software Costs

Software is stated at cost less any impairment in value. The cost of acquired computer software license is capitalized on the basis of the costs incurred to acquire and install the specific software.

Costs associated with developing or maintaining computer software programs are recognized as expense when incurred.

The Group estimates the useful life of its software for 10 years.

Software costs are amortized on a straight-line basis over 10 years based on pro-rata basis i.e. actual number of customer licenses used divided by the customer licenses. Subsequent number of customer licenses used which is determined at the end of each year, shall be amortized on the same pro-rata basis for the remaining useful life following the year of acquisition. The software licenses are carried at cost less accumulated amortization and any impairment in value.

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 net of impairment losses (see accounting policy on Impairment of Nonfinancial Assets).

Impairment of Nonfinancial Assets

Property and Equipment, Noncurrent Assets Held for Sale, Intangible Assets, Investment Properties and Goodwill

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

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

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

The impairment loss should be allocated to reduce the carrying amount of the assets of the CGU in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the CGU; and
- then, to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the unit.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased.

If such indication exists, the net recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's net recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its net recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income. Impairment loss with respect to goodwill is not reversed.

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

Equity

Capital Stock

Capital stock refers to the total amount of fully paid common stock, including stock dividends, for which the corresponding certificates have been issued. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects. Where the Parent purchases its own share capital (treasury stocks), the consideration paid is deducted from equity attributable to the Group's shareholders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Parent's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

Paid-in Surplus

Paid-in surplus refers to the premium received on the issuance of common stock.

Surplus

Surplus include accumulated results of operations as reported in the consolidated and separate statements of income reduced by the amount of dividends declared. Surplus free refers to the unappropriated or free portion of the accumulated profits of the Group and the Parent while surplus reserves pertain to amounts set aside for possible or unforeseen losses or for undeterminable liabilities not otherwise recorded in the books.

Revenue and Expense Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the income can be reliably measured. Expense is recognized when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen to the Group that can be measured reliably.

The following specific recognition criteria must also be met before income and expense are recognized:

Interest Income and Interest Expense

Interest income and interest expense are recognized in the consolidated and separate statements of income for all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVOCI and financial assets at FVPL as they accrue, using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all the contractual terms of the financial instruments including any fees or incremental costs that are directly attributable to the instrument and are integral part of the EIR, but not future credit losses. The EIR is established on initial recognition of the financial asset and liability and is not revised subsequently.

The carrying amount of the financial asset or liability is adjusted if the Group revises its estimates of payments or receipts. The change in carrying amount is recognized in statements of income as interest income or expense.

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.

Trading and Investment Securities Gains or Losses

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

Service Charges, Fees and Commissions

Fees and commission income is recognized to the extent that an inflow of economic benefits is probable and that the amount of revenue can be reliably measured. Fees and commission income is recognized at the fair value of the consideration received/receivable.

Fees and commission income and expenses that are integral to the EIR of a financial asset or liability are included in the measurement of the EIR. If the fees are received upfront, these are amortized over the term that the service is rendered. Commitment fees for facilities where a drawdown is not generally expected must be recognized over the facility period.

Service charges and penalties are recognized only upon collection or accrued when there is reasonable degree of certainty as to their collectability. Fees earned for the provision of services over a period of time are accrued over that period.

Fees and commission expenses are recognized when incurred.

Dividends

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

Other Income

Other income includes income on penalty charges, gain on foreclosure and sale of non-financial assets, and other gains. Penalty charges are recognized as outright income upon the completion of the underlying transaction. Gain on sale of non-financial assets are recognized upon completion of the earning process and when the collectability of the sales price is reasonably assured.

Gain on curtailment is recognized when there is significant reduction in the numbers of employees resulting to decrease in retirement liability.

Employee Benefits

Short-term Employee Benefits

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

Retirement Benefits

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

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

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

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated and separate statements of income.

The Parent recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Leases

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

- the contract involves an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Group has the right to direct the use of the asset of either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

At the inception or on reassessment of a contract that contains a lease component, the Group has not elected to separate non-lease components and account for the lease and non-lease components as a single lease component.

For contracts entered into before January 1, 2019, the Group determines whether an arrangement is or contains a lease based on whether of:

- fulfillment of the arrangement was dependent on the use of a specific asset or assets;
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met;
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of output.

Group as a lessee. The Group recognizes a right-of-use assets and lease liabilities at the date of initial application for leases previously classified as an operating lease under PAS 17.

The right-of-use assets is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any incentives received.

The right-of-use assets is subsequently depreciated using the straight-line method over the shorter of the estimated useful life of the asset or the lease term.

In addition, the right-of-use assets is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

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

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. It is remeasured when there is a change in future lease payments or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

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

In the comparative period, leases which do not transfer to the Company substantially all the risks and rewards of ownership of the asset are classified as operating leases and were not recognized in the Company's statements of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the lease term. Lease incentives received were recognized as an integral part of the total lease expense over the lease term.

Income Taxes

Current Tax

Current income tax is the expected tax payable on the taxable income for the year using the tax rates enacted at the reporting date.

Deferred Tax

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward benefits of unused tax credits from the excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carry forward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

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

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

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

Provisions

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

Contingent Assets and Contingent Liabilities

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

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

The definition of a "related party" is extended to include a management entity that provides key management personnel services to the company, either directly or through a group entity.

Events After the Reporting Date
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated and separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated and separate financial statements when material.

4. Use of Judgments, Estimates and Assumptions

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

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

Judgments

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

(a) Functional Currency

PAS 21 requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Group considers the following:

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

(b) Provisions and Contingencies

The Group, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. Judgment is exercised by management to distinguish between commitments and contingencies (see Note 29).

(c) Determination Whether an Arrangement Contains a Lease

The Group assesses whether an arrangement contains a lease based on PFRS 16, as disclosed in Note 3. On adoption of PFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied PFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under PAS 17 and IFRC 4 were not reassessed for whether there is a lease. Therefore, the definition of lease under PFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

Group as lessee
The Group has entered into lease agreements as a lessee. Depreciation of right-of-use of asset and interest expense on lease liability recognized in statement of income are disclosed in Note 26.

Group as Lessor
The Group has entered into lease agreements as a lessor. The Group has determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases.

(d) Determining the Lease Term of Contracts with Renewal and Termination Options - Group as 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 and affects its ability to exercise or not to exercise the option to renew or to terminate.

(e) Classification of Financial Instruments

The Group exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated and separate statements of financial position.

(f) Determination of Acquisition Date for Business Combination

For each business combination, the Parent as acquirer identified the acquisition date which is the date on which control is obtained of the acquiree. The date on which the Parent obtains control is generally the date on which the Parent legally transfers the consideration, acquires the assets and assumes the liabilities of the acquiree - the closing date. However, the Parent might obtain control on a date that is either earlier or later than the closing date.

MORB Section X378, *Limits on Investment in the Equities of Financial Allied Undertakings*, provides guidelines in determining compliance with ceilings on equity investments in financial allied undertakings. For a thrift bank investor, the equity investment in a rural or thrift bank financial allied undertaking is limited to 49.00% subject to BSP approval. However, the BSP approval of the Parent's acquisition of up to 100.00% of the issued and outstanding common shares of the acquiree under the specific circumstance that the acquisition is a necessary first step towards merger. Thus, the Parent assesses that the acquisition is a transaction which is part of the merger and therefore should not be accounted for separately from the merger itself. Consequently, the date which constitutes the effectivity of the merger is the date on which the SEC approves the merger.

After considering all pertinent facts and circumstances, the Parent determined that the acquisition date for the business combination should be the date of the approval of the merger by the SEC.

Estimates and Assumptions

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

(a) Fair Value of Financial Instruments

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

(b) Allowance for ECL on Loans and Receivables

Provisions are made for specific and groups of accounts, where objective evidence of credit loss exists. The Group evaluates these accounts on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the counterparties, the current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of the recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in the allowance for ECL would increase the recorded costs and expenses and decrease current assets.

Refer to Note 3 for detailed discussions regarding the abovementioned significant estimates in relation to ECL estimation.

(c) ECL on Investment Securities

ECL on Investments at Amortized Cost and Financial assets at FVOCI are assessed when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities, and the future cash flows and the discount factors for unquoted equities.

(d) Impairment of Nonfinancial Assets

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

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

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

The carrying values of noncurrent assets held for sale, property and equipment, investment properties and intangible assets are disclosed in Notes 10, 11, 12 and 14, respectively.

(e) Impairment of Goodwill

The Group's management conducts an annual review for any impairment in the value of goodwill. Goodwill is written down for impairment where the net present value of the forecasted future cash flows from the business is insufficient to support its carrying value. The Group used its weighted average cost of capital in discounting the expected cash flows from specific CGUs. Future cash flows from the business are estimated based on the theoretical annual income of the CGUs. Average growth rate was derived from the average increase in annual income during the last five (5) years.

The recoverable amount of the CGUs has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. A pre-tax discount rate is applied to cash flow projections. Value in use calculation of CGUs is most sensitive to the following assumptions: a) interest margin; b) discount rates; and c) projected growth rates used to extrapolate cash flows beyond the budget period.

Consolidated goodwill amounted to ₱62.53 million in 2019, and the separate and individual goodwill amounted to ₱55.47 million and ₱71.23 million in 2019 and 2018, respectively (see Note 14).

(f) Estimated Useful Lives of Property and Equipment, Software Costs and Investment Properties

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

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

(g) Realizability of Deferred Tax Assets

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

The estimates of future taxable income indicate that certain temporary differences will be realized in the future (see Note 28).

(h) Present Value of Retirement Benefits Obligation

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

The assumed discount rates were determined using the prevailing market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at reporting date. The present value of the Group's retirement obligation and the fair value of plan assets are disclosed in Note 25.

(i) Leases - Estimating the incremental borrowing rate (IBR)

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(j) 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 by management in consultation with the legal counsels handling the Group's legal defense in these matters, and is based upon an analysis of potential results.

The Group's management currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 29).

5. Financial Risk Management Objectives and Policies

To ensure that corporate goals and objectives, and business and risk strategies are achieved, the Group utilizes a risk management process that is applied throughout the Group in executing all business activities. The Group's activities are principally related to the use of financial instruments and are exposed to credit risk, liquidity risk and market risk. The BOD has the overall responsibility for the Group's financial risk management, which includes establishment and approval of risk strategies, policies and limits. The BOD created the Audit, Corporate Governance and Risk Management Committees to closely monitor and evaluate the financial risks in line with the strategies, policies and limits set by the BOD. The main objective of the financial risk management is to minimize the adverse impact of financial risks on the Group's financial performance and financial condition due to the unpredictability of financial markets.

The Group's principal financial instruments consist of COCI, due from BSP, due from other banks, investments at amortized cost, financial assets at FVOCI, loans and receivables, deposit liabilities and bills payable. The main purpose of these financial instruments is to generate income and raise finances for the Group's operations.

The Group maintains a CAR of 10.00% or better at all times.

The main risks arising from the Group's use of financial instruments are summarized as follows:
(a) Credit Risk and Concentration Limit,
(b) Liquidity Risk, and
(c) Market Risk.

Credit Risk and Concentration Limit

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration limits for the Group are set by types of borrowers and loan classifications. In setting the concentration limits, the Group considers the BSP regulations.

To avoid significant concentrations of credit risk on the Group's loans and receivables, it spreads out its risks by setting limits on loan amounts that are way below its allowable single borrower's limit and sets a limit on industry concentration. The Group's system of credit approval is such that the higher the credit exposure, the more approving bodies are required to review and approve the credit proposal.

To mitigate credit risk, the Group has set a target of having at least 90.00% of total loan portfolio secured by tangible collateral, predominantly by registered mortgages on real properties. An independent unit in the Group validates property appraisal, title verification, credit investigation and credit evaluation done by the loan originating branch. Insurance coverage and assignment of the insurance policies in favor of the Group are required on these assets (e.g., improvements on real properties, motor vehicles, etc.). Further, the Group requires that the borrowers be insured (e.g., life insurance, mortgage redemption insurance, etc.) and assign the insurance policies in favor of the Parent.

