COVER SHEET

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SEC Registration Number

METROPOLITAN BANK & TRUST COMPANY

(Company's Full Name)

Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila

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

ATTY. LAARNI D. BERNABE

(Contact Person)

898-8733

(Company Telephone Number)

1 2 3 1

Month *Day*

(Fiscal Year)

20-IS

(Form Type)

0 4 2 4

Month *Day*

(Annual Meeting)

NONE

(Secondary License Type, If Applicable)

Corporation Finance Department

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

3,021 as of February 26, 2019 Record Date

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SEC Number 20573
File Number______

METROPOLITAN BANK & TRUST COMPANY

(Company's Full Name)

Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila

(Company's Address)

898-8000

(Telephone Number)

December 31

(Fiscal year ending)

FORM 20-IS

(Form Type)

(Amendment Designation, if applicable)

March 21, 2019

(Period Ended Date)

None

(Secondary License Type and File Number)

Metrobank

Annual Meeting of the Stockholders

April 24, 2019 at 3:00 P.M.
Auditorium, 2nd Floor, Metrobank Plaza,
Sen. Gil J. Puyat Avenue, Urdaneta Village, Makati City

AGENDA

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Meeting Held on April 25, 2018
4. President's Report to the Stockholders
5. Approval of the following:
   a. Amendment of the Articles of Incorporation on the Increase of Authorized Capital Stock
   b. Declaration of 13% Stock Dividends
   c. Merger of Metrobank Card Corporation into Metropolitan Bank & Trust Company
6. Ratification of All Acts and Resolutions of the Board of Directors, Management and All Committees from April 25, 2018 to April 23, 2019
7. Election of Directors for 2019-2020
8. Appointment of External Auditors for 2019-2020
9. Other Matters
10. Adjournment

Stockholders of record as of February 26, 2019 shall be entitled to vote at the Meeting.

If you cannot attend the meeting in person and you wish to be represented, you may designate your authorized representative by submitting a signed proxy document on or before April 17, 2019 to the Stock Transfer Section (Metrobank Trust Banking Group), 16th Floor, Metrobank Center, 35th Street corner 7th Avenue, Bonifacio Global City, 1634 Taguig City.

Attached for your convenience is a sample proxy form.

This Agenda and the attached sample proxy form together with the Definitive Information Statement including the Audited Financial Statements will be distributed in compact discs (CD) format to all stockholders as of Record Date. They will also be posted on the Bank's website.

Laarni D. Bernabe

LAARNI D. BERNABE
Assistant Corporate Secretary

Annual Meeting of the Stockholders
April 24, 2019 at 3:00 P.M.
Auditorium, 2nd Floor, Metrobank Plaza,
Sen. Gil J. Puyat Avenue, Urdaneta Village, Makati City

EXPLANATORY NOTES TO AGENDA ITEMS THAT WILL BE SUBMITTED FOR RATIFICATION / APPROVAL OF THE STOCKHOLDERS

Agenda Item 1

Call to order

At 3:00 in the afternoon on April 24, 2019, the Chairman, Mr. Arthur V. Ty, will call the 2019 Annual Stockholders' Meeting of Metropolitan Bank & Trust Company, Inc. to order.

Agenda Item 2

Certification of Notice and Quorum

The Corporate Secretary, Atty. Antonio V. Viray, will certify that copies of Notice for the 2019 Annual Stockholders Meeting have been duly sent to the Stockholders as of Record Date of February 26, 2019 as required by the Amended By-Laws. He will also attest whether the required quorum is present for the transaction of the business included in the Agenda.

Agenda Item 3

1. Approval of the following Minutes of the Annual Meeting of Stockholders held on April 25, 2018:

   i. Call to Order and Certification of Quorum. The meeting was called to order by Chairman Arthur Ty at 3:00 o'clock in the afternoon. The Corporate Secretary, Antonio V. Viray, certified that there were 2,138,916,678 common shares actually present in person or by proxy, out of the 3,180,172,786 common shares outstanding. This constituted 67.26% of the outstanding capital stock.

   ii. Approval of the Minutes of the Annual Stockholders' Meeting held on April 26, 2017 via the following:

RESOLUTION NO. 056-MBTC-SH-2018

RESOLVED, that the Minutes of the Annual Stockholders' Meeting on April 26, 2017 are hereby approved.

   iii. President's Report on the performance of Metrobank for 2017, as further detailed in the Annual Report for *2017.*

During the Meeting, stockholders were given the opportunity to be heard. The following questions and comments were raised from the floor:

Stockholder Elizabeth Santiago asked for the Bank's indicative performance for the 1st quarter of 2018. Metrobank President Fabian S. Dee replied that the focus of the Meeting was the 2017 Full

Year Performance. He emphasized the Bank's positive view of the economy. Metrobank still continues to project that in the next 3 years, loan growth can be sustained at roughly 2 to 2.5 times the expected GDP growth.

iv. Ratification of All Acts and Resolutions of the Board of Directors, Management, Board and Management Committees from April 26, 2017 to April 24, 2018 via the following:

RESOLUTION NO. 057-MBTC-SH-2018

RESOLVED, that all acts, transactions and resolutions of the Board of Directors, management, board and management committees from April 26, 2017 to April 24, 2018, including among others, the approval of all loans, investments, new Bank products and services and related party transactions, are hereby ratified and confirmed.

v. Election of Twelve (12) Directors for the Year 2018 - 2019

Mr. Jesli A. Lapus, Chairman of the Nominations Committee, explained that the Nominations Committee and the Corporate Governance and Compensation Committee chaired by Rex C. Drilon II had jointly evaluated the qualifications of all nominees to the Board of Directors, and that the Committees found that the nominees had all the qualifications and none of the disqualifications prescribed by law and regulations, and that out of the twelve(12) nominees, five(5) were nominated as independent directors. Twelve(12) directors were elected for the year 2018-2019:

RESOLUTION NO. 058-MBTC-SH-2018

RESOLVED, that the following are hereby elected as directors of Metrobank effective immediately and until the successors are elected and qualified:

1)	Mr. Arthur Ty	8)	Mr. Robin A. King *
2)	Mr. Francisco C. Sebastian.	9)	Ms. Rex C. Drilon II*
3)	Mr. Fabian S. Dee	10)	Mr. Francisco F. Del Rosario, Jr.*
4)	Mr. Vicente R. Cuna, Jr.	11)	Mr. Edgar O. Chua*
5)	Mr. Edmund A. Go	12)	Mr. Solomon S. Cua
6)	Mr. Alfred V. Ty		
7)	Mr. Jesli A. Lapus*		

** Independent directors*

vi. Election of Sycip Gorres Velayo & Co. as External Auditors via the following:

RESOLUTION NO. 059-MBTC-SH-2018

RESOLVED, that as recommended by the Audit Committee and approved by the Board of Directors, Sycip Gorres Velayo & Co. is hereby appointed as the External Auditors of Metrobank for the year 2018.

There being no other matters for discussion, the meeting was adjourned.

Agenda Item 4

President's Report to the Stockholders

The President will report the highlights of Metrobank's Performance for the year 2018.

Agenda Item 5

Approval of the following:

a) Amendment of the Articles of Incorporation on the Increase of Authorized Capital Stock from ₱100 Billion to ₱140 Billion, with the increase of ₱40 Billion to be divided into 2 Billion Common Shares with a par value of ₱20 per share;
b) Declaration of 13% Stock Dividends which will be issued out of the increase in the authorized capital stock.
c) Merger of MCC into Metrobank – *Please refer to the write-up under Item C of the Information Statement for the pertinent details*

Agenda Item 6

Ratification of Corporate Acts

The matters for ratification include all acts, transactions and resolutions of the Board of Directors, management and all Committees done in the ordinary course of business from April 25, 2018 until April 23, 2019, including, among others, the approval of loans, investments, new Bank products and services and significant related party transactions as reflected in the Definitive Information Statement.

