CITYSTATE SAVINGS BANK, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
OF THE TRUST AND MANAGED FUNDS OPERATED BY THE TRUST DEPARTMENT
DECEMBER 31, 2020 AND 2019
(With Supplementary Combining Information)
(Amounts in Philippine Pesos)

		Supplementary Combining Information											
		2020					2019					Combined	
	Notes	Institutional Trust	Individual Trust	Institutional Agency	Individual Agency	Other Fiduciary	Institutional Trust	Individual Trust	Institutional Agency	Individual Agency	Other Fiduciary	2020	2019
A S S E T S													
DUE FROM BANKS	7	P 111,746,978	P 729,057	P 27,245,229	P 5,125,241	P 219,719	P 149,051,596	P 1,214,290	P 150,775,866	P 18,803,066	P 1,304,378	P 145,066,224	P 321,149,196
LOANS AND RECEIVABLES - Net	8	6,211,980	1,029	341,963	54,039	8,730	7,736,503	4,900	470,886	199,471	11,855	6,617,741	8,423,615
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	9	74,382,686	513,000	55,617,954	-	-	94,885,736	502,500	54,473,847	-	-	130,513,640	149,862,083
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)	10	160,022,270	-	-	-		151,236,647	-	-	-	-	160,022,270	151,236,647
HELD-TO-COLLECT FINANCIAL ASSETS - Net	11	319,803,582	-	144,996,607	8,378,106	959,040	256,439,769	-	34,465,500	15,262,597	959,040	474,137,335	307,126,906
INVESTMENT PROPERTIES	12	65,906,762	-	-	-	-	55,107,903	-	-	-	-	65,906,762	55,107,903
OTHER ASSETS	13	378,071,693	-	-	-	-	351,390,440	-	-	14,195	-	378,071,693	351,404,635
TOTAL ASSETS		P 1,116,145,951	P 1,243,086	P 228,201,753	P 13,557,386	P 1,187,489	P 1,065,848,594	P 1,721,690	P 240,186,099	P 34,279,329	P 2,275,273	P 1,360,335,665	P 1,344,310,985
ACCOUNTABILITIES													
PRINCIPAL	2	P 805,211,855	P 1,074,428	P 205,600,901	P 9,200,196	P 1,077,553	P 817,017,790	P 1,594,918	P 226,560,881	P 31,096,441	p 2,144,740	P 1,022,164,933	P 1,078,414,770
NET UNREALIZED FAIR VALUE GAINS ON FINANCIAL ASSETS AT FVOCI	10	2,875,973	-	-	-	-	3,371,825	-	-	-	-	2,875,973	3,371,825
ACCUMULATED INCOME	2	307,258,945	166,558	22,529,369	4,349,976	108,399	243,953,723	120,293	13,532,519	3,139,856	127,546	334,413,247	260,873,937
OTHER ACCOUNTABILITIES	2	799,178	2,100	71,483	7,214	1,537	1,505,256	6,479	92,699	43,032	2,987	881,512	1,650,453
TOTAL ACCOUNTABILITIES		P 1,116,145,951	P 1,243,086	P 228,201,753	P 13,557,386	P 1,187,489	P 1,065,848,594	P 1,721,690	P 240,186,099	P 34,279,329	P 2,275,273	P 1,360,335,665	P 1,344,310,985

See Notes to Combined Financial Statements.

CITYSTATE SAVINGS BANK, INC.
COMBINED STATEMENTS OF COMPREHENSIVE INCOME
OF THE TRUST AND MANAGED FUNDS OPERATED BY THE TRUST DEPARTMENT
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(With Supplementary Combining Information)
(Amounts in Philippine Pesos)

		Supplementary Combining Information										Combined	
		2020					2019						
	Notes	Institutional Trust	Individual Trust	Institutional Agency	Individual Agency	Other Fiduciary	Institutional Trust	Individual Trust	Institutional Agency	Individual Agency	Other Fiduciary	2020	2019
INCOME													
Revaluation gains on investment properties and other assets	12, 13	P 37,465,917	P -	P -	P -	P -	P -	P -	P -	P -	P -	P 37,465,917	P -
Interest, net of final tax	7, 8, 10, 11	19,894,744	23,145	5,590,061	1,276,284	34,101	21,681,804	41,584	9,067,677	1,430,718	51,926	26,818,335	32,273,709
Dividends	9, 10	11,151,708	29,150	2,658,858	-	-	10,055,420	29,150	248,451	-	-	13,839,716	10,333,021
Rental income	12	1,316,710	-	-	-	-	2,626,489	-	-	-	-	1,316,710	2,626,489
Others	8, 10, 11	225,939	13,000	1,308,885	16,436	-	668,012	3,350	711,849	-	-	1,564,260	1,383,211
		70,055,018	65,295	9,557,804	1,292,720	34,101	35,031,725	74,084	10,027,977	1,430,718	51,926	81,004,938	46,616,430
EXPENSES													
Trading losses – net	9	10,002,470	-	-	-	-	11,189,420	-	-	-	-	10,002,470	11,189,420
Trust fees	15	9,119,794	16,080	392,207	81,950	53,048	8,978,162	15,368	391,567	104,166	42,760	9,663,079	9,532,023
Miscellaneous	8	341,962	450	2,299	650	200	819,964	-	1,025	3,941	1,198	345,561	826,128
		19,464,226	16,530	394,506	82,600	53,248	20,987,546	15,368	392,592	108,107	43,958	20,011,110	21,547,571
NET PROFIT (LOSS)		50,590,792	48,765	9,163,298	1,210,120	(19,147)	14,044,179	58,716	9,635,385	1,322,611	7,968	60,993,828	25,068,859
OTHER COMPREHENSIVE INCOME (LOSS)	10												
Items that will be reclassified subsequently to profit or loss													
Net unrealized fair value gains (losses) on financial assets at fair value through other comprehensive income (FVOCI) during the year		(420,022)	-	-	-	-	6,919,503	-	-	-	-	(420,022)	6,919,503
Impairment recoveries on debt investments at FVOCI		(75,830)	-	-	-	-	(132,900)	-	-	-	-	(75,830)	(132,900)
		(495,852)	-	-	-	-	6,786,603	-	-	-	-	(495,852)	6,786,603
TOTAL COMPREHENSIVE INCOME (LOSS)		P 50,094,940	P 48,765	P 9,163,298	P 1,210,120	(P 19,147)	P 20,830,782	P 58,716	P 9,635,385	P 1,322,611	P 7,968	P 60,497,976	P 31,855,462

See Notes to Combined Financial Statements.