Credit Risk Exposures

The table below shows the Group's maximum exposure to credit risk for collateral held or other credit enhancements, as at December 31, 2019 and 2018:

	Consolidated December 31, 2019		Separate December 31, 2019		Individual December 31, 2018	
Consolidated	Before Collateral	After financial Effect of Collateral or Credit Enhancement	Before Collateral	After financial Effect of Collateral or Credit Enhancement	Before Collateral	After financial Effect of Collateral or Credit Enhancement
Due from BSP	₱2,286,471,523	₱2,286,471,523	₱2,221,294,446	₱2,221,294,446	₱888,665,071	₱888,665,071
Due from other banks	907,834,259	907,834,259	582,305,367	582,305,367	507,710,235	507,710,235
Interbank loan receivables	2,517,859,977	2,517,859,977	2,517,859,977	2,517,859,977	600,000,000	600,000,000
Investments at amortized cost	705,812,684	705,812,684	685,739,698	685,739,698	643,481,529	643,481,529
Financial assets at FVOCI	400,702,858	400,702,858	400,702,858	400,702,858	387,260,836	387,260,836
Small and medium-sized entity	5,806,682,877	-	5,777,238,353	-	5,168,974,567	-
Salary	6,523,665,040	6,523,665,040	4,616,333,433	4,616,333,433	3,243,384,522	3,243,384,522
Agrarian reform	4,016,385,283	-	3,302,030,826	-	2,647,376,720	-
Auto	886,454,268	-	886,454,268	-	845,103,458	-
Housing	380,768,909	-	380,768,909	-	318,647,184	-
Loans to individuals for other purposes	294,009,790	-	198,657,935	-	207,823,472	-
Sinking fund	46,558,792	46,558,792	45,459,285	45,459,285	45,738,644	45,738,644
Security deposits	4,659,340	4,659,340	4,659,340	4,659,340	4,659,340	4,659,340
	₱24,777,865,600	₱13,393,564,473	₱21,619,504,695	₱11,074,354,404	₱15,508,825,578	₱6,320,900,177

Collateral and Other Credit Enhancements

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

The main types of collateral obtained are as follows:

- Due from other banks is insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum of ₱500,000 for every depositor per grouping institution;

- The Group has established a loan product to lend to small farmers who may have no access to formal credit institutions because the land they are tilling are small and are not covered by a guarantee or surety to be executed in favor of the Group by the Agricultural Guarantee Fund Pool (AGFP).

Borrower Risk Rating (BRR) Disclosure

The Group also established an Internal Credit Risk Rating System (ICRRS), which is a loan review and loan loss provisioning system that clearly sets forth the criteria for uniformly classifying loans. ICRRS has three (3) components, namely:

- the BRR which requires an assessment of the creditworthiness of the borrower, focusing on the outlook for loan repayment without considering the type or amount of the facility, or its security arrangements. The criteria to be assessed here are those which have a direct bearing on the borrower's long-term chances of survival and the factors directly to these. Although the borrower's financial condition is evaluated on the basis of the past three (3) years' historical financial statements, this is primarily to determine any trend in the entity's financial condition going forward, and how it will impact the borrower's future solvency, or debt-service capabilities. The BRR is determined by focusing on the borrower's credit quality based on factors such as the borrower's: (a) stability, (b) access to financial markets, (c) ability to service debt, (d) financial position strength, and (e) external rating by agencies, where applicable;

- the Facility Risk Factor (FRF) which is determined for each individual facility, taking into account the different security arrangements, or risk influencing factors, to allow a more precise depiction of risk. FRF is determined based on security arrangements supporting the facility. Since the FRF focuses on the quality and quantity of the collateral cover applicable to the underlying facility, independent of borrower quality, the FRF can upgrade the BRR on the basis of the facility's collateral position, or can downgrade it due to risk-enhancing features; and

- the Adjusted Borrower Risk Rating (ABRR) which is the result of the combination of the BRR and FRF.

Risk Concentration

Credit risk can arise whenever a significant number of borrowers have similar characteristics and are affected similarly by changes in economic or other conditions. The Group analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, geographic, internal rating buckets, currency, term and security. To mitigate risk concentration, the Group constantly checks for breaches in regulatory and internal limits. Credit risk is managed through a continuing review of credit policies, systems and procedures.

Credit Quality Per Class of Financial Assets

The credit quality of the Group's Due from BSP and other banks, investments at amortized cost, financial assets at FVOCI, sinking fund and security deposits are based on the nature of the counterparty and internal rating system.

Loans are secured either by real estate, chattel, or other assets (see Note 9).

The credit quality of the Group's financial assets that are neither past due nor impaired is considered to be of good quality and expected to be collectible without incurring any credit losses.

The Group's bases in grading its financial assets are as follows:

- *High Grade*
  These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables is readily enforceable).

- *Standard Grade*
  These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time.

- *Substandard Grade*
  These are receivables that can be collected provided a persistent effort to collect them is made.

The following tables show the credit quality of financial assets, net of unearned discount.

	December 31, 2019				
Consolidated	Loans and Receivables	Due from BSP and Other Banks	Interbank Loan Receivables	Investment Securities*	Total
Neither past due nor impaired	₱15,535,780,854	₱3,194,305,782	₱2,517,859,977	₱1,106,515,542	₱22,354,462,155
Past due but not impaired	462,977,343	-	-	-	462,977,343
Impaired	2,588,404,713	-	-	-	2,588,404,713
	18,587,162,910	3,194,305,782	2,517,859,977	1,106,515,542	25,405,844,211
Less allowance for probable losses	985,934,671	-	-	-	985,934,671
	₱17,601,228,239	₱3,194,305,782	₱2,517,859,977	₱1,106,515,542	₱24,419,909,540

** Comprised of financial assets at FVOCI and investments at amortized cost*

	December 31, 2019				
Separate	Loans and Receivables	Due from BSP and Other Banks	Interbank Loan Receivables	Investment Securities*	Total
Neither past due nor impaired	₱13,674,517,340	₱2,803,599,813	₱2,517,859,977	₱1,086,442,556	₱20,082,419,686
Past due but not impaired	340,135,659	-	-	-	340,135,659
Impaired	1,727,681,367	-	-	-	1,727,681,368
	15,742,334,366	2,803,599,813	2,517,859,977	1,086,442,556	22,150,236,713
Less allowance for probable losses	202,618,850	-	-	-	202,618,850
	₱15,539,715,516	₱2,803,599,813	₱2,517,859,977	₱1,086,442,556	₱22,352,855,563

** Comprised of financial assets at FVOCI and investments at amortized cost*

	December 31, 2018				
Individual	Loans and Receivables	Due from BSP and Other Banks	Interbank Loan Receivables	Investment Securities*	Total
Neither past due nor impaired	₱12,114,952,845	₱1,396,266,306	₱600,000,000	₱1,030,742,365	₱15,142,070,516
Past due but not impaired	345,944,837	-	-	-	345,944,837
Impaired	435,585,036	-	-	-	435,585,036
	12,896,482,718	1,396,266,306	600,000,000	1,030,742,365	15,923,600,389
Less allowance for probable losses	143,825,346	-	-	-	143,825,346
	₱12,752,657,372	₱1,396,266,306	₱600,000,000	₱1,030,742,365	₱15,779,775,043

** Comprised of financial assets at FVOCI and investments at amortized cost*

The tables below show the credit quality by class of financial assets (gross of credit and impairment losses and unearned discount) based on the Group's credit rating:

	December 31, 2019					
	Neither Past Due nor Individually Impaired					
Consolidated	High Grade	Standard Grade	Substandard	Unrated	Past Due or Impaired	Total
Due from BSP	₱2,286,471,523	₱-	₱-	₱-	₱-	₱2,286,471,523
Due from other banks	907,834,259	-	-	-	-	907,834,259
Interbank loan receivables	2,517,859,977	-	-	-	-	2,517,859,977
Investments at amortized cost	705,812,684	-	-	-	-	705,812,684
Financial assets at FVOCI	400,702,858	-	-	-	-	400,702,858
Loans and receivables	15,570,735,840	-	-	-	3,058,247,563	18,628,983,403
Sinking fund	46,558,792	-	-	-	-	46,558,792
Security deposit*	4,659,340	-	-	-	-	4,659,340
	₱23,308,224,226	₱-	₱-	₱-	₱2,190,658,710	₱25,498,882,836

** Presented under Other Assets account*

	December 31, 2019					
	Neither Past Due nor Individually Impaired					
Separate	High Grade	Standard Grade	Substandard	Unrated	Past Due or Impaired	Total
Due from BSP	₱2,221,294,446	₱-	₱-	₱-	₱-	₱2,221,294,446
Due from other banks	582,305,367	-	-	-	-	582,305,367
Interbank loan receivables	2,517,859,977	-	-	-	-	2,517,859,977
Investments at amortized cost	685,739,698	-	-	-	-	685,739,698
Financial assets at FVOCI	400,702,858	-	-	-	-	400,702,858
Loans and receivables	13,699,894,958	-	-	-	2,067,817,026	15,767,711,984
Sinking fund	45,459,285	-	-	-	-	45,459,285
Security deposit*	4,659,340	-	-	-	-	4,659,340
	₱20,157,915,929	₱-	₱-	₱-	₱2,067,817,026	₱22,225,732,955

** Presented under Other Assets account*

	December 31, 2018					
	Neither Past Due nor Individually Impaired					
Individual	High Grade	Standard Grade	Substandard	Unrated	Past Due or Impaired	Total
Due from BSP	₱888,665,071	₱-	₱-	₱-	₱-	₱888,665,071
Due from other banks	507,710,235	-	-	-	-	507,710,235
Interbank loan receivables	600,000,000	-	-	-	-	600,000,000
Investments at amortized cost	643,481,529	-	-	-	-	643,481,529
Financial assets at FVOCI	387,260,836	-	-	-	-	387,260,836
Loans and receivables	12,139,830,644	-	-	-	781,529,873	12,921,360,517
Sinking fund	45,738,644	-	-	-	-	45,738,644
Security deposit*	4,659,340	-	-	-	-	4,659,340
	₱15,217,346,299	₱-	₱-	₱-	₱781,529,873	₱15,998,876,172

** Presented under Other Assets account*

Liquidity Risk

Liquidity risk is the risk from inability to meet obligations when they become due because of inability to liquidate assets or obtain adequate funding. The Group ensures that sufficient liquid assets are available to meet short-term funding and regulatory requirements.

Management of Liquidity Risk

The Group mitigates liquidity risk through its Asset and Liability Committee (ALCO) and Treasury Management Unit, who ensure that sufficient liquid assets are available to meet short-term funding and regulatory requirements. The amount and the sources of funds (such as secondary liquidity reserves, unused credit lines and rediscounting lines) that are available to the Group and the circumstances under which the Group may use those funds are determined on a weekly basis. The Group requires all branches to maintain liquid assets to total deposits/other liabilities ratio of at least 20% or 15% liquidity reserves, net of legal reserves.

The Group's liquidity, cash and reserves positions are monitored on a daily basis. The Group maintains sufficient liquidity reserves in the form of high-yielding placements with the BSP, deposits with other banks and investments in government securities (GS). The Group also has obtained sufficient liquidity lines from other banks and non-banking lending institutions that can relieve financial pressures in the event of an extraordinary demand for liquidity. Further, the Group actively rediscounts loans with many entities that have given it more than sufficient rediscounting lines.

Analysis of Financial Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the Group's financial liabilities as at December 31, 2019 and 2018 based on contractual undiscounted repayment obligations.