Agenda Item 7

Election of Directors for 2019-2020

The persons listed in the table below have been nominated to become directors for 2019-2020. All directors are elected for a term of one year and until their successors shall have been elected and qualified. The table below indicates their current board position (Chairman, Vice-Chairman, President, Director, Independent Director) board committee assignments, age, academic qualification, date of first appointment, experience, and directorships in other listed companies. With the exception of Atty. Angelica H. Lavares, ,all of them are incumbent directors of Metrobank.

Name	Experience
ARTHUR TY Chairman Chairman, Executive Committee Member, Corporate Governance and Compensation Committee Domestic Equity Investments Committee Anti-Money Laundering Committee Adviser, IT Steering Committee	Mr. Arthur Ty, Filipino, 52 years old, has been the Bank's Chairman since 2012. He was the Bank's President from 2006 to 2012. He has been the Chairman of GTCAP since May 2016 and Metropolitan Bank China (Ltd.) (MBCL) since 2010, Vice-Chairman of PSBank since 2001 and FMIC since 2012. He earned his Bachelor of Science degree in Economics at the University of California, Los Angeles and obtained his Masters in Business Administration degree from Columbia University, New York. His brother Alfred Ty is the Director of the Bank. He is married to Zandra M. Ty, Metrobank First Vice-President.
FRANCISCO C. SEBASTIAN Vice-Chairman Chairman, Overseas Banking Committee Vice Chairman, Executive Committee Member, Domestic Equity Investments Committee	Mr. Francisco C. Sebastian, Filipino, 64 years old, has been the Vice-Chairman of the Bank since 2006. He joined the Metrobank Group in 1997 as FMIC President until he was appointed Chairman in 2011. He was the Chairman of GTCAP from 2014 to April 2016. He has been the Vice-Chairman of GTCAP since May 2016. He earned his AB degree in Economics, Magna Cum Laude, from the Ateneo de Manila University in 1975.
FABIAN S. DEE President Chairman, Manpower Committee	Mr. Fabian S. Dee, Filipino, 56 years old, became President of Metrobank in 2012. Before becoming President, he headed the National Branch Banking Sector (2006-2012), Account

Senior Credit Committee Senior Non-Performing Assets Committee Assets and Liabilities Committee Anti-Money Laundering Compliance Committee Budget Committee Retirement Committee Security Committee Member, Executive Committee IT Steering Committee Overseas Banking Committee Trust Committee Adviser, Emergency Management Committee	Management Group (2002-2006) and Marketing Center (2001-2002). He has been the Chairman and Director of Metrobank Card Corporation (MCC) since 2006; Chairman of Metro Remittance Singapore PTE Ltd. since 2010; Chairman of LGU Guarantee Corporation since 2017; Director of Bankers Association of the Philippines since 2014 and Trustee of MBFI since 2012. He was the Chairman of SMBC Metro Investment Corporation (SMBC Metro) from 2014 to 2017 and Director of Bancnet from 2015 to 2017. He holds a degree in Management Engineering from the Ateneo de Manila University.
VICENTE R. CUNA, JR. Director Chairman, IT Steering Committee Member, Executive Committee Anti-Money Laundering Committee Domestic Equity Investments Committee	Mr. Vicente R. Cuna, Jr., Filipino, 57 years old, became a director of Metrobank in 2014. He is currently the Senior Executive Vice-President and Head of the Enterprise Services Sector. Prior to this, he was the President of PSBank from 2013 to 2018; Head of Institutional Banking Sector (2012-2013) and Corporate Banking Group (2006-2012). He is the Chairman of ORIX Metro Leasing and Finance Corporation (ORIX Metro) and Vice-Chairman of PSBank. He graduated from De La Salle University with a degree in AB Economics and pursued further studies at the Ateneo Graduate School of Business.
EDMUND A. GO Director Chairman, Anti-Money Laundering Committee Vice-Chairman, Risk Oversight Committee Member, IT Steering Committee Trust Committee	Mr. Edmund A. Go, Filipino, 68 years old, was first elected director in 2007. He has been a director of Metropolitan Bank China (Ltd.) since 2010, a member of the Board of Advisors of PSBank since 2009. He has also been a Director for Investments of Ateneo de Manila University since 2010 and Investment Consultant for St. Peter's Life Group since 2011. He was a director of First Metro International Investment Corporation (FMIIC) Hong Kong from 2001 to 2008. He served as Metrobank Treasurer (2000-2007) and consultant of the Philippine Dealing and Exchange Corp. on Securities Training and Development (2008-2010). Prior to 2000, he held various management positions at Citibank Manila, Hong Kong, Taiwan and New York in the areas of Treasury, Derivatives, Investment Banking and Private Banking. He is a Certified Public Accountant and holds a BS Commerce Degree in Accounting, Cum Laude, from the San Beda College and an MBA degree, with distinction, from the Asian Institute of Management.
ALFRED V. TY Director Member, Domestic Equity Investments Committee Overseas Banking Committee	Mr. Alfred V. Ty, Filipino, 51 years old, was first elected director in September 2015. He has been the Vice-Chairman of GTCAP since 2012 and TMPC since 2004; the Chairman of Lexus Manila, Inc. since 2008, Federal Land, Inc. (FLI) since 2015, Horizon Land Property Devt. Corp. since 2011, Property Company of Friends, Inc. since 2015 and Vice-Chairman of Omni-Orient Management Corp. since 2013. He has been a Director of Metro Pacific Investment Corp. since 2016 and was appointed Vice-Chairman in March 2018. He has been the Chairman of Bonifacio Landmark Realty & Devt. Corp. since 2008; Cathay International Resources, Inc. since 2013 and Federal Brent Retail, Inc. since 2004. He has been the Honorary Consul to the Oriental Republic of Uruguay to the Philippines since 2009; President and Director of Grand Estate Property Corp. since 2001; Chairman and President of Up Swing Corporation since 2012 and Vice-Chairman of Federal Homes, Inc. since 2012. He is the President and Director of Tytana Corporation since 2015 and Ferum Cee, Inc. since 2011. He has been the Chairman and President of 82 Alpha Holdings Corp. since 2009; President and Director of Great Mark Resources and Grand Titan Capital Holdings, Inc. and Chairman of FLI since 2007; and President and Director of Global Treasure Holdings, Inc. since