CITYSTATE SAVINGS BANK, INC.
COMBINED STATEMENTS OF CHANGES IN ACCOUNTABILITIES
OF THE TRUST AND MANAGED FUNDS OPERATED BY THE TRUST DEPARTMENT
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(With Supplementary Combining Information)
(Amounts in Philippine Pesos)

		Supplementary Combining Information											
		2020					2019					Combined	
	Notes	Institutional Trust	Individual Trust	Institutional Agency	Individual Agency	Other Fiduciary	Institutional Trust	Individual Trust	Institutional Agency	Individual Agency	Other Fiduciary	2020	2019
PRINCIPAL	2												
Balance at beginning of year		P 817,017,790	P 1,594,918	P 226,560,881	P 31,096,441	P 2,144,740	P 760,015,583	P 2,976,248	P 337,558,320	P 48,763,802	P -	P 1,078,414,770	P 1,149,313,953
Net contributions (withdrawals)		(11,805,935)	(520,490)	(20,959,980)	(21,896,245)	(1,067,187)	57,002,207	(1,381,330)	(110,997,439)	(17,667,361)	2,144,740	(56,249,837)	(70,899,183)
Balance at end of year		805,211,855	1,074,428	205,600,901	9,200,196	1,077,553	817,017,790	1,594,918	226,560,881	31,096,441	2,144,740	1,022,164,933	1,078,414,770
NET UNREALIZED FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	2												
Balance at beginning of year		3,371,825	-	-	-	-	(3,414,778)	-	-	-	-	3,371,825	(3,414,778)
Other comprehensive income (loss)	10	(495,852)	-	-	-	-	6,786,603	-	-	-	-	(495,852)	6,786,603
Balance at end of year		2,875,973	-	-	-	-	3,371,825	-	-	-	-	2,875,973	3,371,825
ACCUMULATED INCOME (LOSS)	2												
Balance at beginning of year		243,953,723	120,293	13,532,519	3,139,856	127,546	105,565,603	193,170	16,729,086	2,430,451	-	260,873,937	124,918,310
Net profit (loss) during the year		50,590,792	48,765	9,163,298	1,210,120	(19,147)	14,044,179	58,716	9,635,385	1,322,611	7,968	60,993,828	25,068,859
Net contributions (withdrawals)		12,714,430	(2,500)	(166,448)	-	-	124,343,941	(131,593)	(12,831,952)	(613,206)	119,578	12,545,482	110,886,768
Balance at end of year		307,258,945	166,558	22,529,369	4,349,976	108,399	243,953,723	120,293	13,532,519	3,139,856	127,546	334,413,247	260,873,937
OTHER ACCOUNTABILITIES	2												
Balance at beginning of year		1,505,256	6,479	92,699	43,032	2,987	560,150	7,865	269,914	19,958	-	1,650,453	857,887
Accruals during the year		9,141,944	16,531	394,507	82,600	53,248	9,709,699	15,369	18,715	104,166	44,630	9,688,830	9,892,579
Payments during the year		(9,848,022)	(20,910)	(415,723)	(118,418)	(54,698)	(8,764,593)	(16,755)	(195,930)	(81,092)	(41,643)	(10,457,771)	(9,100,013)
Balance at end of year		799,178	2,100	71,483	7,214	1,537	1,505,256	6,479	92,699	43,032	2,987	881,512	1,650,453
TOTAL ACCOUNTABILITIES		P 1,116,145,951	P 1,243,086	P 228,201,753	P 13,557,386	P 1,187,489	P 1,065,848,594	P 1,721,690	P 240,186,099	P 34,279,329	P 2,275,273	P 1,360,335,665	P 1,344,310,985

See Notes to Combined Financial Statements.

CITYSTATE SAVINGS BANK, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
OF THE TRUST AND MANAGED FUNDS
OPERATED BY THE TRUST DEPARTMENT
DECEMBER 31, 2020 AND 2019
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Citystate Savings Bank, Inc. (the Bank) was incorporated in the Philippines on May 20, 1997. The Bank obtained a thrift bank license from the Bangko Sentral ng Pilipinas (BSP) on August 7, 1997 and started operations on August 8, 1997. The Bank's common shares were listed in the Philippine Stock Exchange on November 14, 2001. On March 4, 2004, the Bank was authorized by the BSP to engage in quasi-banking functions. On July 13, 2006, the Bank was granted license to operate foreign currency deposit unit (FCDU) and trust function. The Bank's FCDU started operations in November 2006 while its trust operations started in February 2007. At the end of 2020, the Bank has 30 branches and 31 on-site and six off-site automated teller machines strategically located in key cities and municipalities within Metro Manila and provincial areas.

The Bank's registered address, which is also its principal place of business, is located at 2nd Floor, Citystate Centre, 709 Shaw Boulevard, Pasig City.

The combined financial statements of the trust and managed funds (the Funds) operated by the Trust Department of the Bank as of and for the year ended December 31, 2020 (including the comparative combined financial statements as of and for the year ended December 31, 2019) were authorized for issue by the Bank's Board of Directors (BOD) on May 14, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these combined financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Combined Financial Statements

(a) Statement of Compliance with the Guidelines in the Preparation of Audited Financial Statements for Trust Institutions

The combined financial statements of the Funds have been prepared in accordance with BSP Circular No. 653, *Guidelines in the Preparation of Audited Financial Statements for Trust Institutions* (the Guidelines).

The Guidelines have adopted Philippine Financial Reporting Standards (PFRS), except for the following:

- presentation of the combined statement of cash flows, which is required as part of the basic financial statements under PFRS but is not required under the Guidelines;

- presentation of each component of income and expense recognized outside of profit or loss (other comprehensive income) in the combined statement of changes in accountabilities, which is not an allowed presentation under PFRS but is required by the Guidelines; and,

- application of provisions of PFRS only to trust accounts still outstanding as of the end of reporting period.

PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Board of Accountancy.

Pursuant to the Guidelines, the audited combined financial statements shall comprise of the following:

- combined statement of financial position;

- combined statement of comprehensive income;

- combined statement of changes in accountabilities, which shall show a reconciliation of the net carrying amount at beginning and end of year of the following accounts: (i) principal, (ii) net unrealized fair value gains (losses) on financial assets at fair value through other comprehensive income (FVOCI) (presented as other comprehensive income account), (iii) accumulated income (loss), and (iv) other accountabilities, separately disclosing the changes in each of the foregoing accounts; and,

- notes to the combined financial statements, which shall comprise of a summary of significant accounting policies and other disclosure requirements provided under PFRS; provided, that for purposes of complying with the disclosure of the nature and extent of risks arising from financial instruments as required under PFRS 7, *Financial Instruments: Disclosures,* disclosure statements may be made based on the general categories of contractual relationships (i.e., institutional trust, individual trust, institutional agency, individual agency and other fiduciary of the trust/investment management department of a bank with its clients).

The combined statement of financial position, combined statement of comprehensive income and combined statement of changes in accountabilities are presented for each of the general categories of contractual relationships of the trust department of the Bank with its clients.

The combined financial statements of the Funds were prepared from the transactions recorded in the books of accounts maintained by the Trust Department of the Bank.

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

(b) Presentation of Combined Financial Statements

The combined financial statements are presented in accordance with the Guidelines and Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Funds present all items of income, expenses and other comprehensive income and losses in a single combined statement of comprehensive income.

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

(c) Functional and Presentation Currency

The combined financial statements of the Funds are presented in Philippine pesos, the Funds' functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the combined financial statements of the Funds are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Funds operate.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2020 that are Relevant to the Funds

The Funds adopted for the first time the following amendments and improvements to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

Conceptual Framework	:	Revised Conceptual Framework for Financial Reporting
PAS 1 and PAS 8 (Amendments)	:	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
PFRS 7 and PFRS 9 (Amendments)	:	Financial Instruments: Disclosures and Financial Instruments – Interest Rate Benchmark Reform

Discussed below are the relevant information about these pronouncements.

(i) *Revised Conceptual Framework for Financial Reporting.* The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. The application of the revised conceptual framework had no significant impact on the Funds' combined financial statements because the amendments merely clarified existing provisions of PFRS.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements*, and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material.* The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency. The application of these amendments had no significant impact on the Funds' combined financial statements because said amendment merely clarified the definition of materiality.

(iii) PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 9 (Amendments), *Financial Instruments – Interest Rate Benchmark Reform.* The amendments clarify that an entity would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The application of these amendments had no significant impact on the Funds' combined financial statements because the Funds have no hedging transactions.