	December 31, 2019					
Consolidated	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
Deposit liabilities:						
Demand	₱2,070,170,824	₱-	₱-	₱-	₱-	₱2,070,170,824
Savings	7,779,528,888	-	-	-	-	7,779,528,888
Time	2,308,943,786	1,269,901,990	1,493,667,043	1,935,944,420	-	7,008,457,239
Bills payable	-	3,000,000,000	3,142,436,404	1,500,000,000	42,819,252	7,685,255,656
Accrued interest, taxes and other payables*	-	305,052,426	-	-	-	305,052,426
Other liabilities**	296,290,140	-	-	-	-	296,290,140
Total undiscounted financial liabilities	₱12,454,933,638	₱4,574,954,416	₱4,636,103,447	₱3,435,944,420	₱-	₱25,144,755,173

**Amounts include accrued interest payable, accrued taxes and licenses and accrued other expenses*
***Amounts exclude withholding tax payable*

	December 31, 2019					
Separate	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
Deposit liabilities:						
Demand	₱2,053,211,203	₱-	₱-	₱-	₱-	₱2,053,211,203
Savings	6,743,849,318	-	-	-	-	6,743,849,318
Time	2,183,429,822	1,006,003,951	1,360,865,602	1,803,142,979	-	6,353,442,354
Bills payable	-	3,000,000,000	2,850,000,000	1,500,000,000	42,819,252	7,392,819,252
Accrued interest, taxes and other payables*	-	236,696,832	-	-	-	236,696,832
Other liabilities**	250,368,816	-	-	-	-	250,368,816
Total undiscounted financial liabilities	₱11,230,859,159	₱4,242,700,783	₱4,210,865,602	₱3,303,142,979	₱42,819,252	₱23,030,387,775

**Amounts include accrued interest payable, accrued taxes and licenses and accrued other expenses*
***Amounts exclude withholding tax payable*

	December 31, 2018					
Individual	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
Deposit liabilities:						
Demand	₱1,812,083,789	₱-	₱-	₱-	₱-	₱1,812,083,789
Savings	5,655,320,235	-	-	-	-	5,655,320,235
Time	1,088,769,115	566,577,802	1,115,367,130	1,498,482,166	-	4,269,196,213
Bills payable	-	-	1,000,000,000	3,350,000,000	-	4,350,000,000
Accrued interest, taxes and other payables*	-	140,697,259	-	-	-	140,697,259
Other liabilities**	88,281,125	-	-	-	-	88,281,125
Total undiscounted financial liabilities	₱8,644,454,264	₱707,275,061	₱2,115,367,130	₱4,848,482,166	₱-	₱16,315,578,621

**Amounts include accrued interest payable, accrued taxes and licenses and accrued other expenses*
***Amounts exclude withholding tax payable*

The tables below show the contractual expiry by maturity of the Group's contingent liabilities:

	December 31, 2019				
Consolidated	**On Demand**	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Contingent liabilities	-	₱18,417,798	₱-	₱-	₱18,417,798

	December 31, 2019				
Separate	**On Demand**	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Contingent liabilities	₱-	₱18,405,835	₱-	₱-	₱18,405,835

	December 31, 2018				
Individual	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	Total
Contingent liabilities	₱-	₱3,333,964	₱-	₱-	₱3,333,964

Market Risk

Market risk is the risk of loss of future earnings or future cash flows arising from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, equity prices and other market changes. The Group's market risk is manageable within conservative bounds.

As at December 31, 2019 and 2018, the Group has not engaged in trading financial instruments.

Interest Rate Risk

Interest rate risk is the risk to earning or capital resulting from adverse movements in the interest rates. The economic perspective of interest rate risk focuses on the value of a financial instrument in the current interest environment and the sensitivity of that value to changes in interest rates.

The Group mitigates interest rate risk (risk of loss or the risk of reduction in income due to changes in the interest rate environment) through the ALCO. The Group also monitors and measures the interest rate risk using an interest rate gap analysis. The gap analysis measures, for any given period, any mismatch between the amounts of interest-bearing assets and interest-bearing liabilities, which would mature or reprice during the period.

Interest rate risk is also addressed by the Group by setting prudential limits on short-term loans vis-à-vis medium-term loans (maximum limit of 30% of total outstanding loans receivable). Short-term loans allow the Group to adjust loan pricing quickly should interest rates move up with respect to its sources of funds. Medium-term loans, on the other hand, are generally repriced periodically. In cases of medium-term loan whose interest rates are fixed, the interest rate generally provides sufficient cushion in terms of spread over sourcing rates.

The Group also maintains a very large portion of its deposit base in short-term deposits. The interest rates on savings and time deposits are set by reference to prevailing market rates being quoted by the commercial banks. Demand deposits are generally non-interest bearing.

The Group also makes an extensive use of rediscounting funds, the interest rates on which are generally fixed for the entire term, thus assuring that the interest spread of the Group is maintained at all times.

The Group closely monitors the movements of interest rates in the market and reviews its asset-liability structure to ensure that exposures to fluctuations in interest rates are kept within acceptable limits.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's results of operations:

Consolidated

	December 31, 2019	
Currency	Changes in Interest Rates (In Basis Points)	Sensitivity of Net Interest Income (In Millions)
PHP	+100	₱1.75
PHP	-100	(1.75)

Separate

	December 31, 2019	
Currency	Changes in Interest Rates (In Basis Points)	Sensitivity of Net Interest Income (In Millions)
PHP	+100	₱1.55
PHP	-100	(1.55)

Individual

	December 31, 2018	
Currency	Changes in Interest Rates (In Basis Points)	Sensitivity of Net Interest Income (In Millions)
PHP	+ 100	₱2.02
PHP	- 100	(2.02)

The sensitivity of the results of operations is measured as the effect of the assumed changes in interest rates on the net interest income for one year based on the floating rate of financial assets and financial liabilities held as at December 31, 2019 and 2018.

The tables set forth the interest rate repricing gap as at December 31, 2019 and 2018, based on the reporting made to BSP.

Consolidated

	December 31, 2019							
In Millions	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	Total
Assets								
Due from BSP	₱2,286	₱-	₱-	₱-	₱-	₱-	₱-	₱2,286
Due from other Banks	908	-	-	-	-	-	-	908
Interbank loan receivables	2,518	-	-	-	-	-	-	2,518
Loan receivables	12,430	-	1,233	237	2,071	1,229	401	17,601
Accrued interest income from financial assets	236	-	-	-	-	-	-	236
	18,378	-	1,233	237	2,071	1,229	401	23,549
Liabilities and Equity								
Deposit liabilities	1,660	482	2,319	1,485	1,062	7,780	2,070	16,858
Bills payable	-	3,000	3,142	1,500	43	-	-	7,685
Redeemable preferred shares	40	-	-	-	-	-	-	40
Accrued interest expense on financial liabilities	-	305	-	-	-	-	-	305
	1,700	3,647	5,461	2,985	1,105	7,780	2,070	24,748
	₱16,678	₱3,647	(₱4,228)	(₱2,748)	₱966	(₱6,551)	(₱1,669)	(₱1,199)

Separate

	December 31, 2019							
In Millions	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	Total
Assets								
Due from BSP	₱2,221	₱-	₱-	₱-	₱-	₱-	₱-	₱2,221
Due from other Banks	582	-	-	-	-	-	-	582
Interbank loan receivables	2,518	-	-	-	-	-	-	2,518
Loan receivables	10,368	-	1,233	237	2,071	1,229	402	15,539
Accrued interest income from financial assets	206	-	-	-	-	-	-	206
	15,895	-	1,233	237	2,071	1,229	402	21,067
Liabilities and Equity								
Deposit liabilities	1,442	264	2,319	1,267	1,062	6,744	2,053	15,151
Bills payable	-	3,000	2,850	1,500	43	-	-	7,393
Redeemable preferred shares	40	-	-	-	-	-	-	40
Accrued interest expense on financial liabilities	-	143	-	-	-	-	-	143
	1,482	3,407	5,169	2,767	1,105	6,744	2,053	22,727
	₱14,413	(₱3,407)	(₱3,936)	(₱2,530)	₱966	(₱5,515)	(₱1,651)	(₱1,660)

Individual

In Millions	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 3 Years	3 - 5 Years	Beyond 5 Years	Non-rate Sensitive	Total
	December 31, 2018							
Assets								
Due from BSP	₱889	₱-	₱-	₱-	₱-	₱-	₱-	₱889
Due from other Banks	508	-	-	-	-	-	-	508
Interbank loan receivables	600	-	-	-	-	-	-	600
Loan receivables	7,859	-	1,233	362	2,070	1,229	-	12,753
Accrued interest income from financial assets	150	-	-	-	-	-	-	150
	10,006	-	1,233	362	2,070	1,229	-	14,900
Liabilities and Equity								
Deposit liabilities	6,744	567	1,115	-	1,498	-	1,812	11,736
Bills payable	-	-	1,000	3,350	-	-	-	4,350
Redeemable preferred shares	40	-	-	-	-	-	-	40
Accrued interest expense on financial liabilities	160	-	-	-	-	-	-	160
	6,944	567	2,115	3,350	1,498	-	1,812	16,286
	₱3,062	(₱567)	(₱882)	(₱2,988)	₱572	₱1,229	(₱1,812)	(₱1,386)

Currency Risk

The Group manages its exposure to the effects of fluctuations in the foreign currency exchanges by complying with existing regulatory guidelines on the FCDU and by limiting such exposure within the limits that management believes to be relatively conservative for the size of the Group.

The Group's exposure to foreign exchange risk as at December 31, 2019 and 2018 is considered to be minimal as the Group 's functional currency for FCDU is also in USD. As at December 31, 2019 and 2018, the Group's exposure amounted to $0.02 million, respectively.

Fair Value Measurement

The following table provides the fair value hierarchy of the Group's assets and liabilities measured at fair value and those for which fair values should be disclosed:

Consolidated	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
	December 31, 2019				
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVOCI	**₱400,702,858**	**₱400,702,858**	**₱-**	**₱-**	**₱400,702,858**
Assets for which Fair Values are disclosed					
Financial Assets:					
Loans and Receivables	**₱17,601,228,239**	**₱-**	**₱-**	**₱10,325,314,020**	**₱10,325,314,020**
Nonfinancial Assets:					
Investment properties	**1,540,935,168**	**-**	**-**	**1,540,935,168**	**1,540,935,168**
	₱19,142,163,407	**₱-**	**₱-**	**₱11,866,249,188**	**₱11,866,249,188**

Separate	December 31, 2019 Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVOCI	₱400,702,858	₱400,702,858	₱-	₱-	₱400,702,858
Assets for which Fair Values are disclosed					
Financial Assets:					
Loans and Receivables	₱15,539,715,516	₱-	₱-	₱13,379,647,424	₱13,379,647,424
Nonfinancial Assets:					
Investment properties	1,343,186,958	-	-	1,343,186,958	1,343,186,958
	₱16,882,902,474	₱-	₱-	₱14,722,834,382	₱14,722,834,382

Individual	December 31, 2018 Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Financial assets at FVOCI	₱387,260,836	₱387,260,836	₱-	₱-	₱387,260,836
Assets for which Fair Values are disclosed					
Financial Assets:					
Loans and Receivables	₱12,752,657,372	₱-	₱-	₱6,975,851,863	₱6,975,851,863
Nonfinancial Assets:					
Investment properties	1,340,216,271	-	-	1,340,216,271	1,340,216,271
	₱14,092,873,643	₱-	₱-	₱8,316,068,134	₱8,316,068,134

The methods and assumptions used by the Group in estimating the fair value of its assets and liabilities follow:

Cash and Other Cash Items, Due From BSP and Other Banks
The carrying amounts approximate their fair values due to the short-term nature of these assets.

Loans and Receivables
Fair values of receivables from customers are estimated using the discounted cash flow methodology, that makes use of the Group's current incremental lending rates for similar types of loans. The carrying amounts of other receivables approximate their fair values due to their relatively short-term maturities.

Investment Properties
Fair values are based on valuations made by independent and in-house appraisers, using the market sales comparison approach. Under this approach, recent transactions for similar properties in the same areas as the investment properties were considered, taking into account the economic conditions prevailing at the time the valuations were made. Prices of recent transactions are adjusted to account for differences in a property's size, shape, location, marketability and bargaining allowances. For depreciable properties, other inputs considered in the valuations will include the age and remaining useful life of the buildings and improvements.