	2006; Executive Vice-President and Director of Philippine Securities Corp. since 2005; Vice Chairman of Toyota Motor School of Technology since 2013 and Member of the Board of MACEA since 2017. He graduated with a Bachelor of Science degree in Business Administration from the University of Southern California in 1989. His brother Arthur Ty is the Chairman of the Bank. He is the brother-in-law of Zandra M. Ty, Metrobank First Vice-President.
SOLOMON S. CUA Director Member, Overseas Banking Committee	Mr. Solomon S. Cua, Filipino, 63 years old, is former Undersecretary of the Department of Finance. He is currently the Chairman of AXA Philippines and Charter Ping An Insurance Corporation and Vice-Chairman/Director of Philippine Racing Club, Inc. He is a Director of Profriends Developer, Inc., Grand Titan Capital Holdings, Inc. and Philippine Newton Global Solutions, Inc. He is the President of SC & SSC Holdings, Inc. and Director/Treasurer of Palm Integrated Commodities, Inc. He obtained his Bachelor of Arts (Mathematical Sciences and Economics) in University of Melbourne, Australia; Bachelor of Law in University of Queensland, Australia and Masters of Laws in London School of Economics & Political Science, England.
JESLI A. LAPUS Independent Director Chairman, Trust Committee Nominations Committee Member, Corporate Governance and Compensation Committee Risk Oversight Committee	Mr. Jesli A. Lapus, Filipino, 69 years old, became an independent director in 2010. He has been Chairman and Independent Director of STI Education Services Group, Inc. since 2013, Chairman of LBP Service Corporation since 2012 and Optimus Management Services Inc. since 2010. He has been an Independent Director of STI Education Systems Holdings Inc. since 2013 and Philippine Life Financial Assurance Corp. since June 2012. He has been a member of the Board of Governors of Information and Communication Technology Academy, Inc. since November 2010. He is the Advisor to the Board since 2013 of Radiowealth Finance Company. He was the Chairman of Manila Tytana Colleges from 2010 to 2013. He has been the Chairman - Center for Tourism of the Asian Institute of Management since 2012. He was the Secretary of the Department of Trade and Industry (2010), Secretary of the Department of Education (2006-2010), Congressman, Third District of Tarlac, House of Representatives (1998-2006) and President/CEO and Vice- Chairman of Land Bank of the Philippines (1992-1998). He is a Certified Public Accountant and holds an Accountancy degree from the Philippine School of Business Administration and a Master’s degree in Business Management from the Asian Institute of Management. He has a Doctorate in Public Administration (Honoris Causa) from the Polytechnic University of the Philippines. He also studied Investment Appraisal and Management at Harvard University; Management of Transfer of Technology at INSEAD (France), Project Management at BITS (Sweden); and Personal Financing Planning at UCLA.
REX C. DRILON II Independent Director Chairman, Corporate Governance and Compensation Committee Related Party Transactions Committee Vice-Chairman, Trust Committee Member, Anti-Money Laundering Committee	Mr. Rex C. Drilon II, Filipino, 72 years old, became an independent director in 2012. He also served as independent director of FMIC (2011-2014). He has been the Vice Chairman of the Institute of Corporate Directors since 2013 and Center for Excellence in Governance since 2016. He has been a member of the Board of Trustees of Institute of Solidarity in Asia since 2010 and Center for School Governance since 2016. He has been the Chairman of Keyland Corporation and YLD Holdings, Inc. since 2012. He was the President of the Institute of Corporate Directors (2010-2012), Chief Operating Officer of Ortigas & Company, Limited Partnership (2001-2010) and CEO of Ayala Land’s publicly listed subsidiaries Cebu Holdings, Inc. and Cebu Property Ventures Development Corp. (1998-2001). He has a Business

	Administration degree from the University of the East. He pursued further studies at the University of Asia and The Pacific.
FRANCISCO F. DEL ROSARIO, JR. Independent Director Chairman, Domestic Equity Investments Committee Vice Chairman, Audit Committee Member, Corporate Governance and Compensation Committee Overseas Banking Committee	Mr. Francisco F. Del Rosario, Jr., Filipino, 71 years old, was first elected independent director in 2013. He has been a director of Omnipay, Inc. since 2014 and DMCI Homes, Inc. since 2011. He has been a Trustee of ABS-CBN Foundation since 2007, Senior Executive Director of PWC Isla Lipana and Chairman for Institute for Solidarity in Asia and Trustee for Center for Family Ministries from 2009 to 2014. He was the President and CEO of the Development Bank of the Philippines from 2010 to 2012. He obtained his BSC Accounting and BA Economics degrees from De La Salle University, and his MBM degree from the Asian Institute of Management.
EDGAR O. CHUA Independent Director Chairman, Audit Committee Member, Related Party Transactions Committee Anti-Money Laundering Committee Nominations Committee	Mr. Edgar O. Chua, Filipino, 62 years old, became an independent director in 2017. He is currently the President and Chief Executive of Cavitex Holdings, Inc. He has been an Independent Director of Integrated Micro-Electronics, Inc. and Energy Development Corporation since 2013. He is also the Chairman of the Philippine Eagle Foundation since 2017, De La Salle University Board, De La Salle Science Foundation and Makati Business Club since 2016. He is a Trustee/Treasurer of Philippine Business for Education since 2007 and Trustee for the College of Saint Benilde since 2017, De La Salle Araneta Salikneta since 2015, The English-Speaking Union of the Philippines, Inc. since 2009, Gawad Kalinga Community Development Foundation Inc. since 2005, and Pilipinas Shell Foundation, Inc. since 2003. He was the Chairman of Pilipinas Shell Petroleum from September 2003 to May 2017 and the Country Chairman of Shell companies in the Philippines from September 2003 to October 2016. He obtained his Bachelor of Science degree from De La Salle University in 1978.
ANGELICA H. LAVARES New Nominee as Independent Director	Ms. Angelica H. Lavares, Filipino, 65 years old, is a Teaching Fellow at the Institute of Corporate Directors. She is an Independent Director of several companies, namely, Metrobank Card Corporation, Williamton Financing Corporation and Inter-Asia Development Bank. Her other affiliations include being Head of Strategic Support Group of Bank Of Commerce from 2009 to 2015, and as a Consultant starting November 2015 up to present. Prior to joining Bank of Commerce, she served as Chief Legal Counsel (2003 to 2007), concurrent Chief Compliance Officer and Chief Legal Officer - Legal Services Department (2007 to 2009) and Assistant Corporate Secretary (2007-2009) of Metrobank. She was also Chief Legal Counsel and Head of Legal Services Division for United Coconut Planters bank (UCPB) from 1999 to 2002 acting concurrently as its Head for Human Resource Division. Previous to that, she was Vice President for Sales Documentation and Head of Collection Department of Filinvest Land Inc., and Special Assistant to the Commissioner for the Bureau of Customs (BOC) in 1987. She obtained her degree in AB Psychology, Cum Laude, from St. Theresa's College, QC in 1973 and Bachelor of Laws, First Honorable Mention, from the University of the Philippines in 1981.

The following were nominated as Independent Directors, namely, Mr. Jesli A. Lapus, Mr. Rex C. Drilon II, Mr. Francisco F. Del Rosario, Jr., Mr. Edgar O. Chua and Atty. Angelica H. Lavares. The corresponding Certificates that they have individually executed as independent director-nominees are attached as EXHIBITS 1,2 3, 4 & 5 of the Information Statement.

Agenda Item 8

Appointment of External Auditors

SyCip Gorres Velayo & Co., CPAs (SGV) has been the external auditors of the Bank since 1962. Representatives of SGV are expected to be present at the Meeting and will have the opportunity to make a statement if they desire to do so, and will be available to answer appropriate questions from the stockholders.

Ms. Janeth T. Nuñez-Javier, SGV Partner, reviewed/audited the Group's financial statements as of December 31, 2018 and 2017 and for each of the three years ended December 31, 2018. In compliance with the amended SRC Rule 68 (3) (b) (ix), the signing partners are rotated after every five years reckoned from the year 2002.

The Bank intends to retain SGV as its external auditors for the year 2019 and is submitting the same to the stockholders for ratification as endorsed by the Audit Committee with the approval of the Board of Directors.

Agenda Item 9

Other Matters

The Stockholders may raise questions and comments as may be relevant to the Annual Stockholders Meeting.

Agenda Item 10

Adjournment

After consideration of all business in the Agenda, the Chairman will adjourn the 2019 Annual Stockholders Meeting.

Voting Procedures

1. At least 2/3 of the outstanding capital stock is required for the approval of the following:

    a) Increase in the Authorized Capital Stock
    b) Declaration of 13% Stock Dividends
    c) Merger of MCC into Metrobank

2. Majority vote is required for the following:

   a) Approval of the minutes of the annual meeting of the stockholders held on April 25, 2018
   b) Ratification of Corporate Acts
   c) Election of External Auditors

   On the election of directors, nominees receiving the highest number of votes shall be declared elected following the provisions of the Corporation Code.

3. Every stockholder entitled to vote on a particular question or matter involved shall be entitled to one (1) vote for each share of stock in his name. Cumulative voting is allowed provided that the total votes cast by a stockholder shall not exceed the number of shares registered in his name as of the record date multiplied by the number of directors to be elected. Matters submitted to stockholders for ratification shall be decided by the required vote of stockholders present in person or by proxy.