(b) Effective in 2020 but not Relevant to the Funds

Among the amendments to existing standards which are mandatorily effective for annual periods beginning on or after January 1, 2020, only the amendments to PFRS 3, *Business Combinations – Definition of a Business*, are not relevant to the Funds' combined financial statements.

(c) Effective Subsequent to 2020 but not Adopted Early

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2020, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Fund's combined financial statements:

(i) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(ii) Among the annual improvements to PFRS 2018-2020 Cycle which are effective from January 1, 2022, only the PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities,* are relevant to the Funds. The improvements clarify the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

(iii) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

2.3 Basis of Combination

These combined financial statements comprise the total of the fund accounts operated by the Trust Department of the Bank for each of the general categories of contractual relationships namely: (a) Institutional Trust; (b) Individual Trust; (c) Institutional Agency; (d) Individual Agency; and, (e) Other Fiduciary. The separate financial statements of each fund are prepared and presented for the same reporting period using consistent accounting policies.

For purposes of the combined financial statement presentation, inter-fund investments of each group of trust and managed funds are not eliminated to reflect the assets and accountabilities at their reported balances.

The combined financial statements and supplementary combining information reflect only the income and expenses and net profit or loss of trust accounts still outstanding as of the end of the reporting period. The income and expenses and net profit or loss of those trust accounts, which were terminated prior to the end of each reporting period presented, are not included in the combined financial statements and supplementary combining information as of and for the years presented.

2.4 *Financial Instruments*

(a) Financial Assets

Financial assets are recognized when the Funds become a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

At initial recognition, the Funds measure a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are incremental or directly attributable to the acquisition or issue of the financial asset, such as fees and commissions. Transaction costs of financial assets at FVTPL are expensed outright in profit or loss.

(i) Classification, Measurement and Reclassification of Financial Assets

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

Financial Assets at Amortized Cost

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

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

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

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses (ECL).

Where the business model is to hold assets to collect contractual cash flows, the Funds assess whether the financial instruments' cash flows represent SPPI. In making this assessment, the Funds considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Funds' financial assets at amortized cost presented in the combined statement of financial position is composed of Due from Banks, Loans and Receivables and Held-to-collect (HTC) Financial Assets.

Interest income is calculated by applying the effective interest rate (EIR) to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the combined statement of comprehensive income.

Interest income is calculated by applying the EIR to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the combined statement of comprehensive income.

Financial Assets at FVOCI

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

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

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Funds can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Funds for trading. The Funds can also classify debt investments as financial assets at FVOCI if the investment objective of the business model is to hold these investments to collect the contractual cash flows and sell where the debt securities are held for long-term strategic investment and are not expected to be actively traded in the short-to-medium term.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Net Unrealized Gains/Losses (NUGL) on Financial Assets at FVOCI account in accountabilities. When the asset is disposed of, the cumulative gain or loss previously recognized in the NUGL at FVOCI account is not reclassified to profit or loss but is reclassified directly to Accumulated Income or Loss account, except for those debt securities classified as financial assets at FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Any dividends earned on holding equity instruments are recognized in profit or loss as Dividends, when the Funds' right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Fund, and the amount of the dividend can be reliably measured, unless the dividends clearly represent recovery of a part of the cost of the investment.

Financial Assets at FVTPL

Financial assets that are held within a different business model other than "hold-to-collect" or "hold-to-collect and sell" are categorized at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. Also, equity securities are classified as financial assets at FVTPL, unless the Fund designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Funds' financial assets at FVTPL include equity securities, which are held for trading purposes or designated as at FVTPL.

Financial assets at FVTPL are measured at fair value with gains or losses recognized as part of Trading Gains or Losses in the combined statement of comprehensive income. Related transaction costs are recognized directly as expense in the combined statement of income. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

Interest earned on these investments is reported in profit or loss under Interest Income account while dividend income is reported under Dividends account in the combined statement of comprehensive income when the right of payment has been established.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The Funds can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Funds are required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Funds' business model will be effected only at the beginning of the next reporting period following the change in the business model.

(ii) Impairment of Financial Assets

The Funds assess ECL on a forward-looking basis associated with its financial assets carried at amortized cost and debt securities measured at FVOCI. No impairment loss is recognized on equity securities.

Recognition of credit losses or impairment is no longer dependent on the Funds' identification of a credit loss event. Instead, the Funds consider a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Funds measure loss allowances at an amount equal to lifetime ECL, except for the following financial instruments for which they are measured as 12-month ECL:

- debt securities that are identified to have 'low credit risk' at the reporting date; and,

- other financial instruments on which credit risk has not increased significantly since their initial recognition.

For these financial instruments, the allowance for impairment is based on 12-month ECL associated with the probability of default of a financial instrument in the next 12 months (referred to as 'Stage 1' financial instruments). Unless there has been a significant increase in credit risk subsequent to the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as 'Stage 2' financial instruments). 'Stage 2' financial instruments also include those loan accounts and facilities where the credit risk has improved and have been reclassified from 'Stage 3'. A lifetime ECL shall be recognized for 'Stage 3' financial instruments, which include financial instruments that are subsequently credit-impaired, as well as purchased or originated credit impaired assets.

The Funds' definition of credit risk and information on how credit risk is mitigated are disclosed in Note 4.3.

Measurement of ECL

The key elements used in the calculation of ECL are as follows:

- *Probability of Default (PD)* – it is an estimate of likelihood of a borrower defaulting on its financial obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.

- *Loss Given Default (LGD)* – it is an estimate of loss arising in case where a default occurs at a given time (either over the next 12 months or 12-month LGD), or over the remaining lifetime or lifetime LGD). It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those the Funds would expect to receive, including the realization of any collateral. It is presented as a percentage loss per unit of exposure at the time of default.

- *Exposure at Default (EAD)* – it represents the gross carrying amount of the financial instruments subject to impairment calculation; hence, this is the amount that the Funds expect to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (lifetime EAD). In case of a loan commitment, the Funds shall include the undrawn balance (up to the current contractual limit) at the time of default should it occur.

The measurement of the ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and, (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(iii) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Funds neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Funds recognize its retained interest in the asset and an associated liability for amounts it may have to pay. If the Funds retain substantially all the risks and rewards of ownership of a transferred financial asset, the Funds continue to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

(b) Classification and Measurement of Financial Liabilities

Financial liabilities, which include other accountabilities (except tax-related payables), are recognized when the Funds becomes a party to the contractual terms of the instrument.

Financial liabilities are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments. All interest-related charges, if any, are recognized as an expense in profit or loss section of the combined statement of comprehensive income.

Financial liabilities are derecognized from the combined statement of financial position when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.5 *Investment Properties*

Investment properties consist of parcels of land which are held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, for use in the rendering of services or for administrative purposes.

Investment properties are measured initially at acquisition cost, including transaction costs. Investment properties are accounted for under the fair value model.

Investment properties measured using the fair value model is stated at fair value as determined by independent appraisers on a periodic basis. Changes in the fair value is recognized in profit or loss as Revaluation Gains on Investment Properties and Other Assets. The carrying amounts recognized in the combined statement of financial position reflect the prevailing market conditions at the end of each reporting period.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gain or loss on the retirement or disposal of investment property is immediately recognized in profit or loss as Gain or loss on sale of investment properties under the Other Income or Miscellaneous Expenses account in the combined statement of comprehensive income.

2.6 *Other Assets*

Other assets consist of memorial lots which are not held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, for use in the rendering of services or for administrative purposes.

Other assets are measured initially at acquisition cost, including transaction costs. Other assets, particularly the memorial lots, are subsequently revalued using the fair value model.