Financial Liabilities
Fair values of time deposits and other financial liabilities that are due to mature beyond one (1) year are estimated using the discounted cash flow methodology, using the Group's current incremental borrowing rates for similar borrowings. The carrying amounts of the savings, demand deposits and other financial liabilities approximate their fair values since these are due and demandable.

6. Due from BSP and Other Banks, and Interbank Loan Receivables

Due from BSP
This account represents demand deposit accounts (DDA), and overnight deposit facilities (ODF) and time deposit facility (TDF) of the Group with the BSP maintained to meet the reserve requirements. This also serves as a clearing account for interbank claims. Details are as follow:

	Consolidated	Separate	Individual
	2019	2019	2018
DDA	₱646,471,523	₱581,294,446	₱888,665,071
ODF and TDF	1,640,000,000	1,640,000,000	-
	₱2,286,471,523	₱2,221,294,446	₱888,665,071

DDA represents the deposit maintained by the Group with BSP as reserve requirement against deposit liabilities.

ODF and TDF both bear annual interest rate of 3.50% in 2019.

The account also serves as the Group's clearing account for its check clearing operations as a member of the Philippine Clearing House Corporation (PCHC).

Interbank Loan Receivables
This account pertains to the Parent's reverse repurchase agreements (RRP) with BSP that bear annual interest rate of 4.00% in 2019 and 2018, amounting to ₱2.52 million and ₱0.60 million as at December 31, 2019 and 2018, respectively.

Due from Other Banks
This account represents funds deposited with domestic banks which are used by the Group as part of its operating funds. Details are as follow:

	Consolidated	Separate	Individual
	2019	2019	2018
Demand	₱323,975,152	₱172,434,034	₱130,543,246
Savings	552,665,465	407,751,302	339,088,477
Time deposits	31,193,642	2,120,031	38,078,512
	₱907,834,259	₱582,305,367	₱507,710,235

Demand deposits earn interest ranging from 5.35% to 7.27% per annum in 2019 and 2018 while savings account earns interest ranging from 0.90% to 1.23% per annum in 2019 and 2018. Time deposits earn interest ranging from 3.46% to 4.60% per annum in 2019 and 2018.

This account includes dollar-denominated deposits amounting to $16.14 million and $11.44 million as at December 31, 2019 and 2018, respectively.

Details of interest income earned on cash and cash equivalents follow:

	Consolidated 2019	Separate 2019	Individual 2018
Due from BSP and interbank loans receivable	₱43,825,676	₱43,718,451	₱39,816,943
Due from other banks	5,271,054	3,500,258	2,270,000
	₱49,096,730	₱47,218,709	₱42,086,943

7. Investments at Amortized Cost

This account consists of:

	Consolidated 2019	Separate 2019	Individual 2018
Government securities	₱704,799,160	₱684,726,174	₱640,738,967
Other debt securities	1,013,524	1,013,524	2,742,562
	₱705,812,684	₱685,739,698	₱643,481,529

Government securities pertain to investments held by the Bureau of Treasury under the Registry of Scripless Securities.

No government securities were purchased nor matured for the years 2019 and 2018.

Investments of the Group bear annual interest rates ranging from 1.70% to 4.90% in 2019 and 2018.

The Group earned interest amounting to ₱33.50 million and ₱37.37 million in 2019 and 2018, respectively. On the Parent level, interest earned amounted to ₱33.00 million and ₱37.23 million in 2019 and 2018, respectively.

8. Financial Assets at FVOCI

In 2017, the Parent purchased ₱400.00 million government shares with a coupon rate of 4.25% and term of three (3) years. As at December 31, 2019 and 2018, market value of government shares amounted to ₱400.70 million and ₱387.26 million, respectively. There were no dividends earned in 2019 and 2018.

Movements in the unrealized gains (losses) on financial assets at FVOCI follow:

	Consolidated 2019	Separate 2019	Individual 2018
Balance at beginning of the year	(₱12,739,165)	(₱12,739,165)	₱1,750,120
Fair value gain (loss) recognized in OCI	13,442,023	13,442,023	(14,489,285)
Balance at end of year	₱702,858	₱702,858	(₱12,739,165)

9. Loans and Receivables, Net

This account consists of:

	Note	Consolidated 2019	Separate 2019	Individual 2018
Loans:				
Small and medium-sized entity loans		₱5,806,682,877	₱5,777,238,353	₱5,168,974,567
Salary loans		6,523,665,040	4,616,333,433	3,243,384,522
Agrarian reform loans		4,016,385,283	3,302,030,826	2,647,376,720
Housing loans		380,768,909	380,768,909	318,647,184
Auto loans		886,454,268	886,454,268	845,103,458
Loans to individuals for other purposes		294,009,790	198,657,935	207,823,472
		17,907,966,167	15,161,483,724	12,431,309,923
Less: Unearned discounts		41,820,493	25,377,618	24,877,799
		17,866,145,674	15,136,106,106	12,406,432,124
Other receivables:				
Accounts receivable		337,616,773	303,708,557	215,572,260
Sales contracts receivable		147,683,600	96,564,640	124,545,714
Accrued interest receivable		235,716,863	205,955,063	149,932,620
		721,017,236	606,228,260	490,050,594
		18,587,162,910	15,742,334,366	12,896,482,718
Less: Allowance for probable losses	*16*	985,934,671	202,618,850	143,825,346
		₱17,601,228,239	₱15,539,715,516	₱12,752,657,372

Sales contracts receivable refers to the amortized cost of assets acquired in settlement of loans through foreclosure or dacion in payment and subsequently sold on installment basis whereby the title to the said properties is transferred to the buyer only upon full payment of the agreed selling price.

Regulatory Reporting

As at December 31, 2019 and 2018, the breakdown of loans as to collateral follows:

	Consolidated 2019		Separate 2019		Individual 2018	
	Amount	%	Amount	%	Amount	%
Loans secured by:						
Real estate	₱10,203,837,069	56.98%	₱9,460,038,088	62.40%	₱8,134,998,471	65.44%
Chattel	886,454,268	4.95%	886,454,268	5.85%	845,103,458	6.80%
Others	294,009,790	1.64%	198,657,936	1.31%	207,823,472	1.67%
	11,384,301,127	63.57%	10,545,150,292	69.56%	9,187,925,401	73.91%
Unsecured	6,523,665,040	36.43%	4,616,333,432	30.44%	3,243,384,522	26.09%
	₱17,907,966,167	100.00%	₱15,161,483,724	100.00%	₱12,431,309,923	100.00%

As at December 31, 2019 and 2018, information on the concentration of credit as to industry follows:

	Consolidated		Separate		Individual	
		2019		2019		2018
	Amount	%	Amount	%	Amount	%
Other community, social and personal service activities	₱7,580,592,888	42.33%	₱5,512,938,748	36.36%	₱4,636,692,791	37.30%
Agriculture, forestry and fishing	3,896,746,859	21.76%	3,285,016,307	21.67%	2,622,498,921	21.10%
Wholesale and retail trade, repair of motor vehicles, motorcycles	2,485,248,405	13.88%	1,634,915,763	10.78%	2,257,988,532	18.16%
Real estate activities	944,742,699	5.28%	1,498,250,495	9.88%	804,820,991	6.47%
Accommodation and food service activities	899,471,996	5.02%	760,955,247	5.02%	599,454,136	4.82%
Construction	662,612,384	3.70%	583,054,422	3.85%	433,277,271	3.49%
Education	479,993,355	2.68%	525,908,758	3.47%	305,821,660	2.46%
Private households with employed persons	339,926,810	1.90%	360,618,357	2.38%	207,823,472	1.67%
Transportation and storage	237,051,514	1.32%	155,867,913	1.03%	102,099,313	0.82%
Human health and social work activities	118,341,981	0.66%	190,189,645	1.25%	107,687,022	0.87%
Electricity, gas, steam and air-conditioning supply	112,201,403	0.63%	102,589,209	0.68%	76,805,313	0.62%
Financial and insurance activities	84,404,719	0.47%	84,564,244	0.56%	55,623,333	0.45%
Manufacturing	61,126,915	0.34%	454,796,451	3.00%	215,708,504	1.74%
Mining and quarrying	5,504,239	0.03%	11,818,165	0.08%	5,008,664	0.03%
	₱17,907,966,167	100.00%	₱15,161,483,724	100.00%	₱12,431,309,923	100.00%

BSP considers that concentration of credit risk exists when the total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio. Identified concentration of credit risks are controlled and managed accordingly.

Under banking regulations, loan accounts shall be considered non-performing when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal or interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for `more than ninety (90) days have been capitalized, refinanced, or delayed by agreement. Restructured loans shall be considered non-performing. However, if prior restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after they have become past due.

As at December 31, 2019 and 2018, the NPLs of the Group as reported to the BSP follows:

	Consolidated 2019	Separate 2019	Individual 2018
Gross NPLs	**₱1,727,681,368**	**₱719,485,742**	₱369,105,717
Less: deductions as required by the BSP	**740,345,746**	**25,784,901**	11,489,964
Net NPLs	**₱987,335,622**	**₱693,700,841**	₱357,615,753

On the Group level, gross and net NPL ratios are 9.67% and 5.53%, respectively, as at December 31, 2019 and 3.44% and 2.52%, respectively, as at December 31, 2018. On the Parent level, gross and net NPL ratios are 4.75% and 4.58%, respectively, as at December 31, 2019 and 2.98% and 2.88%, respectively, as at December 31, 2018.

Details of interest income earned on loans and receivables follow:

	Consolidated 2019	Separate 2019	Individual 2018
Loans	**₱1,845,875,138**	**₱1,345,438,504**	₱1,006,323,975
Sales contracts receivable	**10,976,900**	**7,419,544**	6,295,664
	₱1,856,852,038	**₱1,352,858,048**	₱1,012,619,639

10. Noncurrent Assets Held for Sale

As at December 31, 2019 and 2018, these noncurrent assets were stated at carrying amount and comprised the following:

	Consolidated 2019	Separate 2019	Individual 2018
Balance at beginning of year	**₱9,304,303**	**₱9,304,303**	₱22,533,085
Reclassification*	**43,130,303**	**43,130,303**	-
Disposals	**(9,304,303)**	**(9,304,303)**	(13,228,782)
Balance at end of year	**₱43,130,303**	**₱43,130,303**	₱9,304,303

**Pertains to the investment properties reclassified to noncurrent asset held for sale*

11. Property and Equipment, Net

Details on the movement of this account follow:

	2019			
Consolidated	**Bank Premises, Furniture and Fixtures**	**Equipment**	**Leasehold Improvements**	**Total**
Cost				
Balance at January 1	₱579,184,202	₱488,922,330	₱224,713,140	₱1,292,819,672
Additions*	127,832,960	85,432,756	35,853,446	249,119,162
Disposals	(9,974,843)	(11,014,640)	(847,684)	(21,837,167)
Balance at December 31	697,042,319	563,340,446	259,718,902	1,520,101,667
Accumulated Depreciation and Amortization				
Balance at January 1	163,566,924	309,205,495	117,002,569	589,774,988
Depreciation and amortization	22,360,153	57,310,460	25,020,768	104,691,381
Disposals	(973,802)	(4,442,283)	-	(5,416,085)
Other adjustments	19,145,927	-	-	19,145,927
Balance at December 31	204,099,202	362,073,672	142,023,337	708,196,211
Net Book Value at December 31	**₱492,943,117**	**₱201,266,774**	**₱117,695,565**	**₱811,905,456**

**Amounts include transfers of property and equipment resulting from merger.*

	2019			
Separate	**Bank Premises, Furniture and Fixtures**	**Equipment**	**Leasehold Improvements**	**Total**
Cost				
Balance at January 1	₱404,884,339	₱300,269,339	₱211,482,360	₱916,636,038
Additions*	118,138,062	66,168,748	29,098,374	213,405,184
Balance at December 31	523,022,401	366,438,087	240,580,734	1,130,041,222
Accumulated Depreciation and Amortization				
Balance at January 1	89,885,937	159,723,308	112,840,281	362,449,526
Depreciation and amortization	15,728,206	40,798,418	21,484,593	78,011,217
Other adjustments	19,145,927	-	-	19,145,927
Balance at December 31	124,760,070	200,521,726	134,324,874	459,606,670
Net Book Value at December 31	**₱398,262,331**	**₱165,916,361**	**₱106,255,860**	**₱670,434,552**

**Amounts include transfers of property and equipment resulting from merger.*

	2018			
Individual	Bank Premises, Furniture and Fixtures	Equipment	Leasehold Improvements	Total
Cost				
Balance at January 1	₱314,367,859	₱250,964,866	₱191,280,724	₱756,613,449
Additions*	90,516,480	49,304,473	20,201,636	160,022,589
Balance at December 31	404,884,339	300,269,339	211,482,360	916,636,038
Accumulated Depreciation and Amortization				
Balance at January 1	60,307,418	120,236,279	90,620,507	271,164,204
Depreciation and amortization	6,520,744	41,173,914	20,078,399	67,773,057
Other adjustments	23,057,775	(1,686,885)	2,141,375	23,512,265
Balance at December 31	89,885,937	159,723,308	112,840,281	362,449,526
Net Book Value at December 31	₱314,998,402	₱140,546,031	₱98,642,079	₱554,186,512

**Amounts include transfers of property and equipment resulting from merger.*

As at December 31, 2019 and 2018, the cost of fully-depreciated property and equipment still in use amounted to ₱136.87 million.