4. Metrobank has not solicited any discretionary authority to cumulative voting.

5. Votes cast at the meeting shall be counted by the Bank's Stock Transfer Agent and validated by SGV.

Metrobank's Dividend Policy Statement

The Bank's dividend policy is an integral component of its capital management policy rather than a stand-alone process. Its fundamental and overriding policy is sustainability.

Dividends are declared and paid out of unrestricted retained earnings of the Bank at such intervals as the Board of Directors may determine and in accordance with the provisions of law and the regulations of the BSP and the SEC. Historically, the Bank has declared annual cash dividends equal to P1.00 per common share, equivalent to 5% of the par value.

Cash dividends are subject to approval by at least a majority of the Board of Directors, with the record date not being earlier than 10 trading days from declaration, and the payment date not later than 18 trading days from the record date. On the other hand, stock dividends require prior clearance from the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission, as well as the Philippine Stock Exchange (with respect to listing.)

The payment of dividends in the future will depend on the Bank's earnings, cash flow, financial condition, regulatory requirements for capital and other factors. Circumstances which could restrict the payment of cash dividends include, but are not limited to, when the Bank undertakes major projects and developments requiring substantial cash expenditures. The Board of Directors may, at any time, modify the Bank's dividend payout ratio depending on the results of operations and future projects and plans of the Bank.

P R O X Y [1]

The undersigned stockholder of Metropolitan Bank & Trust Company (Metrobank) hereby appoints ________________________________ [2] or in his absence, the Chairman of the meeting, as my/our proxy, to act for me and on my/our behalf at the Metrobank Annual Stockholders' Meeting to be held on
April 24, 2019 (and at any adjournment thereof) and to vote for me/us as indicated below or, if no such indication is given, as my/our proxy thinks fit:

	RESOLUTION	FOR	AGAINST	ABSTAIN
1	Approval of the Minutes of the Annual Meeting held on April 25, 2018			
2	Ratification / Approval of the following: a. Amendment of the Articles of Incorporation on the Increase of Authorized Capital Stock b. Declaration of 13% Stock Dividends c. Merger of Metrobank Card Corporation into Metropolitan Bank & Trust Company			
3	Ratification of all Acts and Resolutions of the Board of Directors, Management and All Committees from April 25, 2018 to April 23, 2019			
4	Election of Directors for 2019-2020 1. Arthur Ty 2. Francisco C. Sebastian 3. Fabian S. Dee 4. Jesli A. Lapus 5. Alfred V. Ty 6. Rex C. Drilon II 7. Edmund A. Go 8. Francisco F. Del Rosario, Jr. 9. Vicente R. Cuna, Jr. 10. Edgar O. Chua 11. Solomon S. Cua 12. Angelica H. Lavares			
5	Appointment of External Auditor **(SyCip Gorres Velayo & Co.)**			

Signature ______________________________ Date _________________

[1] To be valid, this proxy must be submitted on or before 5:00 p.m. on April 17, 2019, to the Stock Transfer Section (Metrobank Trust Banking Group), 16th Floor, Metrobank Center, 35th Street corner 7th Avenue, Bonifacio Global City, 1634 Taguig City.
[2] If no name is provided, the Chairman of the Meeting will act as the proxy.

THIS PROXY NEED NOT BE NOTARIZED. IF THE STOCKHOLDER ATTENDS IN PERSON AND EXPRESSES HIS INTENTION TO VOTE IN PERSON, THE PROXY WILL BE REVOKED.

SECURITIES AND EXCHANGE COMMISSION
SEC Form 20-IS

Information Statement Pursuant to Section 20
of the Securities Regulation Code

1. Check the appropriate box:

   _____Preliminary Information Statement
   __X__Definitive Information Statement

2. Name of Registrant as specified in its charter **METROPOLITAN BANK & TRUST COMPANY**

3. Province, country, or other jurisdiction of incorporation or organization **Metro Manila, Philippines**

4. SEC Identification Number **20573**

5. BIR Tax Identification Code **000-477-863**

6. Address of principal office **Metrobank Plaza Sen. Gil Puyat Avenue, Urdaneta Village, Makati City 1200**
   Postal Code

7. Registrant's telephone number, including area code **(632) 898-8000; (632) 898-8733**

8. Date, time and place of the meeting of security holders

   April 24, 2019, 3:00 PM, Metrobank Auditorium
   Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila

9. Approximate date on which the Information Statement is first to be sent or given to security holders

   March 29, 2019

10. Securities registered pursuant to Sections 4 and 8 of RSA (information on number of shares and amount of debt is applicable only to corporate registrant):

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares	***3,980,015,036***

11. Are any or all of registrant's securities listed on the Philippine Stock Exchange?

    Yes __X__ **No**_____

12. If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Stock Exchange	:	**Philippine Stock Exchange**
Class of Securities	:	**Common Shares**

A. GENERAL INFORMATION

Item 1. Date, Time, and Place of Meeting of Security Holders

Date	:	April 24, 2019
Time	:	3:00 P.M.
Place	:	Metrobank Auditorium, Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila, Philippines
Mailing Address	:	Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila

The approximate date on which the Information Statement is first to be sent or given to security holders is on March 29, 2019.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

Item 2. Dissenter's Right of Appraisal

Item 5.c. of the Agenda for the Annual Stockholders' Meeting ("Meeting") is the proposal to merge Metrobank Card Corporation ("MCC") into Metropolitan Bank & Trust Company ("Metrobank"), with Metrobank as the surviving entity (the "Proposed Merger"). This is a matter which may give rise to the exercise by the stockholders of the right of appraisal or the right to dissent and demand payment of the fair value of his shares.

The Board of Directors of Metrobank, acting on the endorsement of the Domestic Equity Investments Committee, approved the Proposed Merger during its Regular Meeting held on March 13, 2019. MCC, a wholly-owned subsidiary of Metrobank, obtained the corresponding approval from its Board of Directors on the same day, March 13, 2019. The Proposed Merger will be submitted for approval during the Meeting and requires approval by stockholders representing at least 2/3 of the outstanding capital stock. The Proposed Merger is further subject to the respective approvals of the Bangko Sentral ng Pilipinas (BSP) and the Securities Exchange Commission (SEC).

The appraisal right may be exercised by any stockholder who shall have voted against the Proposed Merger by making a written demand on Metrobank for the payment of the fair value of his shares within thirty (30) days after the date of the Meeting on which the vote was taken: Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the Proposed Merger is implemented or effected, Metrobank shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date of the Meeting on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

Item 3. Interests of Certain Persons in or Opposition to Matters to be Acted Upon

(a) No director, officer or nominee for election as director, or any associate of the foregoing persons has any substantial interest, direct or indirect, by security holdings or otherwise, which needs to be acted upon during the Meeting, other than the election of the nominees to the 2019-2020 Board of Directors.

(b) No director has informed Metrobank that he intends to oppose any action to be taken up at the Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Number of shares outstanding as of February 26, 2019 : 3,980,015,036 shares
Number of votes entitled : One (1) vote per share

(b) Record date to determine stockholders entitled to notice and to vote at the regular meeting : February 26, 2019

(c) Number of holders as of February 26, 2019 : 3,021 holders

All of the securities of the issuer are listed in the Philippine Stock Exchange (PSE).

(d) Election of Directors

Majority vote is required for the election of directors. Stockholders shall have the right to cumulative voting. Cumulative voting is allowed provided that the total number of votes cast by a stockholder does not exceed the number of shares registered in his name in the books of Metrobank as of the record date multiplied by the number of directors to be elected. There is no condition precedent to the exercise of the right to cumulative voting.