Other assets measured using the fair value model is stated at fair value as determined by independent appraisers on a periodic basis. Changes in the fair value is recognized in profit or loss as Revaluation Gains on Investment Properties and Other Assets account. The carrying amounts recognized in the combined statement of financial position reflect the prevailing market conditions at the end of each reporting period.

Other assets are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

2.7 *Offsetting Financial Instruments*

Financial assets and financial liabilities are offset and the resulting net amount considered as a single financial asset or financial liability, is reported in the combined statement of financial position when the Funds currently have legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.8 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the combined financial statements. Similarly, possible inflows of economic benefits to the Funds that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the combined financial statements. On the other hand, any reimbursement that the Funds can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.9 Revenue and Expense Recognition

Revenue is recognized only when (or as) the Funds satisfy a performance obligation by transferring control of the promised services to the customer. A contract with a customer that results in a recognized financial instrument in the Funds' combined financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15, *Revenue from Contracts with Customers* (see Note 2.4). In such case, the Funds first apply PFRS 9 to separate and measure the part of the contract that is in-scope of PFRS 9, and then apply PFRS 15 to the residual part of the contract. Expenses and costs, if any, are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. All finance costs are reported in profit or loss on accrual basis.

Expenses are recognized in the combined statement of comprehensive income upon utilization of the assets or services or at the date these are incurred.

2.10 Leases – Funds as a Lessor

Leases, wherein Funds substantially transfer to the lessee all risks and benefits incidental to ownership of the leased item, are classified as finance leases and are presented as receivable at an amount equal to Funds' net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on Fund's net investment outstanding in respect of the finance lease.

Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease collections are recognized as income in profit or loss as part of Rental income under Income account in the combined statement of comprehensive income on a straight-line basis over the lease term.

2.11 Principal Fund Balance

Principal consists of accumulated contributions from trustors, after deducting principal withdrawals.

Net unrealized fair value gains (losses) on financial assets at FVOCI consist of accumulated gains and losses arising from the mark-to-market valuation of financial assets at FVOCI.

Accumulated income or loss includes all current and prior period results of operations as disclosed in the combined statement of comprehensive income, reduced by the amounts of income withdrawals.

2.12 Income Taxes

Tax expense recognized in profit or loss offsetted against interest income, pertains to final tax paid and accrued on interest income generated by the Funds on its investments. This is calculated according to the tax rates applicable to the investments to which the income relates.

2.13 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Funds or the Bank and their related parties, regardless whether a price is charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Bank; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank and close members of the family of any such individual.

2.14 Events after the End of the Reporting Period

Any post-year-end event that provides additional information about the Funds' financial position at the end of the reporting period (adjusting event) is reflected in the combined financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the combined financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Funds' combined financial statements in accordance with the Guidelines, requires management to make judgments and estimates that affect the amounts reported in the combined financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Application of ECL to Financial Assets at Amortized Cost and Financial Assets at FVOCI

The Funds use the provision matrix approach to calculate ECL for loans and receivables and all debt securities carried at amortized cost and FVOCI. The allowance for impairment is based on the ECLs associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

The Funds have established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

(b) Evaluation of Business Model Applied in Managing Financial Instruments

The Trust Department developed business models for the Funds which reflect how it manages its portfolio of financial instruments. The Funds' business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Trust Department evaluates in which business model a financial instrument or a portfolio of financial instruments belongs to taking into consideration the objectives of each business model established by the Trust Department (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Funds' investment, trading and lending strategies.

(c) Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model

In determining the classification of financial assets, the Fund assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Fund assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion.

The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Fund considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Fund considers certain circumstances documented in the Funds' business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Fund can explain the reasons for those sales and why those sales do not reflect a change in the Funds' objective for the business model.

(d) Distinction Between Investment Properties and Other Assets

The Funds determine whether a property qualifies as investment property. In making its judgment, the Funds consider whether the property generates cash flows largely independent of the other assets held by an entity. Other assets generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

(e) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.8 and relevant disclosures are presented in Note 16.

3.2 Key Sources of Estimation Uncertainty

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

(a) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost and debt instruments classified as financial assets at FVOCI is an area that requires the use of significant assumptions about the future economic conditions and credit behaviour (e.g., likelihood of other party defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.3.

(b) *Fair Value Measurement for Financial Instruments*

Fair value measurements of financial assets are generally based on listed quotes in active markets. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same. The amount of changes in fair value would differ if the Funds utilized different valuation methods and assumptions. The Funds' fair value measurement for FVTPL and FVOCI financial assets is further discussed in Note 6.2. Any change in fair value and fair value measurement approach for these financial assets would affect other comprehensive income in the next reporting period.

The carrying amount of the Funds' financial assets and the changes in the fair value recognized on those financial assets are shown in Notes 9 and 10.

(c) *Fair Value Measurement for Investment Properties and Memorial Lots*

The Funds' investment properties and other assets which are composed of parcels of land and memorial lots, respectively, are carried at revalued amount at the end of the reporting period. In determining the fair value of these assets, the Funds engage the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 6.4.

For investment properties and memorial lots with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the combined financial statements if their fair value will indicate evidence of impairment.

4. RISK MANAGEMENT POLICIES AND OBJECTIVES

The Funds are exposed to risks that are particular to its operating and investing activities, and the business environment in which it operates. The objective of the Trust Department in risk management is to establish and maintain a sound system that will enable the Trust Department to identify, measure, control and monitor the various risk exposures arising from its business activities. The Fund believes that, as there are opportunities, there are associated risks and the objective is not to totally avoid risks, but to adequately and consistently evaluate, manage, control, and monitor the risks and ensure that the Bank is adequately compensated for all the risks taken. Good risk management involves making informed and rational decisions about the level of risks the institution wants to take, in the pursuit of its objectives, but with consideration to return commensurate with the risk-taking activity.

For the successful implementation of the risk management process, the Bank has established clearly defined risk policies, effective organization and limit structures, appropriate systems and technology support, a good management information reporting system and model/system revalidation.

The risk management methodologies are mainly focused on liquidity, market, and credit risks, which are described in greater detail below.

4.1 Liquidity Risk

Liquidity risk is the potential insufficiency of funds available to meet the withdrawal of funds of the Trust Department's trustors. The Trust Department manages liquidity risk by limiting the maturity mismatch between assets and accountabilities, and by holding sufficient liquid assets of appropriate quality and marketability. The Trust Department recognizes the liquidity risk inherent in their activities and identifies, measures, monitors and controls the liquidity risk inherent as financial intermediary.

The Trust Department's liquidity policy is to manage its operations to ensure that funds available are more than adequate to meet withdrawal of funds by its trustors and customers. As at December 31, the maturity profile of the Funds' combined assets and accountabilities are presented below.