12. Investment Properties, Net

The movement in investment properties follows:

Consolidated	2019 Land	2019 Building	2019 Total
Cost			
Balance as at January 1	₱1,227,148,700	₱492,981,749	₱1,720,130,449
Additions	18,792,284	64,927,082	83,719,366
Disposals	(5,888,207)	(394,602)	(6,282,809)
Reclassifications	(36,203,353)	(6,926,950)	(43,130,303)
Balance as at December 31	1,203,849,424	550,587,279	1,754,436,703
Accumulated Depreciation			
Balance as at January 1	-	114,468,602	114,468,602
Depreciation	-	31,234,506	31,234,506
Disposals	-	(138,175)	(138,175)
Other Adjustments	-	(7,258,988)	(7,258,988)
Balance as at December 31	-	138,305,945	138,305,945
Allowance for Impairment Losses			
Balance as at January 1	26,100,742	19,221,925	45,322,667
Provisions	29,003,666	-	29,003,666
Other Adjustments	832,754	36,503	869,257
Balance as at December 31	55,937,162	19,258,428	75,195,590
Net Carrying Amount	₱1,147,912,262	₱393,022,906	₱1,540,935,168

Separate	2019 Land	2019 Building	2019 Total
Cost			
Balance as at January 1	₱1,010,204,620	₱469,402,978	₱1,479,607,598
Additions	4,636,555	64,852,082	69,488,637
Reclassifications	(36,203,353)	(6,926,950)	(43,130,303)
Balance as at December 31	978,637,822	527,328,110	1,505,965,932
Accumulated Depreciation			
Balance as at January 1	-	109,175,630	109,175,630
Depreciation	-	30,610,134	30,610,134
Other adjustments	-	(7,258,990)	(7,258,990)
Balance as at December 31	-	132,526,774	132,526,774
Allowance for Impairment Losses			
Balance as at January 1	12,621,395	17,594,302	30,215,697
Other adjustments	-	36,503	36,503
Balance as at January 1	12,621,395	17,630,805	30,252,200
Net Carrying Amount	₱966,016,427	₱377,170,531	₱1,343,186,958

Individual		2018	
	Land	Building	Total
Cost			
Balance as at January 1	₱928,557,957	₱443,559,675	₱1,372,117,632
Additions	81,646,663	25,843,303	107,489,966
Balance as at December 31	1,010,204,620	469,402,978	1,479,607,598
Accumulated Depreciation			
Balance as at January 1	-	79,284,907	79,284,907
Depreciation	-	29,890,723	29,890,723
Balance as at December 31	-	109,175,630	109,175,630
Allowance for impairment losses			
Balance as at January 1	12,621,395	11,314,813	23,936,208
Provisions	-	-	-
Other adjustments	-	6,279,489	6,279,489
	12,621,395	17,594,302	30,215,697
Net Carrying Amount	₱997,583,225	₱342,633,046	₱1,340,216,271

The fair values of the Group's investment properties have been determined by BSP-accredited appraisers or in-house appraisers on the basis of recent sales of similar property in the same area as the investment property and are therefore within Level 3 of the fair value hierarchy. In compliance with pertinent BSP rules, the appraisal of an individual real estate property with a carrying amount of loan of more than ₱5.00 million was conducted by an independent appraiser acceptable to the BSP.

On the Group level, the fair value of investment properties amounted to ₱2.15 billion as at December 31, 2019. On the Parent level, the fair value amounted to ₱1.81 billion and ₱1.64 billion as at December 31, 2019 and 2018, respectively.

Details on gain on assets foreclosed and sold are as follow:

	Consolidated	**Separate**	Individual
	2019	**2019**	2018
Gain on foreclosure of investment properties	**₱70,527,758**	**₱66,252,133**	₱43,510,979
Gain on sale of noncurrent assets held for sale	**70,063,405**	**54,871,200**	46,101,197
	₱140,591,163	**₱121,123,333**	₱89,612,176

Direct operating expenses other than depreciation expense and impairment losses on investment properties amounting to ₱12.13 million and ₱9.33 million in 2019 and 2018, respectively, are recorded under the "Litigation and assets acquired expenses" account in the consolidated and separate statements of income.

13. Sinking Fund

In 2007, the Parent placed two (2) sinking fund accounts equivalent to the present value of its liability for the redemption of its issued Preferred "A" and Preferred "B" shares of stocks with Land Bank of the Philippines Trust Banking Group.

The Group has outstanding sinking fund accounts amounting to ₱46.56 million and ₱46.70 million as at December 31, 2019 and 2018, respectively. The Parent has outstanding sinking fund accounts amounting to ₱45.46 million and ₱45.74 million as at December 31, 2019 and 2018, respectively.

14. Intangible Assets, Net

This account consists of:

	Consolidated 2019	Separate 2019	Individual 2018
Software costs	₱69,345,750	₱68,912,737	₱72,718,688
Goodwill	62,534,090	55,469,219	71,229,441
	₱131,879,840	₱124,381,956	₱143,948,129

Software Costs

Software costs include costs incurred relative to the acquisition of software licenses for the Group's computerized banking services. The initial software license cost of the Finacle System is amortized on a straight-line basis over 10 years.

Movement in software costs follows:

	Consolidated 2019	Separate 2019	Individual 2018
Cost			
Balance as at January 1	₱116,493,165	₱105,553,757	₱101,309,635
Additions	9,986,905	9,538,705	4,244,122
Balance as at December 31	126,480,070	115,092,462	105,553,757
Accumulated Amortization			
Balance as at January 1	43,182,187	32,835,069	20,860,562
Amortization	13,952,133	13,344,656	11,974,507
Balance as at December 31	57,134,320	46,179,725	32,835,069
Net Book Value	₱69,345,750	₱68,912,737	₱72,718,688

Goodwill

The goodwill acquired from the consolidation represents the excess of the acquisition cost over the fair market value of the net identifiable assets, liabilities and contingent liabilities acquired of the following:

	Consolidated 2019	Separate 2019	Individual 2018
Cost			
Balance as at January 1	₱71,229,441	₱71,229,441	₱75,862,522
Adjustment	(8,695,353)	(15,760,222)	(4,633,081)
Balance as at December 31	₱62,534,088	₱55,469,219	₱71,229,441

In 2019, the Parent purchased 100% of the total outstanding shares of the below subsidiaries with total purchase price of ₱703.93 million. Relative fair value of the identifiable assets and liabilities of the acquired subsidiaries are as follow:

Bank	Asset	Liabilities	Net Asset
PBCOM Rural Bank, Inc.	₱2,172,271,820	₱1,756,884,339	₱415,387,481
People's Bank of Caraga, Inc.	803,550,518	631,123,327	172,427,191
Rural Bank of San Quintin (Pangasinan), Inc.	143,933,431	101,795,952	42,137,479
Bangko Carrascal, Inc. (A Rural Bank)	187,408,424	94,863,505	92,544,919

Goodwill Impairment

The methods used in the annual impairment test of goodwill are complex and judgmental in nature, utilizing assumptions on future market and/or economic conditions. The assumptions used include future cash flow projections, growth rates, discount rates and sensitivity analyses, with a greater focus on more recent trends and current market interest rates, and less reliance on historical trends.

The Group assesses at each financial reporting date whether there is an indication that the goodwill is impaired and believes that there is no such indication as of December 31, 2019 and 2018 for the following acquired branches:

- Rural Bank of Rosales (Pangasinan), Inc. (RosGroup)
  Rosales, Tayug, Urdaneta City, Villasis and Binalonan in Pangasinan, Baguio City and La Trinidad in Cordillera Autonomous Region, Dau and San Fernando City in Pampanga, Calabanga in Camarines Sur and Legaspi City in Albay, and branches that were opened because of the merger incentives, Sta. Barbara, Baler, Bambang, San Ildefonso, Plaridel, Santiago City, Iba, and Ortigas Center in Pasig City.

- New Rural Bank of Victorias, Inc. (NRBV)
  Bacolod City, Victorias City, San Carlos City, KaGroupalan City, Bago City and the OBO in Escalante City, all in the province of Negros Occidental; and Kalibo in Aklan.

- Rural Bank of Cainta, Inc. (RBC)
  Antipolo, Binangonan, Cainta, Cogeo, Taytay, and Teresa;

- Rural Bank of Bustos (Bulacan), Inc. (RB Bustos)
  Brgy. Bunga Menor and Poblacion, both in Bustos, Bulacan; and

- Rural Bank of Sto. Domingo (Nueva Ecija), Inc. (STONE)
  Sto. Domingo, Maharlika Highway, Poblacion, Anao, Ramos, San Miguel and Sta. Maria, all located in Nueva Ecija.

15. Other Assets

This account consists of:

		Consolidated	**Separate**	Individual
	Note	**2019**	**2019**	2018
Prepayments		**₱14,832,926**	**₱5,785,560**	₱2,781,939
Stationery and supplies on hand		**10,708,814**	**8,353,249**	9,254,488
Retirement benefit asset	*25*	**20,803,145**	**10,016,019**	10,016,019
Security deposits		**6,585,029**	**4,659,340**	4,659,340
Petty cash fund		**962,180**	**805,180**	697,426
Miscellaneous assets		**91,521,248**	**60,080,628**	135,665,229
		145,413,342	**89,699,976**	163,074,441
Less: Allowance for losses		**27,319,301**	**-**	-
		₱118,094,041	**₱89,699,976**	₱163,074,441

Prepayments include prepaid insurance, legal fees, and other expenses.

Miscellaneous assets include security non-refundable fees paid in 2010 to PCHC amounting to ₱9.64 million. PCHC provides, maintains and renders check clearing service to the Group.

16. Allowance for Probable Losses

Details on the movement of this account is summarized as follows:

	2019			
Consolidated	**Loans and Receivables (Note 9)**	**Investment Properties (Note 12)**	**Other Assets (Note 15)**	**Total**
Balance, January 1	₱879,939,055	₱45,322,667	₱-	₱925,261,722
Provisions taken up to profit or loss	68,058,964	29,003,666	27,319,301	124,381,931
Accounts written-off, disposals, transfers and others	37,936,652	869,257	-	38,805,909
Balance, December 31	₱985,934,671	₱75,195,590	₱27,319,301	₱1,088,449,562

	2019		
Separate	**Loans and Receivables (Note 9)**	**Investment Properties (Note 12)**	**Total**
Balance, January 1	₱143,825,346	₱30,215,697	₱174,041,043
Provisions taken up to profit or loss	7,973,969	-	7,973,969
Accounts written-off, disposals, transfers and others	50,819,535	36,503	50,856,038
Balance, December 31	₱202,618,850	₱30,252,200	₱232,871,050

	2018		
Individual	Loans and Receivables (Note 9)	Investment Properties (Note 12)	Total
Balance at beginning of year	₱43,997,573	₱23,936,208	₱67,933,781
Provisions taken up to profit or loss	92,523,399	-	92,523,399
Accounts written-off, disposals, transfers and others	7,304,374	6,279,489	13,583,863
Balance at end of year	₱143,825,346	₱30,215,697	₱174,041,043

17. Deposit Liabilities

This account consists of:

	Consolidated	**Separate**	Individual
	2019	**2019**	2018
Demand	₱2,070,167,824	₱2,053,211,203	₱1,812,083,789
Savings	7,779,528,888	6,743,849,318	5,655,320,235
Time	7,008,457,239	6,353,442,354	4,269,196,213
	₱16,858,153,951	₱15,150,502,875	₱11,736,600,237

Savings deposit liabilities bear annual fixed interest rate of 0.25% in 2019 and 2018. Time deposit liabilities bear fixed interest rates ranging from 0.50% to 6.00% in 2019 and 2018. Foreign currency-denominated deposits are subject to annual interest rates ranging 0.25% to 0.50% in 2019 and 2018.