(e) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

As of February 26, 2019, the following stockholders own more than 5% of the common shares of stock:

	Class of Shares	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
1	Common	***GT CAPITAL HOLDINGS, INC.*** Stockholder 43/F GT Tower International Ayala Avenue Corner H.V. Dela Costa Street, Makati City *Arthur Ty is authorized to vote the shares of GT Capital Holdings, Inc.(GTCAP) in Metrobank.*	Beneficial and Record Owner *The following persons own more than 5% of the outstanding voting shares of GTCAP as of February 26, 2019:* *Grand Titan Capital Holdings, Inc. –55.93%* *PCD Nominee Corporation (Non-Filipino) –31.16%*	Filipino	1,447,016,063	36.357%

	Class of Shares	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
		GT CAPITAL HOLDINGS, INC. *(continuation)*	*PCD Nominee Corporation (Filipino) – 12.59%* *GTCAP is a publicly-listed company that is majority-owned and controlled by the family of the late George S.K. Ty through Grand Titan Capital Holdings, Inc.*			
2	Common	***PCD NOMINEE CORPORATION (Non-Filipino)*** 37/F The Enterprise Center Ayala Avenue, Makati City	Various Scripless Stockholders *There is no participant of PCD who holds more than 5% of the common stock of Metrobank.*	Foreign	1,187,575,973	29.838%
3	Common	***PCD NOMINEE CORPORATION (Filipino)*** ***37/F The Enterprise Center*** ***6766 Ayala Avenue, Makati City***	Various Scripless Stockholders *There is no participant of PCD who holds more than 5% of the common stock of Metrobank.*	Filipino	686,791,878	17.256%
TOTAL					**3,321,383,914**	**83.451%**

PCD Nominee Corporation (Filipino and Non-Filipino) (PNC) is a wholly-owned subsidiary of the Philippine Central Depository (PCD) and acts as trustee-nominee for all shares lodged in the PCD system where trades effected on the PSE are finally settled and lodged. Persons who opt to trade through the PCD do not receive stock certificates as an evidence of ownership as trading using the PCD is completely scripless. Beneficial ownership of shares lodged with the PNC remains with the lodging stockholder.

(2) Security Ownership of Directors and Management

As of February 26, 2019, the registrant's directors and officers as a group held a total of 29,975,594 common voting shares, broken down as follows:

Class of Shares		Name of Beneficial Owner	Beneficial Ownership		Citizenship	Percent of Class
			No. of Shares	**Nature**		
Directors (12)						
1	Common	ARTHUR TY	13,456,030	Direct	Filipino	0.338
2	Common	FRANCISCO C. SEBASTIAN	976,357	Direct	Filipino	0.024
3	Common	FABIAN S. DEE (a)	650	Direct	Filipino	0.000
4	Common	VICENTE R. CUNA, JR.	115	Direct	Filipino	0.000
5	Common	EDMUND A. GO	6,622	Direct	Filipino	0.000
6	Common	ALFRED V. TY	15,121,879	Direct	Filipino	0.380
7	Common	SOLOMON S. CUA	100	Direct	Filipino	0.000

Class of Shares		Name of Beneficial Owner	Beneficial Ownership		Citizenship	Percent of Class
			No. of Shares	Nature		
8	Common	JESLI A. LAPUS (b)	20,150	Direct	Filipino	0.000
9	Common	ROBIN A. KING (b)	187	Direct	Filipino	0.000
10	Common	REX C. DRILON II (b)	1,430	Direct	Filipino	0.000
11	Common	FRANCISCO F. DEL ROSARIO, JR. (b)	130	Direct	Filipino	0.000
12	Common	EDGAR O. CHUA (b)	100	Direct	Filipino	0.000
	Sub-total		29,583,750			0.743

(a) *Director and President*
(b) *Independent Directors*

Class of Shares		Name of Beneficial Owner	Beneficial Ownership		Citizenship	Percent of Class
			No. of Shares	Nature		
Officers-Sector and Group Heads (24)						
Senior Executive Vice-Presidents (2)						
1	Common	JOSHUA E. NAING	300,000	Direct	Filipino	0.008
2	Common	FERNAND ANTONIO A. TANSINGCO	40,605	Direct	Filipino	0.001
Executive Vice-Presidents (8)						
3		MARITESS B. ANTONIO			Filipino	
4		MARY MYLENE A. CAPARAS			Filipino	
5		PAUL ROBERT Y. MURGA			Filipino	
6		CORAZON MA. THERESE B. NEPOMUCENO			Filipino	
7		RICHARD BENEDICT S. SO			Filipino	
8	Common	ANICETO M. SOBREPEÑA	9,177	Direct	Filipino	0.000
9		VIVIAN L. TIU			Filipino	
10		AMELIN S. YAO			Filipino	
Senior Vice-Presidents (13)						
11		MARILOU C. BARTOLOME			Filipino	
12	Common	CHRISTINE Y. CARANDANG	12,350	Direct	Filipino	0.000
13		POCHOLO V. DELA PEÑA			Filipino	
14		FERLOU I. EVANGELISTA			Filipino	
15		QUINTIN T. MEDRANO			Filipino	
16		SUSAN L. NIERE			Filipino	
17		ANTONIO R. OCAMPO, JR.			Filipino	
18	Common	BERNARDINO D. RAMOS	4,122	Direct	Filipino	0.000
19		ANGELICA S. REYES			Filipino	
20		LEANDRO ANTONIO G. SANTILLAN			Filipino	
21	Common	LITA S. TAN	8,288	Direct	Filipino	0.000
22		LEOPOLDO M. UBALDO			Filipino	
23	Common	ANTHONY PAUL C. YAP	17,302	Direct	Filipino	0.000
First Vice-President (1)						
24		LEO R. FRAGANTE			Filipino	
	Sub-total		391,844			0.010
	Total (Directors and Officers)		**29,975,594**			**0.753%**

(3) Voting Trust Holders of 5% or More

There is no person who holds more than 5% of the registrant’s securities under a voting trust or similar agreement.

(4) Changes in Control

There is no arrangement that may result in a change in control of the registrant. There is no change in control that has occurred since the beginning of the last fiscal year.

Item 5. Directors and Executive Officers

Incumbent Directors (12) - All directors are elected for a term of one year and until their successors shall have been elected and qualified. Below is a list of Metrobank's incumbent directors with their corresponding business affiliations and other qualifications.