	Within One Year	More than One Year to Five Years	More than Five Years	Total
2020:				
Financial Assets:				
Due from banks	**P 145,066,224**	**P -**	**P -**	**P 145,066,224**
Loans and receivables	**6,617,741**	**-**	**-**	**6,617,741**
Financial assets at FVTPL	**130,513,640**	**-**	**-**	**130,513,640**
Financial assets at FVOCI	**4,842,048**	**66,580,774**	**88,599,448**	**160,022,270**
HTC financial assets	**98,538,022**	**340,946,853**	**34,652,460**	**474,137,335**
	385,577,675	**407,527,627**	**123,251,908**	**916,357,210**
Financial Liabilities:				
Principal	**1,022,164,933**	**-**	**-**	**1,022,164,933**
Accumulated income	**334,413,247**	**-**	**-**	**334,413,247**
Other accountabilities	**881,512**	**-**	**-**	**881,512**
	1,357,459,692	**-**	**-**	**1,357,459,692**
Net Exposure	**(P 971,882,017)**	**P 407,527,627**	**P 123,251,908**	**(P 441,102,482)**
2019:				
Financial Assets:				
Due from banks	P 321,149,196	P -	P -	P 321,149,196
Loans and receivables	8,423,615	-	-	8,423,615
Financial assets at FVTPL	149,862,083	-	-	149,862,083
Financial assets at FVOCI	31,136,647	41,680,000	78,420,000	151,236,647
HTC financial assets	26,020,000	177,695,049	103,411,857	307,126,906
	536,591,541	219,375,049	181,831,857	937,798,447
Financial Liabilities:				
Principal	1,078,414,770	-	-	1,078,414,770
Accumulated income	260,873,937	-	-	260,873,937
Other accountabilities	1,650,453	-	-	1,650,453
	1,340,939,160	-	-	1,340,939,160
Net Exposure	(P 804,347,619)	P 219,375,049	P 181,831,857	(P 403,140,713)

4.2 Market Risk

The Funds' exposure to market risk is the potential diminution of earnings arising from the movement of market interest rates as well as the potential loss in market value, primarily of the Funds' holdings of equity and debt securities, due to price fluctuation. The market risk of the Funds is composed of interest rate risk and price risk.
The Funds, through the Trust Department, manage this risk through a process of identifying, analyzing, measuring and controlling relevant market risk factors, and establishing appropriate limits for the various exposures.

(a) Interest Rate Risk

The Trust Department follows a policy of managing its financial assets and accountabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The Funds are exposed to changes in market interest rates through its deposits with banks including placements with BSP, which are subject to variable interest rates. All other financial assets and financial liabilities either have fixed interest rates or are noninterest bearing. Management has assessed that the effects of changes in the interest rates to the Funds' combined financial statements are not significant; thus, the amounts of exposure are no longer presented.

(b) Price Risk

The Funds' market price risk arises from its investments carried at fair value which pertains to financial assets classified as financial assets at FVTPL and financial assets at FVOCI. The Trust Department manages its risk arising from changes in market price by diversifying the Funds' portfolio and monitoring the changes in the market price of the investments. Diversification of the portfolio is done in accordance with the limits set by the Trust Department of the Bank.

The observed volatility rates of the fair values of the Funds' investments held at fair value and their impact on the Funds' accountabilities as of December 31 are shown below.

	Observed Volatility Rates		Impact of Increase on the Funds' Accountabilities	Impact of Decrease on the Funds' Accountabilities
	Increase	Decrease		
2020				
Listed equity shares	**15.03%**	**15.03%**	**P 30,691,807**	**(P 30,691,807)**
Government and corporate bonds	**9.31%**	**9.31%**	**7,760,816**	**(7,760,816)**
			P 38,452,623	**(P 38,452,623)**
2019				
Listed equity shares	14.47%	14.47%	P 32,347,986	(P 32,347,986)
Government and corporate bonds	6.03%	6.03%	3,273,244	(3,273,244)
			P 35,621,230	(P 35,621,230)

4.3 Credit Risk

Credit risk is the risk that the counterparty in a transaction may default on settlement, and it arises from lending, trade finance and other activities undertaken by the Funds. The Trust Department manages credit risk through a system of policies and authorities that govern the processes and practices of all credit-originating and borrowing relationship management units.

The Trust Department continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Funds' policy is to deal only with creditworthy and accredited counterparties in accordance with the policies duly approved by the Trust Committee of the Bank. The investments of Funds are also subject to the BSP-prescribed Single Borrower Limit and internal limit of the Bank. Credit risk exposure monitoring is being performed regularly and reported to the Trust Committee and BOD.

Allowance for ECL is recognized on loans and receivables, HTC financial assets and debt securities classified as financial assets at FVOCI. Significant changes in the economy, or in particular industry segments that represent a concentration in the Funds' financial instrument portfolio could result in losses that are different from those provided at the end of each reporting period. Management, therefore, carefully monitors the changes and adjusts the Funds' exposure to such credit risk, as necessary.

Loans and receivables, regardless if the accounts have been fully paid, extended or renewed in subsequent year or period, are subjected to evaluation for possible losses. The Trust Department follows the minimum required allowance provided by BSP, which applies general and specific provisions for loan accounts. Past due accounts, accounts identified for phase-out and those that exhibit the characteristics of classified loans shall be risk-rated following the guidelines on credit classification per BSP Manual of Regulations for Banks (MORB) and under the BSP Circular No. 1011 as permitted by BSP Circular No. 1023 for trust entities, i.e., Especially Mentioned, Substandard, Doubtful or Loss. These guidelines are used by the Bank to assign the individually assessed loan or a group of loans within a particular portfolio segment to a specific stage category under the PFRS 9 loan impairment standards (i.e., Stages 1, 2, 3).
For the Funds' HTC financial assets and financial assets at FVOCI, credit ratings published by reputable external rating agency, such Standard & Poor's, are used. These ratings are continuously monitored and updated. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by the rating agency.

As at December 31, 2020 and 2019, none of the loans and receivables are secured by collateral or other credit enhancements. As at the same dates, the Funds are not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar credit characteristics.

(a) Exposure to Credit Risk

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the combined statements of financial position or in the detailed analysis provided in the notes to the combined financial statements, as summarized below.

	Institutional Trust	Individual Trust	Institutional Agency	Individual Agency	Other Fiduciary	Total
December 31, 2020						
Due from banks	P 111,746,978	P 729,057	P 27,245,229	P 5,125,241	P 219,719	P145,066,224
Loans and receivables	6,211,980	1,029	341,963	54,039	8,730	6,617,741
Financial assets at FVOCI	160,022,270	-	-	-	-	160,022,270
HTC financial assets	319,803,582	-	144,996,607	8,378,106	959,040	474,137,335
	P 597,784,810	**P 730,086**	**P172,583,799**	**P 13,557,386**	**P 1,187,489**	**P785,843,570**
December 31, 2019						
Due from banks	P 149,051,596	P 1,214,290	P150,775,866	P 18,803,066	P 1,304,378	P321,149,196
Loans and receivables	7,736,503	4,900	470,886	199,471	11,855	8,423,615
Financial assets at FVOCI	151,236,647	-	-	-	-	151,236,647
HTC financial assets	256,439,769	-	34,465,500	15,262,597	959,040	307,126,906
	P 564,464,515	P 1,219,190	P185,712,252	P 34,265,134	P 2,275,273	P787,936,364

The credit risk for due from banks is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the due from banks are cash and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

For loans and receivables, and investment securities consisting of government and corporate debt securities, the Trust Department continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on counterparties are obtained and used. The Trust Department's policy is to deal only with creditworthy counterparties. All loans and receivables, and investments in debt securities held by the Funds are considered high grade that is neither past due nor specifically impaired.

(b) Concentrations of Credit Risk

The Trust Department monitors concentrations of credit risk of financial assets by sector. An analysis of concentrations of credit risk at the end of each reporting period is shown below and in the succeeding page.