In 2018, BSP Circular Nos. 997 and 1004 were issued reducing the reserve requirements against deposit and deposit substitute liabilities. The required reserves can be kept in the form of deposits maintained in the demand deposit accounts with the BSP and any government securities used as compliance until they mature. The rate of required reserves against demand, savings and time deposits in local currency of thrift groups remains at 8%.

The Group is in compliance with such regulations as at December 31, 2019 and 2018.

Overall, the Group's total deposit liabilities increased by ₱3.41 billion or 29.09% from last year. This increase is consistent with the Group's growth since it has recently acquired four new rural banks in 2019 and seven new rural banks in 2018 and its strategy of putting up additional branches nationwide has expanded its market reach, garnered thousands of new depositors and encouraged their existing clients to increase their deposits.

In 2019, savings and time deposits continue to be the primary sources of funds for the Group. Savings deposits has likewise increased by 19.25% while time deposits had an increase of 48.82% as various depositors whose time deposits have matured have been shifted to demand and savings deposits in order to have easier access to cash in preparation for the spending (harvest) season.

Interest expense on deposit liabilities consists of:

	Consolidated	**Separate**	Individual
	2019	**2019**	2018
Savings	**₱18,686,068**	**₱14,499,878**	₱12,411,691
Time	**237,592,137**	**177,394,636**	107,014,158
	₱256,278,205	**₱191,894,514**	₱119,425,849

18. Bills Payable

This account consists of borrowings from rediscounting facility availed by the Parent from banks. Details on the movement of this account is summarized as follows:

	Consolidated	**Separate**	Individual
	2019	**2019**	2018
Balance, January 1	**₱4,350,000,000**	**₱4,350,000,000**	₱4,550,000,000
Availments	**7,685,255,656**	**7,392,819,252**	4,350,000,000
Payments	**(4,350,000,000)**	**(4,350,000,000)**	(4,550,000,000)
Balance, December 31	**₱7,685,255,656**	**₱7,392,819,252**	₱4,350,000,000

At Group level, interest expense amounted to ₱289.26 million in 2019. Interest expense incurred by the Parent on bills payable amounted to ₱246.37 million and ₱141.28 million in 2019 and 2018, respectively.

Bills payable of the Group are subject to annual interest rates ranging from 1.12% to 6.00% in 2019 and 2018.

19. Accrued Interest, Taxes and Other Payables

This account consists of:

	Consolidated 2019	Separate 2019	Individual 2018
Accrued interest payable			
Bills payable	₱105,415,012	₱98,514,379	₱57,464,528
Deposit liabilities	59,726,604	44,511,421	23,597,118
	165,141,616	143,025,800	81,061,646
Accrued taxes and licenses payable	56,759,200	48,972,024	44,518,317
Income tax payable	52,454,919	42,643,581	26,228,144
Accrued other expenses	83,151,610	44,699,008	15,117,296
	₱357,507,345	₱279,340,413	₱166,925,403

Accrued other expenses pertain to manager's check payable and accrual of employees' salaries and bonuses.

20. Other Liabilities

This account consists of:

	Consolidated 2019	Separate 2019	Individual 2018
Accounts payable	₱282,699,127	₱240,383,893	₱73,673,763
Documentary stamp payable	9,131,908	9,131,908	8,582,574
Withholding tax payable	5,968,359	4,232,403	4,487,403
SSS and Medicare benefits payable	2,501,541	601,455	583,094
Overages	323,998	251,560	501,860
Insurance payable	-	-	4,939,834
Miscellaneous	1,633,567	-	-
	₱302,258,500	₱254,601,219	₱92,768,528

Accounts payable include rent, Bancnet credits, janitorial, messengerial and various expenses attributable to the Group's operations.

21. Redeemable Preference Shares

The composition of the account follows:

	Consolidated	Separate	Individual
	2019	2019	2018
Authorized:			
Preferred A - 15,000,000 shares	₱150,000,000	₱150,000,000	₱150,000,000
Preferred B - 35,000,000 shares	350,000,000	350,000,000	350,000,000
	500,000,000	500,000,000	500,000,000
Issued and outstanding:			
Preferred A - 1,000,000 shares	10,000,000	10,000,000	10,000,000
Preferred B - 3,000,000 shares	30,000,000	30,000,000	30,000,000
	40,000,000	40,000,000	40,000,000
Assumed through merger	180,400	180,400	-
	₱40,180,400	₱40,180,400	₱40,000,000

The liability for the redeemable preferred shares was assumed from the consolidation of PSBC and ICDBank.

As stated in the Parent's Articles of Incorporation, preferred shares shall have preference over common shares in the assets of PSBC in the event of liquidation. The preferred shares shall consist of (a) preferred-series "A" share consisting of 15,000,000 shares and (b) preferred series "B" share consisting of 35,000,000 shares.

Preferred-series "A" Shares

Preferred-series "A" shares which was issued to the Land Bank of the Philippines (LBP) shall have the following rights, preferences, qualifications and limitations incorporated in the certificates of stock evidencing the preferred shares:

Dividend Rights and Restrictions

The holders of the preferred-series "A" shares are entitled to receive, as and when declared by the BOD, an annual cumulative preferential dividend, payable commencing at the end of the year following the issue date and at the end of each year thereafter (the "Dividend Payment Date") at a rate equivalent to the average 364-day Treasury Bill based on the latest weekly auction prior to the release of the equity or anniversary date plus one percent (1%) per annum.

Dividends accrued and unpaid, if any, on the preferred-series "A" shares shall be cumulative and no cash dividends shall be declared and paid to holders of common shares until after such accumulated, accrued and unpaid dividends on the preferred-series "A" shares shall have been paid or provision thereof made; Provided, that in no case shall dividends be paid on the preferred-series "A" shares in the absence of sufficient undivided profits, free surplus and without the approval of the BSP.

Redemption

The Group shall be obligated to redeem any and all preferred-series "A" shares outstanding at the end of five (5) years from the date of issue of such preferred shares (the "Redemption Date") at a price (the "Redemption Price") equal to the par value thereof together with all accrued and unpaid dividends thereon, provided that:

(a) redemption shall be allowed only upon prior approval of the BSP and only if the shares redeemed are replaced with at least an equivalent amount of newly paid-in shares so that the total paid-in share capital is maintained at the same level immediately prior to redemption; and
(b) such redemption may not be made where the Group is insolvent or if such redemption will cause insolvency, impairment of capital or inability of the Group to meet its debts as they mature.

Sinking Fund
A sinking fund for the redemption of the preferred-series "A" shares shall be created upon the issuance thereof, to be effected by the transfer of free surplus to a restricted surplus account, which sinking fund shall not be available for dividends and without prior approval of the BSP. The preferred-series "A" shares shall be issued upon the further condition that the Group shall not treat in any way the redeemable preferred stock as time deposit, deposit substitute or other forms of borrowing (see Note 13).

Voting Rights
The preferred-series "A" shares shall not have the right to vote, except only on matters where non-voting shares are expressly given the right to vote pursuant to the provisions of the Corporation Code.

Preference in Liquidation
In the event of liquidation, dissolution or winding up of the Group (whether voluntary or involuntary), the holders of preferred-series "A" shares shall be entitled to receive out of the net assets of the Group available for distribution to its shareholders and after satisfying all creditors, whether from capital or earnings, an amount equal to the par value of the preferred-series "A" shares, plus accrued and unpaid dividends if any, before any distribution of the assets of the Group may be made to holders of common shares. The holders of preferred- series "A" shares shall be entitled to no other or further distribution, and any assets remaining after such distribution shall be distributed exclusively to holders of common shares.

Ranking
No amendment of the terms and conditions of issuance of the preferred-series "A" shares may be made without the affirmative vote of a majority of the holders of the preferred-series "A" shares.

Reissuance of Preferred-series "A" Shares Redeemed
All shares of preferred-series "A" redeemed may be reissued, at the option of the BOD, whether as common or preferred shares and of whatever class or series and with such features and under such terms as the BOD shall determine.

Convertibility
No convertibility to common shares upon maturity of the investment.

Other Terms
The BOD may provide for such other terms and conditions for the issuance of the preferred-series "A" share, as may be consistent with the foregoing provisions.

<u>Preferred-series "B" Shares</u>
Preferred-series "B" shares shall have the following rights, preferences, qualifications and limitations, all of which shall be incorporated in the certificates of stock evidencing the preferred shares:

Dividend Rights and Restrictions
The holders of the preferred-series "B" shares shall be entitled to receive, as and when declared by the BOD, a quarterly cumulative preferential dividend, payable commencing 90 days after the issue date and dividend payment date at a rate equivalent to the average 91-day Treasury Bill rate for the last two weekly auctions preceding the immediately preceding Dividend Payment Date plus a premium equivalent to two percent (2%) per annum. Dividends accrued and unpaid, if any, on the preferred-series "B" shares shall be cumulative and no cash dividends shall be declared and paid to holders of common shares until after such accumulated, accrued and unpaid dividends on the preferred-series "B" shares shall have been paid or provision thereof made; Provided, that in no case shall dividends be paid on the preferred-series "B" shares in the absence of sufficient undivided profits, free surplus and without the approval of the BSP.

Redemption
The Group shall be obligated to redeem any and all preferred-series "B" shares outstanding at the end of five (5) years from the redemption date at redemption price") equal to the par value thereof together with all accrued and unpaid dividends thereon, provided that:

(a) redemption shall be allowed only upon prior approval of the BSP and only if the shares redeemed are replaced with at least an equivalent amount of newly paid-in shares so that the total paid-in share capital is maintained at the same level immediately prior to redemption, and
(b) such redemption may not be made where the Group is insolvent or if such redemption wilt cause insolvency, impairment of capital or inability of the Group to meet its debts as they mature.

Sinking Fund/Other conditions
A sinking fund for the redemption of the preferred-series "B" shares shall be created upon the issuance thereof, to be effected by the transfer of free surplus to a restricted surplus account, which sinking fund shall not be available for dividends and without prior approval of the BSP. The preferred-series "B" shares shall be issued upon the further condition that the Group shall not treat in any way the redeemable preferred shares as time deposit, deposit substitute or other forms of borrowing.

Voting Rights
The preferred-series "B" shares shall not have the right to vote, except only on matters where non-voting shares are expressly given the right to vote pursuant to the provisions of the Corporation Code.

Preference in Liquidation
In the event of liquidation, dissolution or winding up of the Group (whether voluntary or involuntary), the holders of preferred-series "B" shares shall be entitled to receive out of the net assets of the Group available for distribution to its shareholders and after satisfying all creditors, whether from capital or earnings, an amount equal to the par value of the preferred-series "B" shares, plus accrued and unpaid dividends, if any, before any distribution of the assets of the Parent may be made to holders of common shares. The holders of preferred- series "B" shares shall be entitled to no other or further distribution, and any assets remaining after such distribution shall be distributed exclusively to holders of common shares.

Ranking
No amendment of the terms and conditions of issuance of the preferred-series "B" shares may be made without the affirmative vote of a majority of the holders of the preferred-series "B" shares.