Name	Experience
ARTHUR TY Chairman Chairman, Executive Committee Member, Corporate Governance and Compensation Committee Domestic Equity Investments Committee Anti-Money Laundering Committee Adviser, IT Steering Committee	Mr. Arthur Ty, Filipino, 52 years old, has been the Bank's Chairman since 2012. He was the Bank's President from 2006 to 2012. He has been the Chairman of GTCAP since May 2016 and Metropolitan Bank China (Ltd.) (MBCL) since 2010, Vice-Chairman of PSBank since 2001 and FMIC since 2012. He earned his Bachelor of Science degree in Economics at the University of California, Los Angeles and obtained his Masters in Business Administration degree from Columbia University, New York. His brother Alfred Ty is the Director of the Bank. He is married to Zandra M. Ty, Metrobank First Vice-President.
FRANCISCO C. SEBASTIAN Vice-Chairman Chairman, Overseas Banking Committee Vice-Chairman, Executive Committee Member, Domestic Equity Investments Committee	Mr. Francisco C. Sebastian, Filipino, 64 years old, has been the Vice-Chairman of the Bank since 2006. He joined the Metrobank Group in 1997 as FMIC President until he was appointed Chairman in 2011. He was the Chairman of GTCAP from 2014 to April 2016. He has been the Vice-Chairman of GTCAP since May 2016. He earned his AB degree in Economics, Magna Cum Laude, from the Ateneo de Manila University in 1975.
FABIAN S. DEE President Chairman, Manpower Committee Senior Credit Committee Senior Non-Performing Assets Committee Assets and Liabilities Committee Anti-Money Laundering Compliance Committee Budget Committee Retirement Committee Security Committee Member, Executive Committee IT Steering Committee Overseas Banking Committee Trust Committee Adviser, Emergency Management Committee	Mr. Fabian S. Dee, Filipino, 56 years old, became President of Metrobank in 2012. Before becoming President, he headed the National Branch Banking Sector (2006-2012), Account Management Group (2002-2006) and Marketing Center (2001-2002). He has been the Chairman and Director of Metrobank Card Corporation (MCC) since 2006; Chairman of Metro Remittance Singapore PTE Ltd. since 2010; Chairman of LGU Guarantee Corporation since 2017; Director of Bankers Association of the Philippines since 2014 and Trustee of MBFI since 2012. He was the Chairman of SMBC Metro Investment Corporation (SMBC Metro) from 2014 to 2017 and Director of Bancnet from 2015 to 2017. He holds a degree in Management Engineering from the Ateneo de Manila University.
VICENTE R. CUNA, JR. Director Chairman, IT Steering Committee Member, Executive Committee Anti-Money Laundering Committee Domestic Equity Investments Committee	Mr. Vicente R. Cuna, Jr., Filipino, 57 years old, became a director of Metrobank in 2014. He is currently the Senior Executive Vice-President and Head of the Enterprise Services Sector of Metrobank. Prior to this, he was the President of PSBank from 2013 to 2018; Head of Institutional Banking Sector (2012-2013) and Corporate Banking Group (2006-2012) of Metrobank. He is the Chairman of ORIX Metro Leasing and Finance Corporation (ORIX Metro) since March 2016 and Vice-Chairman of PSBank since April 2018. He graduated from De La Salle University with a degree in AB Economics and pursued further studies at the Ateneo Graduate School of Business.

Name	Experience
EDMUND A. GO Director Chairman, Anti-Money Laundering Committee Vice-Chairman, Risk Oversight Committee Member, IT Steering Committee Trust Committee	Mr. Edmund A. Go, Filipino, 68 years old, was first elected director in 2007. He has been a director of Metropolitan Bank China (Ltd.) since 2010, a member of the Board of Advisors of PSBank since 2009. He has also been a Director for Investments of Ateneo de Manila University since 2010 and Investment Consultant for St. Peter's Life Group since 2011. He was a director of First Metro International Investment Corporation (FMIIC) Hong Kong from 2001 to 2008. He served as Metrobank Treasurer (2000-2007) and consultant of the Philippine Dealing and Exchange Corp. on Securities Training and Development (2008-2010). Prior to 2000, he held various management positions at Citibank Manila, Hong Kong, Taiwan and New York in the areas of Treasury, Derivatives, Investment Banking and Private Banking. He is a Certified Public Accountant and holds a BS Commerce Degree in Accounting, Cum Laude, from the San Beda College and an MBA degree, with distinction, from the Asian Institute of Management.
ALFRED V. TY Director Member, Domestic Equity Investments Committee Overseas Banking Committee	Mr. Alfred V. Ty, Filipino, 51 years old, was first elected director in September 2015. He has been the Vice-Chairman of GTCAP since 2012 and TMPC since 2004; the Chairman of Lexus Manila, Inc. since 2008, Federal Land, Inc. (FLI) since 2015, Horizon Land Property Devt. Corp. since 2011, Property Company of Friends, Inc. since 2015 and Vice-Chairman of Omni-Orient Management Corp. since 2013. He has been a Director of Metro Pacific Investment Corp. since 2016 and was appointed Vice-Chairman in March 2018. He has been the Chairman of Bonifacio Landmark Realty & Devt. Corp. since 2008; Cathay International Resources, Inc. since 2013 and Federal Brent Retail, Inc. since 2004. He has been the Honorary Consul to the Oriental Republic of Uruguay to the Philippines since 2009; President and Director of Grand Estate Property Corp. since 2001; Chairman and President of Up Swing Corporation since 2012 and Vice-Chairman of Federal Homes, Inc. since 2012. He is the President and Director of Tytana Corporation since 2015 and Ferum Cee, Inc. since 2011. He has been the Chairman and President of 82 Alpha Holdings Corp. since 2009; President and Director of Great Mark Resources and Grand Titan Capital Holdings, Inc. and Chairman of FLI since 2007; and President and Director of Global Treasure Holdings, Inc. since 2006; Executive Vice-President and Director of Philippine Securities Corp. since 2005; Vice-Chairman of Toyota Motor School of Technology since 2013 and Member of the Board of MACEA since 2017. He graduated with a Bachelor of Science degree in Business Administration from the University of Southern California in 1989. His brother Arthur Ty is the Chairman of the Bank. He is the brother-in-law of Zandra M. Ty, Metrobank First Vice-President.

Name	Experience
SOLOMON S. CUA Director Member, Overseas Banking Committee	Mr. Solomon S. Cua, Filipino, 63 years old, is former Undersecretary of the Department of Finance. He is currently the Chairman of AXA Philippines and Charter Ping An Insurance Corporation and Vice-Chairman/Director of Philippine Racing Club, Inc. Adviser of MBCL since 2018. He is a Director of Profriends Developer, Inc., Grand Titan Capital Holdings, Inc. and Philippine Newton Global Solutions, Inc. He is the President of SC & SSC Holdings, Inc. and Director/Treasurer of Palm Integrated Commodities, Inc. He obtained his Bachelor of Arts (Mathematical Sciences and Economics) in University of Melbourne, Australia; Bachelor of Law in University of Queensland, Australia and Masters of Laws in London School of Economics & Political Science, England.
JESLI A. LAPUS Independent Director Chairman, Trust Committee Nominations Committee Member, Corporate Governance and Compensation Committee Risk Oversight Committee	Mr. Jesli A. Lapus, Filipino, 69 years old, became an independent director in 2010. He has been Chairman and Independent Director of STI Education Services Group, Inc. since 2013, Chairman of LBP Service Corporation since 2012 and Optimus Management Services Inc. since 2010. He has been an Independent Director of STI Education Systems Holdings Inc. since 2013 and Philippine Life Financial Assurance Corp. since June 2012. He has been a member of the Board of Governors of Information and Communication Technology Academy, Inc. since November 2010. He is the Advisor to the Board since 2013 of Radiowealth Finance Company. He was the Chairman of Manila Tytana Colleges from 2010 to 2013. He has been the Chairman - Center for Tourism of the Asian Institute of Management since 2012. He was the Secretary of the Department of Trade and Industry (2010), Secretary of the Department of Education (2006-2010), Congressman, Third District of Tarlac, House of Representatives (1998-2006) and President/CEO and Vice-Chairman of Land Bank of the Philippines (1992-1998). He is a Certified Public Accountant and holds an Accountancy degree from the Philippine School of Business Administration and a Master's degree in Business Management from the Asian Institute of Management. He has a Doctorate in Public Administration (Honoris Causa) from the Polytechnic University of the Philippines. He also studied Investment Appraisal and Management at Harvard University; Management of Transfer of Technology at INSEAD (France), Project Management at BITS (Sweden); and Personal Financing Planning at UCLA.
ROBIN A. KING Independent Director Chairman, Risk Oversight Committee Vice-Chairman, Related Party Transactions Committee Member, Audit Committee Nominations Committee	Mr. Robin A. King, Filipino, 72 years old, was first elected independent director in 2011. He is currently a Director of Makati Sports Club (2017) and a Trustee of Asiapro Foundation since 2016. He was an independent director of FMIC (2010-2011), Toyota Financial Services Philippines Corporation (2008-2010), President and Director of Global Business Bank (1997-2002) and President and Vice-Chairman of International Bank of California (1994-1997). He is a Certified Public Accountant. He obtained his BSBA degree from the University of San Carlos in 1967 and his MBA degree major in Banking and Finance from the University of the Philippines in 1970.