	Institutional Trust	Individual Trust	Institutional Agency	Individual Agency	Other Fiduciary	Total
December 31, 2020						
Financial institutions	P 111,772,326	P 730,086	P 27,277,198	P 5,133,092	P 219,865	P145,132,567
Corporation	348,968,461		136,291,957	3,389,641	-	488,650,059
Government	132,731,071	-	9,014,644	5,034,653	967,624	147,747,992
Individuals	4,312,952	-	-	-	-	4,312,952
	P 597,784,810	**P 730,086**	**P172,583,799**	**P 13,557,386**	**P 1,187,489**	**P785,843,570**

	Institutional Trust	Individual Trust	Institutional Agency	Individual Agency	Other Fiduciary	Total
December 31, 2019						
Financial institutions	P 149,781,817	P 1,219,190	P150,775,866	P 18,848,577	P 1,316,233	P321,941,683
Corporation	97,501,277		34,936,386	15,416,557	-	147,854,220
Government	315,536,160	-	-	-	959,040	316,495,200
Individuals	1,645,261	-	-	-	-	1,645,261
	P 564,464,515	P 1,219,190	P185,712,252	P 34,265,134	P 2,275,273	P787,936,364

(c) Credit Quality Analysis

All financial instruments, except loans and receivables, have external rating, ranging from A (non-investment grade speculative) to BBB (lower medium grade), which are considered under stage 1 of three-stage impairment approach in determining the loss allowance. With reference to the external rating, the Trust Department assessed the credit quality of all financial instruments to have low credit risk and the loss allowance recognized was therefore limited to 12-month expected credit loss.

(d) Allowance for Expected Credit Losses

The Funds have recognized reversal of impairment in 2020 and 2019 on HTC financial assets amounting to P201,046 and P80,679, respectively (see Note 11). Financial assets at FVOCI also recognized reversal of impairment amounting to P75,830 and P132,900 in 2020 and 2019, respectively (see Note 10). Additional impairment loss was recognized on Loans and receivables amounting to P319,813 in 2020 and reversal of impairment amounting to P535,112 in 2019 (see Note 8).

Allowance for expected credit losses as of December 31, 2020 and 2019 on loans and receivables and HTC financial assets are presented in Notes 8 and 11, respectively. Accumulated losses on financial assets at FVOCI is presented in Note 10.

5. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table summarizes the carrying amounts and fair values of the categories of financial assets and financial liabilities presented on the Funds' combined statements of financial position:

	Institutional Trust		Individual Trust		Institutional Agency		Individual Agency		Other Fiduciary		Combined	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
2020:												
Financial Assets												
At amortized cost:												
Due from banks	P 111,746,978	P 111,746,978	P 729,057	P 729,057	P 27,245,229	P 27,245,229	P 5,125,241	P 5,125,241	P 219,719	P 219,719	P 145,066,224	P 145,066,224
Loans and receivables	6,211,980	6,211,980	1,029	1,029	341,963	341,963	54,039	54,039	8,730	8,730	6,617,741	6,617,741
HTC financial assets	319,803,582	319,188,315	-	-	144,996,607	145,006,542	8,378,106	8,384,557	959,040	959,976	474,137,335	473,539,390
	437,762,540	437,147,273	730,086	730,086	172,583,799	172,593,734	13,557,386	13,563,837	1,187,489	1,188,425	625,821,300	625,223,355
At fair value:												
Financial assets at FVTPL	74,382,686	74,382,686	513,000	513,000	55,617,954	55,617,954	-	-	-	-	130,513,640	130,513,640
Financial assets at FVOCI	160,022,270	160,022,270	-	-	-	-	-	-	-	-	160,022,270	160,022,270
	234,404,956	234,404,956	513,000	513,000	55,617,954	55,617,954	-	-	-	-	290,535,910	290,535,910
	P 672,167,496	**P 671,552,229**	**P 1,243,086**	**P 1,243,086**	**P 228,201,753**	**P 228,211,688**	**P 13,557,386**	**P 13,563,837**	**P 1,187,489**	**P 1,188,425**	**P 916,357,210**	**P 915,759,265**
Accountabilities												
At amortized cost –												
Other accountabilities	**P 799,178**	**P 799,178**	**P 2,100**	**P 2,100**	**P 71,483**	**P 71,483**	**P 7,214**	**P 7,214**	**P 1,537**	**P 1,537**	**P 881,512**	**P 881,512**
2019:												
Financial Assets												
At amortized cost:												
Due from banks	P 149,051,596	P 149,051,596	P 1,214,290	P 1,214,290	P 150,775,866	P 150,775,866	P 18,803,066	P 18,803,066	P 1,304,378	P 1,304,378	P 321,149,196	P 321,149,196
Loans and receivables	7,736,503	7,736,503	4,900	4,900	470,886	470,886	199,471	199,471	11,855	11,855	8,423,615	8,423,615
HTC financial assets	256,439,769	255,722,056	-	-	34,465,500	34,138,284	15,262,597	15,250,325	959,040	946,768	307,126,906	306,057,433
	413,227,868	412,510,155	1,219,190	1,219,190	185,712,252	185,385,036	34,265,134	34,252,862	2,275,273	2,263,001	636,699,717	635,630,244
At fair value:												
Financial assets at FVTPL	94,885,736	94,885,736	502,500	502,500	54,473,847	54,473,847	-	- -	-	-	149,862,083	149,862,083
Financial assets at FVOCI	151,236,647	151,236,647	-	-	-	-	-	-	-	-	151,236,647	151,236,647
	246,122,383	246,122,383	502,500	502,500	54,473,847	54,473,847	-	-	-	-	301,098,730	301,098,730
	P 659,350,251	P 658,632,538	P 1,721,690	P 1,721,690	P 240,186,099	P 239,858,883	P 34,265,134	P 34,252,862	P 2,275,273	P 2,263,001	P 937,798,447	P 936,728,974
Accountabilities												
At amortized cost –												
Other accountabilities	P 1,505,256	P 1,505,256	P 6,479	P 6,479	P 92,699	P 92,699	P 43,032	P 43,032	P 2,987	P 2,987	P 1,650,453	P 1,650,453

The fair values disclosed for the Funds' financial assets and financial liabilities which are measured at amortized cost, are estimated as follows:

(a) *Due from Banks*

Due from banks include interbank deposits and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

(b) *Loans and Receivables*

Loans and receivables are net of allowance for impairment. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at original interest rate to determine fair value.

(c) *HTC Financial Assets*

Fair value for HTC financial assets is based on market prices. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

(d) *Other Accountabilities*

Fair value of these liabilities approximates their net carrying values due to their short duration.

6. FAIR VALUE MEASUREMENT AND DISCLOSURES

The information about the fair value measurement including the hierarchy of fair value of the Funds' financial assets measured at fair value in the combined statements of financial position are presented below and in the succeeding pages.

6.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Funds use valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

6.2 Financial Instruments Measurement at Fair Value

The table below shows the fair value hierarchy of the Funds' classes of financial assets measured at fair value categorized as Level 1, in the combined statements of financial position on a recurring basis as of December 31, 2020 and 2019.

	Institutional Trust	Individual Trust	Institutional Agency	Individual Agency	Other Fiduciary	Total
December 31, 2020						
Financial assets at FVTPL –						
Equity securities	P 74,382,686	P 513,000	P 55,617,954	P -	P -	P130,513,640
Financial assets at FVOCI:						
Corporate bonds	86,332,270	-	-	-	-	86,332,270
Equity securities	73,690,000	-	-	-	-	73,690,000
	P 234,404,956	**P 513,000**	**P 55,617,954**	**P -**	**P -**	**P290,535,910**
December 31, 2019						
Financial assets at FVTPL –						
Equity securities	P 94,885,736	P 502,500	P 54,473,847	P -	P -	P149,862,083
Financial assets at FVOCI:						
Corporate bonds	77,546,647	-	-	-	-	77,546,647
Equity securities	73,690,000	-	-	-	-	73,690,000
	P 246,122,383	P 502,500	P 54,473,847	P -	P -	P301,098,730

The Funds have no financial liabilities measured at fair value as of December 31, 2020 and 2019.