Reissuance of Preferred-series "B" Shares Redeemed
All shares of preferred-series "B" shares redeemed may be reissued, at the option of the BOD, whether as common or preferred shares and of whatever class or series and with such features and under such terms as the BOD shall determine.

Convertibility
No convertibility to common shares upon maturity of the investment.

Other Terms
The BOD may provide for such other terms and conditions for the issuance of the preferred-series "B" shares, as may be consistent with the foregoing provisions.

In January 2014, the BOD approved the appropriation from surplus free of ₱40.00 million that will serve as a reserve for the redemption of the redeemable preferred shares.

On April 15, 2014, the BSP approved the request of the Parent to pay cash dividends due to redeemable preferred shareholders as at December 31, 2013 and 2012, subject to the following conditions:

(a) The liability for dividends declared shall be taken up in the books of PSBC upon receipt of the BSP approval;

(b) The dividends shall not be treated as interest expense;

(c) Cash dividends due on delinquent stocks, if any, shall first be applied to the unpaid balance on the subscription plus costs and expenses pursuant to Section 43 of Batas Pambansa Blg. 68; and

(d) Payment of cash dividends shall not be made if the same will adversely affect PSBC's liquidity position.

22. Maturity Profile of Assets and Liabilities

The following tables present the maturity profile of the financial assets and financial liabilities of the Group:

	Consolidated			Separate			Individual		
	December 31, 2019			December 31, 2019			December 31, 2018		
	Within 1 year	Beyond 1 Year	Total	Within 1 year	Beyond 1 Year	Total	Within 1 year	Beyond 1 Year	Total
Financial Assets									
Cash and other cash items	₱901,387,143	₱-	₱901,387,143	₱871,386,266	₱-	₱871,386,266	₱610,557,594	₱-	₱610,557,594
Due from BSP	2,286,471,523	-	2,286,471,523	2,221,294,446	-	2,221,294,446	888,665,071	-	888,665,071
Due from other banks	907,834,259	-	907,834,259	582,305,367	-	582,305,367	507,710,235	-	507,710,235
Interbank loan receivables	2,517,859,977	-	2,517,859,977	2,517,859,977	-	2,517,859,977	600,000,000	-	600,000,000
Investments at amortized cost	-	705,812,684	705,812,684	-	685,739,698	685,739,698	-	643,481,529	643,481,529
Financial assets at FVOCI	-	400,702,858	400,702,858	-	400,702,858	400,702,858	-	387,260,835	387,260,835
Loans and receivables - net	1,233,458,677	16,367,769,562	17,601,228,239	3,279,768,842	12,259,946,674	15,539,715,516	3,279,768,842	9,472,888,530	12,752,657,372
Sinking fund	-	46,558,792	46,558,792	-	45,459,285	45,459,285	-	45,738,644	45,738,644
Security deposits	-	4,659,340	4,659,340	-	4,659,340	4,659,340	-	4,659,340	4,659,340
	7,847,011,579	17,525,503,236	25,372,514,815	9,472,614,898	13,396,507,855	22,869,122,753	5,886,701,742	10,554,028,878	16,440,730,620
Financial Liabilities									
Deposit liabilities	14,922,209,531	1,935,944,420	16,858,153,951	13,347,359,896	1,803,142,979	15,150,502,875	10,675,096,223	1,061,504,014	11,736,600,237
Bills payable	6,142,436,404	1,542,819,252	7,685,255,656	5,850,000,000	1,542,819,252	7,392,819,252	4,214,285,714	135,714,286	4,350,000,000
Accrued interest and other payables	357,507,345	-	357,507,345	279,340,413	-	279,340,413	166,925,403	-	166,925,403
Redeemable preferred shares	40,180,400	-	40,180,400	40,180,400	-	40,180,400	40,000,000	-	40,000,000
Other liabilities	302,258,498	-	302,258,498	254,601,219	-	254,601,219	92,768,528	-	92,768,528
	21,764,592,178	3,478,763,672	25,243,355,850	19,771,481,928	3,345,962,231	23,117,444,159	15,189,075,868	1,197,218,300	16,386,294,168
Net assets (liabilities)	(₱13,917,580,599)	₱14,046,739,564	₱129,158,965	(₱10,298,867,030)	₱10,050,545,624	-249,941,879)	(₱9,302,374,126)	₱9,356,810,578	₱54,436,452

23. Equity

The amount of the authorized common share of the Group is ₱1.50 billion and is divided into 150,000,000 common shares with a par value of ₱10 per share.

The Group has total issued and outstanding shares of 129,955,801 and 125,471,911 as at December 31, 2019 and 2018, respectively.

Capital Management

The primary objective of the Parent's capital management is to ensure its ability to have sufficient capital to underpin its risk-taking activities, continue as a going concern, maintain a strong credit rating and quality Capital Adequacy Ratio (CAR), ensure compliance with BSP regulations and provide reasonable returns and benefits to its shareholders.

The BOD manages its capital structure ad makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. No changes were made in the objectives, policies and processes from the previous years.

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the Group's compliance with regulatory requirements and ratios is based on the amount of the Group's "unimpaired capital" (regulatory net worth) for reporting to the BSP, which is determined on the basis of regulatory accounting policies which differ from PFRS in some respects.

The BSP sets and monitors compliance with minimum capital requirements by banks. In implementing current capital requirements, the BSP has issued Circular No. 688 which implemented the Revised Risk Based Capital Adequacy Framework under Basel 1.5 effective on January 1, 2012. It requires the Parent to maintain a prescribed risk-based capital adequacy ratio (expressed as percentage of qualifying capital to risk weighted assets) of not less than 10.00%.

Qualifying capital consists of Tier 1 and Tier 2 capital elements, net of required deductions from capital. Tier 1 capital includes paid-up capital, retained earnings and current year profit. Deferred income tax and total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders, and related interests (DOSRI) are considered as deductions from the Tier 1 Capital. On the other hand, Tier 2 capital is comprised of general loan provision which is limited to 1.00% of credit risk-weighted assets.

The breakdown of the Group's risk-weighted assets as at December 31, 2019 and 2018 as reported to the BSP follows (in millions):

	Consolidated	Separate	Individual
	2019	2019	2018
Credit risk-weighted assets	₱20,123	₱17,637	₱14,098
Operational risk-weighted assets	1,396	1,579	1,396
	₱21,519	₱19,216	₱15,494

The following table sets the capital adequacy ratio as reported to the BSP as of December 31, 2019 and 2018 (in millions):

	Consolidated 2019	Separate 2019	Individual 2018
Tier 1 capital	₱2,213	₱2,247	₱1,894
Tier 2 capital	136	136	69
Total qualifying capital	₱2,349	₱2,383	₱1,963
Risk-weighted assets	₱21,519	₱19,216	₱15,494
Total capital ratio	10.92%	12.40%	12.67%

Certain adjustments are made to PFRS-based results and reserves, as prescribed by the BSP.

Financial Performance

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

	Consolidated 2019	Separate 2019	Individual 2018
Return on average equity	14.34%	14.39%	12.80%
Return on average assets	1.44%	1.58%	1.49%
Net interest margin on average earning assets	6.13%	7.99%	7.55%

24. Service Charges, Fees and Commissions

This account consists of:

	Consolidated 2019	Separate 2019	Individual 2018
Bank commissions	₱478,095,000	₱437,210,019	₱287,678,266
Service fees	47,152,734	7,139,299	8,674,196
	₱525,247,734	₱444,349,318	₱296,352,462

25. Retirement Cost

The Group has a funded, noncontributory defined benefit retirement plan covering all of its regular and full-time employees. The actuarial present value of the retirement benefit liability under the plan is measured in terms of actuarial assumptions of mortality, investment yield and salary increase rates.

The Group's retirement plan is registered with the BIR as a tax-qualified plan under R.A. No. 4917, as amended, and complies with the minimum retirement benefit specified under RA No. 7641, the "New Retirement Law".

As at December 31, 2019 and 2018, the principal actuarial assumptions used in determining retirement benefits liability for the Group's retirement plan are shown below:

	Consolidated 2019	Separate 2019	Individual 2018
Average working life	**32.8 years**	**32.8 years**	32.8 years
Discount rate	**5.70%**	**5.70%**	5.70%
Future salary increases	**6.00%**	**6.00%**	6.00%

The following table shows reconciliation from the opening balances to the closing balances for net retirement benefit liability and its components.

Consolidated	Defined Benefits Obligation 2019	Fair Value of Plan Assets 2019	Net Retirement Benefit 2019
Balance at January 1	**₱191,736,465**	**₱208,796,284**	**(₱17,059,819)**
Included in Profit or Loss			
Current service cost	**28,801,245**	**-**	**28,801,245**
Interest expense/income	**10,921,171**	**38,308,643**	**(27,387,472)**
	39,722,416	**38,308,643**	**1,413,773**
Included in OCI			
Remeasurement gain (loss) on DBO:			
Due to change in financial assumption	**10,769,687**	**-**	**10,769,687**
Due to experience	**(590,916)**	**-**	**(590,916)**
Remeasurement (loss) gain on plan assets	**-**	**12,657,808**	**(12,657,808)**
	10,178,771	**12,657,808**	**(2,479,037)**
Contributions by employer	**-**	**3,153,832**	**(3,153,832)**
Benefits paid	**-**	**(475,770)**	**475,770**
Settlement	**-**	**-**	**-**
	-	**2,678,062**	**(2,678,062)**
	₱241,637,652	**₱262,440,797**	**(₱20,803,145)**

Separate	Defined Benefits Obligation 2019	Defined Benefits Obligation 2018	Fair Value of Plan Assets 2019	Fair Value of Plan Assets 2018	Net Retirement Benefit 2019	Net Retirement Benefit 2018
Balance at January 1	**₱183,928,351**	₱178,928,351	**₱193,944,370**	₱194,678,069	**(₱10,016,019)**	(₱15,749,718)
Included in Profit or Loss						
Current service cost	**26,993,022**	5,000,000	**-**	**-**	**26,993,022**	5,000,000
Interest expense	**10,483,916**	-	**37,476,938**	(733,699)	**(26,993,022)**	733,699
	37,476,938	5,000,000	**37,476,938**	(733,699)	**-**	5,733,699
Included in OCI						
Remeasurement gain (loss) on DBO:					**-**	
Due to change in financial assumption	**13,248,724**	-	**-**	-	**13,248,724**	-
Due to experience	**(590,916)**	-	**-**	-	**(590,916)**	-
Remeasurement (loss) gain on plan assets	**-**	-	**12,657,808**	-	**(12,657,808)**	-
	12,657,808	-	**12,657,808**	-	**-**	-
Balance at December 31	**₱234,063,097**	₱183,928,351	**₱244,079,116**	₱193,944,370	**(₱10,016,019)**	(₱10,016,019)

In 2019, the Group recognized gain on curtailment amounting to ₱17.20 million resulting from a significant decrease in employees.

Movements in remeasurement losses on retirement benefit plan are as follow:

	Consolidated 2019	Separate 2019	Individual 2018
As at January 1	**₱18,656,515**	**₱18,656,515**	₱17,063,569
Adjustments from merger	**6,936,583**	**6,936,583**	1,592,946
As at December 31	**₱25,593,098**	**₱25,593,098**	₱18,656,515

The major categories of plan assets, at carrying values follow:

	Consolidated 2019	Separate 2019	Individual 2018
Deposit in banks	**6.15%**	**6.15%**	0.02%
Financial assets at FVPL	**42.62%**	**42.62%**	54.72%
Government securities	**51.23%**	**51.23%**	45.26%

Sensitivity Analysis

Reasonably possible changes to one of the relevant actuarial assumptions, with all other assumptions constant, would have affected the net retirement liability of the Group by the amounts shown below:

Consolidated and Separate

	Change in Assumption	Defined Benefit Obligation 2019	2018
Discount rate	**+ 100 bps**	**₱24,297,543**	₱25,715,108
	- 100 bps	**42,535,112**	33,093,194
Salary increase rate	**+ 100 bps**	**40,832,491**	30,674,230
	- 100 bps	**24,046,014**	24,422,434

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

The defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest risk, and market (investment risk).