Name	Experience
REX C. DRILON II Independent Director Chairman, Corporate Governance and Compensation Committee Related Party Transactions Committee Vice-Chairman, Trust Committee Member, Anti-Money Laundering Committee	Mr. Rex C. Drilon II, Filipino, 72 years old, became an independent director in 2012. He also served as independent director of FMIC (2011-2014). He has been the Vice-Chairman of the Institute of Corporate Directors since 2013 and Center for Excellence in Governance since 2016. He has been a member of the Board of Trustees of Institute of Solidarity in Asia since 2010 and Center for School Governance since 2016. He has been the Chairman of Keyland Corporation and YLD Holdings, Inc. since 2012. He was the President of the Institute of Corporate Directors (2010-2012), Chief Operating Officer of Ortigas & Company, Limited Partnership (2001-2010) and CEO of Ayala Land's publicly listed subsidiaries Cebu Holdings, Inc. and Cebu Property Ventures Development Corp. (1998-2001). He has a Business Administration degree from the University of the East. He pursued further studies at the University of Asia and The Pacific.
FRANCISCO F. DEL ROSARIO, JR. Independent Director Chairman, Domestic Equity Investments Committee Vice-Chairman, Audit Committee Member, Corporate Governance and Compensation Committee Overseas Banking Committee	Mr. Francisco F. Del Rosario, Jr., Filipino, 71 years old, was first elected independent director in 2013. He has been a director of Omnipay, Inc. since 2014 and DMCI Homes, Inc. since 2011. He has been a Trustee of ABS-CBN Foundation since 2007, Senior Executive Director of PWC Isla Lipana and Chairman for Institute for Solidarity in Asia and Trustee for Center for Family Ministries from 2009 to 2014. He was the President and CEO of the Development Bank of the Philippines from 2010 to 2012. He obtained his BSC Accounting and BA Economics degrees from De La Salle University, and his MBM degree from the Asian Institute of Management.
EDGAR O. CHUA Independent Director Chairman, Audit Committee Member, Related Party Transactions Committee Anti-Money Laundering Committee Nominations Committee	Mr. Edgar O. Chua, Filipino, 62 years old, became an independent director in 2017. He is currently the President and Chief Executive of Cavitex Holdings, Inc. He has been an Independent Director of Integrated Micro-Electronics, Inc. and Energy Development Corporation since 2013. He is also the Chairman of the Philippine Eagle Foundation since 2017, De La Salle University Board, De La Salle Science Foundation and Makati Business Club since 2016. He is a Trustee/Treasurer of Philippine Business for Education since 2007 and Trustee for the College of Saint Benilde since 2017, De La Salle Araneta Salikneta since 2015, The English-Speaking Union of the Philippines, Inc. since 2009, Gawad Kalinga Community Development Foundation Inc. since 2005, and Pilipinas Shell Foundation, Inc. since 2003. He was the Chairman of Pilipinas Shell Petroleum from September 2003 to May 2017 and the Country Chairman of Shell companies in the Philippines from September 2003 to October 2016. He obtained his Bachelor of Science in Chemical Engineering from De La Salle University in 1978.

The five (5) Independent Directors, namely, Mr. Jesli A. Lapus, Mr. Robin A. King, Mr. Rex C. Drilon II, Mr. Francisco F. Del Rosario, Jr. and Mr. Edgar O. Chua have always possessed the qualifications and none of the disqualifications of an independent director.

B. Executive Officers (24)

Name	Experience
Joshua E. Naing Senior Executive Vice-President	Mr. Joshua E. Naing, Filipino, 58 years old, has been the Head of the Financial and Control Sector since November 2013 after serving as Controller from October 2002 to November 2013. He has been a director of FMIC since April 2015; Manila Medical Service, Inc. (MMSI) since April 2018; Metro Remittance (Hong Kong) Limited since January 2009 and MB Remittance Center (Hawaii), Ltd. since April 2010.
Fernand Antonio A. Tansingco Senior Executive Vice-President	Mr. Fernand Antonio A. Tansingco, Filipino, 52 years old, has been the Head of Financial Markets Sector since 2013, and Treasurer since 2007. He was a director from 2012 to 2016 and adviser of MBCL since 2016, Chairman of Metrobank Bahamas since 2010, and Vice-Chairperson of Philippine AXA Life Insurance Corporation (AXA Philippines) since 2010.
Maritess B. Antonio Executive Vice-President	Ms. Maritess B. Antonio, Filipino, 58 years old, has been the Chief Risk Officer and Head of Risk Management Group since August 2016. She was the Chief Audit Executive and Head of Internal Audit Group from June 2010 to July 2016 after serving as Deputy Chief Audit Executive from 2008 to 2010.
Mary Mylene A. Caparas Executive Vice-President	Ms. Mary Mylene A. Caparas, Filipino, 54 years old, has been the Head of the Institutional Banking Sector since 2014. From 2013 to 2014, she was the Managing Director, Regional Head of Client Delivery, Treasury and Trade Solutions of Citibank N.A., Hong Kong Branch. From 2011 to 2013, she was the Managing Director, Country Head of Citi Transaction Services of Citibank N.A., Manila Branch.
Paul Robert Y. Murga Executive Vice-President	Mr. Paul Robert Y. Murga, Filipino, 53 years old, has been the Head of Operations Group since March 2014 and was Assistant to the Operations Group Head from 2013 to 2014. He is a member of the Board of Directors of the Philippine Clearing House Corporation since 2014.
Corazon Ma. Therese B. Nepomuceno Executive Vice-President	Ms. Corazon Ma. Therese B. Nepomuceno, Filipino, 57 years old, has been the Head of Credit Group since 2012 after serving as its Deputy from 2005 to 2012.
Richard Benedict S. So Executive Vice-President	Mr. Richard Benedict S. So, Filipino, 53 years old, is the Head of the Countryside Branch Banking under the National Branch Banking Sector since March 16, 2016 and appointed as Retail Banking Sector Head last September 2018. He chairs the Board of Directors of several remittance companies wholly-owned by Metrobank. He has been a Vice-Chairman of Metro Remittance Singapore Pte. Ltd. since 2010. He has been a director of Metrobank Bahamas since 2009, MCC since 2010 and Corporate Secretary of MBCL since 2014. He was appointed Head of the International Offices and Subsidiaries Group (IOSG) from 2009 to 2016 after serving as its Deputy from 2007 to 2009. He was also appointed as Head of the Transaction Banking Segment in 2014.
Aniceto M. Sobrepeña Executive Vice-President	Mr. Aniceto M. Sobrepeña, Filipino, 65 years old, has been the President of MBFI since 2006 and Executive Director of GT Foundation, Inc. (GTFI) since January 2010. He is also the Chairman of Manila Tytana Colleges (MTC) and Vice-Chairman of MMSI. He is a member of the Board of Trustees of PinoyMe Foundation since 2007 and Philippine Business for Education since 2008. He is also a member of Galing Pook Foundation since 2000, International Center for Innovation Transformation and Excellence in Governance since 2006 and Philippine Institute of Environmental Planners since 1995.
Vivian L. Tiu Executive Vice-President	Ms. Vivian L. Tiu, Filipino, 58 years old has been the Head of Human Resources Management Group since 2001. She has been serving as Corporate Secretary of MTC since 2004.