There were neither transfers between Levels 1 nor changes in Levels 2 and 3 instruments in both years.

Described in the succeeding page are the information about how the fair values of the Funds' financial assets at FVTPL and financial assets at FVOCI are determined.

(a) *Government Debt Securities*

Fair values of peso-denominated government debt securities issued by the Philippine government, are determined based on the reference price per Bloomberg which used Bloomberg Valuation Service (BVAL). These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithms of direct observations or observed comparables.

(b) *Equity Securities*

The fair value of the Funds' equity securities which consist of listed shares of stock, categorized within Level 1, is determined directly based on their quoted market prices in the Philippine Stock Exchange at the close of the reporting period.

(c) *Corporate Bonds*

Corporate bonds with fair value categorized within Level 1 is determined to be the current mid-price, which is computed as the average of ask and bid prices as appearing on Bloomberg.

6.3 Fair Value Measurement for Financial Instruments Carried at Amortized Cost

The table below and in the succeeding page summarizes the fair value hierarchy of the Funds' financial assets and financial liabilities which are not measured at fair value in the combined statements of financial position but for which fair value is disclosed.

	Institutional Trust	Individual Trust	Institutional Agency	Individual Agency	Other Fiduciary	Total
December 31, 2020						
Level 1 –						
Financial assets:						
Due from banks	P 111,746,978	P 729,057	P 27,245,229	P 5,125,241	P 219,719	P145,066,224
HTC financial assets	319,188,315	-	145,006,542	8,384,557	959,976	473,539,390
	P 430,935,293	**P 729,057**	**P 172,251,771**	**P 13,509,798**	**P 1,179,695**	**P 618,605,614**
Level 3:						
Financial assets – Loans and receivables	**P 6,211,980**	**P 1,029**	**P 341,963**	**P 54,039**	**P 8,730**	**P 6,617,741**
Financial liabilities – Other accountabilities	**P 799,178**	**P 2,100**	**P 71,483**	**P 7,214**	**P 1,537**	**P 881,512**

	Institutional Trust	Individual Trust	Institutional Agency	Individual Agency	Other Fiduciary	Total
December 31, 2019						
Level 1 –						
Financial assets:						
Due from banks	P 149,051,596	P 1,214,290	P150,775,866	P 18,803,066	P 1,304,378	P321,149,196
HTC financial assets	255,722,056	-	4,975,642	15,250,325	946,768	276,894,791
	P 404,773,652	P 1,214,290	P155,751,508	P 34,053,391	P 2,251,146	P598,043,987
Level 3:						
Financial assets:						
Loans and receivables	P 7,736,503	P 4,900	P 470,886	P 199,471	P 11,855	P 8,423,615
HTC financial assets	-	-	29,162,642	-	-	29,162,642
	P 7,736,503	P 4,900	P 29,633,528	P 199,471	P 11,855	P 37,586,257
Financial liabilities –						
Other accountabilities	P 1,505,256	P 6,479	P 92,669	P 43,032	P 2,987	P 1,650,453

In accordance with the fair value hierarchy of financial assets and financial liabilities under PFRS 13, Due from banks is categorized as Level 1, while the fair values disclosed for Loans and Receivables, and Other Accountabilities are categorized under Level 3 as these instruments neither have quoted price in active market nor do they have prices directly or indirectly derived from observable market data.

The fair value of HTC financial assets categorized within Level 1 are determined by direct reference to published price quoted in an active market for traded debt securities. For unquoted debt securities classified as HTC financial assets, the fair value is determined based on their discounted amount of estimated future cash flows expected to be received or paid, which management estimates to approximate their fair values. These instruments are included in Level 3.

6.4 Fair Value Measurement of Investment Properties and Other Assets

The Level 3 fair value of the investment properties and other assets was derived using the market data approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with adjustment on the price, fair value is included in Level 3. The technique of this approach requires the observable recent prices of the reference properties be adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square meter; hence, the higher the price per square meter, the higher the fair value of the property. As of December 31, 2020 and 2019, the fair values of other assets and investment properties are shown below.

	Notes	**2020**	2019
Investment properties	12	**P 65,906,762**	P 55,107,903
Other assets	13	**378,071,693**	351,404,635
		P 443,978,455	P 406,512,538

There has been no change to the valuation techniques used by the Funds during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2020 and 2019.

7. DUE FROM BANKS

This account consists of:

	2020	2019
Time deposit	**P 63,994,881**	P 268,111,700
Special savings deposit	**79,386,326**	46,785,120
Demand deposit	**1,685,017**	6,252,376
	P 145,066,224	P 321,149,196

The balance of this account as of December 31 represents deposits with the following:

	2020	2019
Own bank	**P 81,071,343**	P 53,037,496
Other banks	**63,994,881**	268,111,700
	P 145,066,224	P 321,149,196

Due from banks earn interest of 0.13% to 1.75% and 2.25% to 5.50% per annum in 2020 and 2019, respectively.

Interest income earned (net of tax) from these savings and time deposits amounted to P3,853,181 and P8,820,300 in 2020 and 2019, respectively, and are shown as part of Interest Income in the combined statements of comprehensive income.

8. LOANS AND RECEIVABLES

Loans and receivables as of December 31 include the following:

	2020	2019
Loans to customers	**P 18,030,697**	P 18,758,953
Accrued interest	**2,304,789**	3,062,594
	20,335,486	21,821,547
Allowance for impairment	**(13,717,745)**	(13,397,932)
	P 6,617,741	P 8,423,615

Loans to customers pertain to receivables from the pension plan holders of the trustors which earn interest ranging from 8.00% to 12.00% per annum both in 2020 and 2019. Interest income earned (net of tax) from these financial assets amounted to P290,138 and P596,258 in 2020 and 2019, respectively, and are shown as part of Interest Income in the combined statements of comprehensive income.

The changes in the allowance for impairment of total loans and receivables are summarized below.

	2020	2019
Balance at beginning of year	**P 13,397,932**	P 13,933,044
Impairment loss (recoveries)	**319,813**	(535,112)
Balance at end of year	**P 13,717,745**	P 13,397,932

The impairment loss in 2020 is presented as part of Miscellaneous under Expenses, and the gain on reversal of impairment in 2019 is presented as part of Others under Income in the combined statements of comprehensive income.

9. FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL, held under Institutional and Individual Trust and Institutional Agency categories as of December 31, 2020 and 2019 are all held for trading. Total fair value of P130,513,640 and P149,862,083 as of December 31, 2020 and 2019, respectively, has been determined either directly or indirectly by reference to published prices quoted in an active market.

The following details show the net loss contributed by financial assets at FVTPL to the Funds:

	2020	2019
Trading losses	**(P 10,002,470)**	(P 11,189,420)
Dividend income	**6,570,716**	6,926,923
	(P 3,431,754)	(P 4,262,497)

Unrealized fair value losses on financial assets at FVTPL recognized is presented as Trading losses under Expenses in the combined statements of comprehensive income.

Dividends earned in equity securities measured at fair value through FVTPL is presented as part of Dividends under Income in the combined statements of comprehensive income.

10. FINANCIAL ASSETS AT FVOCI

Financial assets at FVOCI as of December 31 consist of the following:

	2020	2019
Quoted corporate bonds	**P 86,332,270**	P 77,546,647
Quoted equity securities	**73,690,000**	73,690,000
	P 160,022,270	P 151,236,647

Corporate bonds consist of seven-year and 11-year peso-denominated bonds issued by a local publicly-listed company, with an annual coupon rates ranging from 2.84% to 8.00% in both 2020 and 2019, respectively, and pay interest semi-annually. These bonds were purchased at face value and will mature in 2021 to 2027.