The actuary determines the level of funding appropriate for the Group's retirement plan which takes into consideration the Group's employee data, retirement plan benefits and retirement fund balance.

The weighted average duration of the defined benefit obligations is equal to the expected average remaining working lives as at December 31, 2019 and 2018.

faCompensation and Fringe Benefits
The details of the following accounts are as follow:

	Consolidated 2019	Separate 2019	Individual 2018
Salaries and wages	₱574,122,448	₱400,058,216	₱334,893,986
Fringe benefits	137,898,089	121,823,148	81,830,751
Other benefits	34,603,120	23,388,301	27,245,856
Director's fee	6,970,137	3,076,667	3,654,999
Retirement expense	-	-	5,000,000
	₱753,593,794	₱548,346,332	₱452,625,592

26. Leases

Group as Lessee
The Group leases the premises occupied by most of its branches. The lease contracts are for periods ranging from 5 to 15 years and are renewable upon mutual agreement between the Group and the lessors. The lease obligation is subject to an implicit rate in the lease contract used to discount liability of 9% per annum.

Parent's rent expense amounted to ₱70.94 million in 2018.

Maturity analysis - contractual undiscounted cash flows:

	Consolidated 2019	Separate 2019	Individual 2018
Within one year	₱12,192,805	₱2,133,607	₱61,585,653
After one year but not more than 5 years	64,009,688	21,892,922	215,986,567
After 5 years	297,668,677	290,425,843	121,526,547

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Consolidated	Separate
As at January 1, 2019, restated	₱364,611,646	₱314,635,999
Accretion of interest	27,623,581	25,170,880
Payments	(80,080,227)	(69,279,769)
As at December 31, 2019	₱312,155,000	₱270,527,110

Right-of-use Assets

Details and movements of right-of-use assets follow:

	Consolidated	Separate
Balance at January 1, 2019	₱365,323,485	₱315,327,838
Additions	14,275,619	14,275,619
Depreciation	(56,405,628)	(46,436,149)
Balance at December 31, 2019	₱323,193,476	₱283,167,308

27. Miscellaneous Expenses

This account consists of:

	Consolidated 2019	Separate 2019	Individual 2018
Fees and commission	₱25,621,432	₱18,789,601	₱15,633,714
Supervision fees	8,224,676	7,191,084	4,937,826
Marketing and advertising	7,080,015	4,095,056	4,148,271
Fines, penalties and charges	783,688	193,660	23,919
Periodicals and magazines	516,727	482,892	447,429
Trainings and seminars	477,060	-	-
Others	39,831,629	24,792,110	24,724,877
	₱82,535,227	₱55,544,403	₱49,916,036

Other expenses include expenses which are not directly related to any specific expense accounts e.g., value gifts and treats distributed to clients, charity events and employees, and teller's allowance.

28. Income and Other Taxes

Income and other taxes are comprised of Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU) income taxes which are discussed as follows:

Under Philippine tax laws, the Group is subject to percentage and other taxes presented under "Taxes and licenses" account in the statements of income as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp taxes.

Income taxes include the corporate income tax, discussed below, and final tax paid which represents the final withholding tax on gross interest income from government securities and other deposit substitutes. These income taxes, as well as the deferred tax benefits and provisions, are presented as provision for income tax in the statements of income.

Under current tax regulations, the applicable income tax rate is thirty percent (30%). Interest allowed as a deductible expense is reduced by an amount equivalent to thirty three percent (33%) of interest income subjected to final tax. Also, entertainment, amusement and recreation (EAR) expense is limited to one percent (1%) of net revenues, as defined, for sellers of services beginning September 1, 2002. The current regulations also provide for MCIT of 2% on modified gross income and allow a three-year NOLCO. Any excess of the MCIT over the regular income tax is deferred and can be used as a tax credit against future income tax liability while NOLCO can be applied against taxable income, both in the next three years from the year of occurrence.

Income tax expense consists of:

	Consolidated 2019	Separate 2019	Individual 2018
Current income tax expense	₱63,210,251	₱46,001,585	₱40,859,965
Deferred tax expense (benefit)	108,391,359	25,479,352	(17,582,225)
	₱171,601,610	₱71,480,937	₱23,277,740

The reconciliation of the income tax expense computed at the statutory tax rate to the effective income tax shown in the consolidated and separate statements of income follows:

	Consolidated 2019	Separate 2019	Individual 2018
Income before income tax	₱453,162,524	₱442,604,326	₱236,745,796
Income tax at statutory rate	135,948,757	132,781,298	71,023,739
Additions to (reductions in) income taxes resulting from the tax effects of:			
Nontaxable income	(24,886,167)	(23,656,937)	(26,883,653)
Tax-exempt income	(37,625,836)	(36,337,000)	(23,793,653)
Nondeductible expense	99,471,280	-	2,931,307
FCDU net profit items	(220,941)	(220,941)	-
Unrecognized DTA	(1,085,483)	(1,085,483)	-
Effective income tax	₱171,601,610	₱71,480,937	₱23,277,740

The components of net deferred tax assets and deferred tax liabilities in the consolidated and separate statements of financial position follow:

	2019	
Consolidated	Tax Base	Deferred Tax Asset (Liability)
Deferred tax asset on:		
Allowance for credit losses	₱985,934,671	₱295,780,401
Remeasurement losses on retirement	18,656,515	5,596,955
MCIT	13,999,626	4,199,887
Adjustments on PFRS 16	332,890	99,867
	1,018,923,702	305,677,110
Deferred tax liability on:		
Unrealized gain on foreclosed properties	(1,352,559,231)	(405,767,769)
	(1,352,559,231)	(405,767,769)
Net deferred tax liability	(₱333,635,530)	(₱100,090,659)

	2019		2018	
Separate and Individual	Tax Base	Deferred Tax Asset (Liability)	Tax Base	Deferred Tax Asset (Liability)
Deferred tax asset recognized in profit or loss and OCI:				
Allowance for probable losses	₱202,618,850	₱60,785,655	₱143,825,346	₱43,147,604
Retirement liability	10,016,019	3,004,806	10,016,019	3,004,806
Remeasurement losses on retirement	18,656,515	5,596,954	18,656,515	5,596,954
Unrealized loss on financial assets at FVOCI	-	-	18,198,807	5,459,642
	231,291,384	69,387,415	190,696,687	57,209,006
Deferred tax liability recognized in profit or loss and OCI:				
Unrealized gain on foreclosed properties	(493,501,003)	(148,050,301)	(502,059,413)	(150,617,824)
	(493,501,003)	(148,050,301)	(502,059,413)	(150,617,824)
Net deferred tax liability	(₱262,209,619)	(₱78,662,886)	(₱311,362,726)	(₱93,408,818)

As of December 31, 2019, the Bank has not recognized deferred tax assets relating to the following deductible temporary differences:

	Consolidated	Separate	Individual
	2019	2019	2018
Allowance for credit losses	₱102,514,891	₱30,252,200	₱35,675,340
Remeasurement losses on retirement	17,905,054	17,905,054	7,995,649
Adjustments on PFRS 16	4,907,114	3,618,278	-
	₱114,358,588	₱51,775,532	₱43,670,989

As at December 31, 2019, the Group's NOLCO and excess MCIT over RCIT, which can be applied as deduction against future taxable income and regular income tax due, respectively, are as follows:

Year Incurred	Balance	Tax Effect	Expiry Year
NOLCO:			
2017	₱32,568,522	₱9,770,557	2020
2018	118,736,149	35,826,778	2021
2019	**16,675,464**	**5,002,639**	**2022**

Year Incurred	Balance	Expiry Year
Excess MCIT over RCIT:		
2017	₱3,387,537	2020
2018	1,005,091	2021
2019	**9,620,795**	**2022**

29. Commitments and Contingencies

In the normal course of operations, the Group makes various commitments, such as guarantees, commitments to extend credit, etc., which are not reflected in the accompanying consolidated and separate financial statements. The Group does not anticipate any material losses as a result of these transactions.

The following is a summary of contingencies at their peso equivalent contractual amounts arising from off-books accounts as at December 31, 2019 and 2018:

	Consolidated	Separate	Individual
	2019	2019	2018
Late deposit/payment received	₱18,390,007	₱18,390,007	₱3,321,167
Items held for safekeeping	6,773	5,884	4,002
Items held as collateral	21,018	9,944	8,795
	₱18,417,798	₱18,405,835	₱3,333,964

These obligations are not recognized in the consolidated and separate statements of financial position, however, these contain credit risk and are therefore part of the overall risk of the Group.

30. Related Party Transactions

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

In the ordinary course of business, the Group has various transactions with its related parties and with certain DOSRI. These transactions usually arise from normal banking activities such as lending, borrowing, deposit arrangements and trading of securities, among others. Under existing policies of the Group, transactions with related parties are made substantially on the same terms as with other individuals and businesses of comparable risks.

Under current banking regulations, the amount of individual loans to DOSRI, of which 70.00% must be secured, should not exceed the amount of their respective unencumbered deposits and book value of their respective investments in the Group. In the aggregate, loans to DOSRI generally should not exceed the lower of the Group's total regulatory capital or 15.00% of the total loan portfolio.

The following table shows information relating to DOSRI loans:

	Consolidated	Separate	Individual
	2019	2019	2018
Total outstanding DOSRI loans	₱84,524,065	₱419,923,819	₱84,524,065
Percent of DOSRI loans to total loans	0.45%	2.67%	0.65%
Percent of unsecured DOSRI loans to total DOSRI loans	Nil	Nil	Nil
Percent of past due DOSRI loans to total DOSRI loans	Nil	Nil	Nil
Percent of nonperforming DOSRI loans to total DOSRI loans	Nil	Nil	Nil

Details of the separate and individual related party transactions as at and for December 31, 2019 and 2018 follow:

	December 31, 2019		December 31, 2018			
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance	Terms	Conditions
Key Management Personnel						
Demand deposit	₱-	₱387,143	₱-	₱387,143	0% interest rate	0.25% interest if the account
Savings deposit	-	139,392,713	-	139,392,713		reach the ₱10,000.00 maintaining balance
Time deposit		66,526,268		66,526,268	30 days to 1 year	3.00% - 4.00% interest rate
Other Related Parties						
Savings deposit		228,958		228,958		0.25% interest if the account reach the ₱10,000.00 maintaining balance
Total	₱-	₱206,535,082	₱-	₱206,535,082		

Details of deposit liabilities with related parties are not disclosed in compliance with R.A. No. 1405, *Law on the Secrecy of Group Deposits* and BSP Circular No. 895, *Guidelines on Related Party Transactions.*

The related party transactions shall be settled in cash. The outstanding balances of related party transactions are not impaired as at December 31, 2019 and 2018.

Compensation of Key Management Personnel of the Group
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of that Group.

The remuneration of directors and other members of key management included in the "Salaries and other employee benefits" account in the consolidated and separate statements of income for the years ended December 31, 2019 and 2018 follows:

	Consolidated	**Separate**	Individual
	2019	2019	2018
Short-term employee benefits	**₱42,348,956**	**₱39,896,248**	₱38,256,784
Directors' remuneration	**7,335,525**	**3,076,666**	3,654,999
	₱49,684,481	**₱42,972,914**	₱41,911,783

31. Events after Reporting Period

On March 11, 2020, the World Health Organization assessed that the novel coronavirus of 2019 (COVID-19) has become a pandemic. In an effort to contain the spread of COVID-19 in the Philippines, the Government issued Presidential Proclamation No. 929 on March 16, 2020. The Proclamation declared a State of Calamity throughout the Philippines for a period of six months and imposed enhanced community quarantine, among others. These measures affected economic activities and business operations in an unprecedented manner as the effects continue to evolve.

The effects of the pandemic are considered by the Group as non-adjusting subsequent events because these have no impact to the consolidated and separate financial statements as at and for the year ended December 31, 2019. The Group, however, is still determining the impact of the pandemic to its 2020 consolidated and separate financial statements. Management believes that the Group will continue as a going concern despite the effects of the pandemic.