Interest income (net of tax) earned from these investments amounted P10,617,999 and P8,080,638 in 2020 and 2019, respectively, and are presented as part of Interest under Income in the combined statements of comprehensive income. Dividends earned from these investments amounted to P7,269,000 and P3,406,098 in 2020 and 2019, respectively, and are presented as part of Dividends under Income in the combined statements of comprehensive income.

Changes in the carrying amounts of financial assets at FVOCI in 2020 and 2019 are summarized below.

	2020	2019
Balance at beginning of year	**P 151,236,647**	P 185,966,492
Additions	**36,950,000**	19,548,799
Maturities	**(29,420,000)**	(62,030,000)
Unrealized fair value gains (losses) - net	**(420,022)**	6,919,503
Amortization of premium and discount	**1,675,645**	831,853
Balance at end of year	**P 160,022,270**	P 151,236,647

The Trust Department's accumulated unrealized fair value changes on mark-to-market of financial assets at FVOCI amounted to P2,875,973 and P3,295,995, respectively, and is presented as part of NUGL on Financial Assets at FVOCI account in the combined statements of financial position. Total accumulated impairment losses presented as part of NUGL on Financial Assets at FVOCI account, amounted to P75,830 in 2019 (nil in 2020).

The reconciliation of NUGL is as follows:

	2020	2019
Balance at beginning of year	**P 3,371,825**	(P 3,414,778)
Unrealized fair value gains (losses) during the year	**(420,022)**	6,919,503
Impairment recovery during the year	**(75,830)**	(132,900)
Balance at end of year	**P 2,875,973**	P 3,371,825

The gain on reversal of impairment of financial assets at FVOCI is presented as part of Others under Income in the combined statements of comprehensive income.

11. HELD-TO-COLLECT FINANCIAL ASSETS

This account is composed of the following as of December 31, 2020 and 2019:

	2020	2019
Corporate bonds	**P 290,740,000**	P 153,380,000
Government debt securities	**147,514,717**	124,902,692
Commercial papers	**36,000,000**	18,662,642
Other debt securities	**-**	10,500,000
	474,254,717	307,445,334
Allowance for impairment	**(117,382)**	(318,428)
	P 474,137,335	P 307,126,906

Government debt securities represent debt securities issued by the Republic of the Philippines, which earn annual effective interests ranging from 3.50% to 8.00% in both 2020 and 2019. These securities will mature in various dates within 2021 to 2032.

Corporate bonds consist of seven-year and 11-year peso-denominated bonds issued by a local publicly-listed company, with an annual coupon rates ranging from 2.84% to 8.00% in 2020, and 4.00% to 8.00% in 2019, and pay interest semi-annually. These bonds were purchased at face value and will mature in 2021 to 2027.

The interest income earned by the Funds from HTC financial assets amounted to P12,057,017 and P14,776,513 in 2020 and 2019, respectively, and is presented as part of Interest in the combined statements of comprehensive income.

The reconciliation of the carrying amounts of HTC financial assets in 2020 and 2019 are as follows:

	2020	2019
Balance at beginning of year	**P 307,126,906**	P 339,115,165
Additions	**230,407,209**	55,773,362
Maturities	**(62,579,945)**	(87,742,006)
Amortization of premium and discount	**(1,017,881)**	(100,294)
Impairment recoveries - net	**201,046**	80,679
Balance at end of year	**P 474,137,335**	P 307,126,906

Impairment recoveries on HTC financial assets are presented as part of Others under Income in the combined statements of comprehensive income.

12. INVESTMENT PROPERTIES

This account pertains to investments under Institutional Trust account amounting to P65,906,762 and P55,107,903 in 2020 and 2019, respectively.

The fair value gains amounting to P10,798,859 in 2020 is presented as part of Revaluation Gains on Investment Properties and Other Assets account in the 2020 combined statement of comprehensive income. No fair value gains were recognized in 2019.

Income earned by the Funds from its investment properties leased to third parties under operating lease agreements amounted to P1,316,710 and P2,626,489 in 2020 and 2019, respectively, and is presented as Rental Income account in the combined statements of comprehensive income.

The fair value of these investment properties is disclosed in Note 6.4.

13. OTHER ASSETS

The Funds' other assets pertain to memorial lots. Changes in the carrying amount of other assets are summarized below.

	2020	2019
Balance at beginning of year	**P 351,404,635**	P 351,289,481
Fair value gains	**26,667,058**	-
Additions	**-**	115,154
Balance at end of year	**P 378,071,693**	P 351,404,635

The fair value gains is presented as part of Revaluation Gains on Investment Properties and Other Assets account in the 2020 combined statement of comprehensive income. No fair value gains or losses were recognized in 2019.

14. TAXES

Income from peso-denominated accounts of the Funds such as interest income on government securities, corporate bonds and deposits in banks are recorded net of applicable 20% final tax.

15. TRUST FEES

Trust fees charged by the Trust Department for both 2020 and 2019 are based on the following percentages:

Individual and Institutional Trust	
P1.0 million and above	1.50%
Less than P1.0 million	1.00%
Institutional and Individual Agency	
Excess of P5.0 million	0.25% to 0.38%
Less than P5.0 million	0.38% to 0.50%

16. COMMITMENTS AND CONTINGENT ACCOUNTABILITIES

As of December 31, 2020 and 2019, management believes that no additional material losses or liabilities are required to be recognized in the combined financial statements since there are no outstanding commitments and contingent accountabilities such as guarantees and commitments to extend credit, etc. The Funds are also not involved in any disputes, claims or assessments from regulating agency or with third parties.

17. RELATED PARTY TRANSACTIONS

In the normal course of the trust operations, the Funds has regular banking transactions with the Bank. The Funds maintain bank deposits with the Bank amounting to P79,386,326 and P46,785,120 as of December 31, 2020 and 2019, respectively, which are presented as part of Due from Banks (see Note 7) in the combined statements of financial position. In 2020 and 2019, interest income of P69,727 and P924,255, respectively, were recognized as part of Interest in the combined statements of comprehensive income.

Transactions with the Bank also include equity securities issued by the Bank which amount to P13,525,541 and P13,541,491 as of December 31, 2020 and 2019, respectively, and is presented as part of the Financial Assets at FVTPL account in the Funds' combined statements of financial position (see Note 9).

18. CONTINUING IMPACT OF COVID-19 PANDEMIC

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Funds' business operations.

The following are the impact of the COVID-19 pandemic on the Funds' business:

- scaled-down operations with Trust Department operating at skeletal force due to mobility and quarantine restrictions;

- implementation of work-from-home arrangement for employees affected by lockdowns;

- shortened work hours as response to the adjustments in the banking industry;

- limited investment activities as counterparties have scaled-down operations as well; and,

- slow-down in the pace of trust activities as clients have also experienced a slow-down of their business activities, however, assets under management and trust income have remained stable.

The following were the actions undertaken by the Bank to mitigate such impact:

- implemented the Trust Department's Business Continuity Plan to provide continued service to clients;
- provided accommodations to vital personnel to allow them to come to work;
- allowed work-from-home arrangements to some trust personnel;
- implemented Bayanihan Acts, as applicable; and,
- complied with the benefits payable to employees thru Bayanihan Act.

Based on the above actions and measures taken by management to mitigate the adverse effect of the COVID-19 pandemic, the Bank believes that the Funds would continue to report positive results of operations and would remain liquid to meet current obligations as it falls due.