Name	Experience
Amelin S. Yao Executive Vice-President	Ms. Amelin S. Yao, Filipino, 65 years old, has been the Head of Commercial Banking Center since 2006. Previous to that, she held various positions in Branch Banking.
Marilou C. Bartolome Senior Vice-President	Ms. Marilou C. Bartolome, Filipino, 45 years old, has been the Controller since November 28, 2013 after serving as Deputy from October 2009 to November 2013. She has been the Controller of MBFI and GTFI since 2012; Controller of MMSI since June 2018; Supervisor of MBCL since April 2017 and Director of Sumisho Motor Finance Corporation (SMFC) from August 2017 to June 2018.
Christine Y. Carandang Senior Vice-President	Ms. Christine Y. Carandang, Filipino, 52 years old, has been the Head of General Services Group since June 2014, and the President of Circa 2000 Homes, Inc. since 2009 and Taal Land, Inc. (TLI) since July 2016. She has been the Head of Acquired Assets Management and Disposition Group from May 2007 to December 2015.
Pocholo V. Dela Peña Senior Vice-President	Mr. Pocholo V. Dela Peña, Filipino, 52 years old, has been the Head of Business Banking Center of Institutional Banking Sector since October 2018 after serving as Head of Special Accounts Management Group from 2014 to 2018 and Head of Special Accounts Management Division II from 2005 to 2014. He is the Corporate Secretary of PSBank since 2011 and Director of SMFC since August 2017.
Ferlou I. Evangelista Senior Vice-President	Mr. Ferlou I. Evangelista, Filipino, 57 years old, has been the Head of Commercial Banking Group since May 2017. He joined the Bank in 2011 as Division Head and later as Center Head of ComBank Metro Manila under the Institutional Banking Sector.
Quintin T. Medrano Senior Vice-President	Mr. Quintin T. Medrano, Filipino, 64 years old, has been the Head of Operations Control Group since May 16, 2018. He served as the Deputy Controller from December 2013 to May 2018 and Division Head of Branch Operations Control Division from 2000 to 2013.
Susan L. Niere Senior Vice-President	Ms. Susan L. Niere, Filipino, 59 years old, has been the Head of Branch Support Center (BSC) since 2011. She held various positions in the Bank before her appointment as BSC Head.
Antonio R. Ocampo, Jr. Senior Vice-President	Mr. Antonio R. Ocampo, Jr., Filipino, 48 years old, has been the Head of Corporate Banking Group since 2014. Prior to that, he served as Head of Large Corporate Division from 2013 to 2014 and its Deputy Head from 2012 to 2013. He is also the Director of Northpine Land, Inc. since 2016 and SMBC Metro since 2014. Professional organizations membership include the Financial Executives Institute of the Philippines (FINEX) since 2016 and just recently became a member of the Makati Business Club (MBC).
Bernardino D. Ramos Senior Vice-President	Mr. Bernardino D. Ramos, Filipino, 53 years old, has been the Head of Information Technology Group since August 2015. He also served as the Head of Program Management Division from July 2013 to July 2015.
Angelica S. Reyes Senior Vice-President	Ms. Angelica S. Reyes, Filipino, 45 years old, has been the Head of the Markets Sales Group since 2013 after serving as Head of Sales and Structuring Division from 2010 to 2013. She was the concurrent Head of Investment Distribution Division from 2012 to 2013. She serves as Corporate Secretary of AXA Philippines since 2015 and Charter Ping An Insurance Corporation since 2016.
Leandro Antonio G. Santillan Senior Vice-President	Mr. Leandro Antonio G. Santillan, Filipino, 50 years old, has been the Head of Trust Banking Group (TBG) since May 1, 2018. Prior to that, he was the Deputy Head of TBG from January 2017 to April 2018; Head of Fixed Income Division from 2013 to 2015 and Treasurer of PSBank from June 30, 2015 to December 2016.

Name	Experience
Lita S. Tan Senior Vice-President	Ms. Lita S. Tan, Filipino, 56 years old, assumed the position of Retail Banking Sector Head last September 2018. Prior to that, she was the Branch Banking Group Head for Metro Manila branches under National Branch Banking Sector; Region Head of Central Metro Manila Region from 2015 to 2016 and Area Head from 2006 to 2015. She is also a director of ORIX Metro since June 2016.
Leopoldo M. Ubaldo Senior Vice-President	Mr. Leopoldo M. Ubaldo, Filipino, 60 years old, has been the Head of Commercial Banking for Countryside since June 2016. Prior to his appointment, he was the Center Head of Commercial Banking Center for Luzon under Institutional Banking Sector.
Anthony Paul C. Yap Senior Vice-President	Mr. Anthony Paul C. Yap, Filipino, 42 years old, assumed the position as Treasury Group Head on January 1, 2018. He was the Head of Trading from July 2016 to December 2017; Head of Rates and Foreign Exchange Division from December 2013 to July 2016 and Deputy Head of Rates and Foreign Exchange Division from August 2013 to December 2013.
Leo R. Fragante First Vice-President	Mr. Leo R. Fragante, Filipino, 54 years old, assumed the position of Head of Internal Audit Group on April 26, 2017. Previous to that, he headed Special Audit Division and Branch Audit Division.

The above executive officers are not related to each other or to the directors either by consanguinity or affinity.

None of the Bank's directors and officers works with the government.

C. Significant Employee

Except for the above list of executive officers, there are no other significant employees as contemplated under the Securities Regulation Code.

Nomination Procedure

1. Any stockholder may submit nominations for directorial positions to the Nominations Committee.

2. The nominating stockholder is required to submit his proposed nomination to the Nominations Committee, together with the bio-data, acceptance and conformity of the would-be nominee. In the case of a nominee for the position of an independent director, the would-be nominee is also required to submit a Certification that he/she has all the qualifications and none of the disqualifications to become an independent director.

3. The Nominations Committee will screen the nominations of directors prior to the submission of the Definitive Information Statement and come up with a Final List of Candidates.

   The Nominations Committee is composed of independent directors Jesli A. Lapus, Committee Chairman, with Robin A. King and Edgar O. Chua as Committee Members.

4. Only nominees whose names appear in the Final List of Candidates shall be eligible for election as director.

Nominee Directors

Based on the Bank's Articles of Incorporation and By-laws, the total number of directors is twelve (12). Out of this number, existing regulations as well as the Bank's Corporate Governance Manual provide that at least twenty percent (20%) but not less than two (2) members of the Board shall be independent directors.

As of the date of this report, there are five (5) nominees for independent directors, namely, Messrs. Jesli A. Lapus, Rex C. Drilon II, Francisco F. Del Rosario, Jr., Edgar O. Chua and Atty. Angelica H. Lavares . They were nominated by Jenny E. Cueto, Cornelia R. Dela Peña, Regan Cua, Carlos U. Cua and Salvacion L. Cruz, respectively. The nominees for independent directors are not related either by consanguinity or affinity to the persons who nominated them. Likewise, there are seven (7) nominees for non-independent director positions, namely, Messrs. Arthur Ty, Francisco C. Sebastian, Fabian S. Dee, Alfred Ty, Edmund A. Go, Vicente R. Cuna Jr. and Solomon S. Cua.

The nominees, with the exception of Ms. Angelica H. Lavares, are incumbent directors of the Bank. All twelve (12) nominees confirmed and accepted their nomination to become directors.

Ms. Angelica H. Lavares, Filipino, 65 years old, is a Teaching Fellow at the Institute of Corporate Directors. She is an Independent Director of several companies, namely, Metrobank Card Corporation, Williamton Financing Corporation and Inter-Asia Development Bank. Her other affiliations include being Head of Strategic Support Group of Bank of Commerce from 2009 to 2015, and as a Consultant starting November 2015 up to present. Prior to joining Bank of Commerce, she served as Chief Legal Counsel (2003 to 2007), concurrent Chief Compliance Officer and Chief Legal Officer - Legal Services Department (2007 to 2009) and Assistant Corporate Secretary (2007-2009) of Metrobank. She was also Chief Legal Counsel and Head of Legal Services Division for United Coconut Planters Bank (UCPB) from 1999 to 2002 acting concurrently as its Head for Human Resource Division. Previous to that, she was Vice-President for Sales Documentation and Head of Collection Department of Filinvest Land Inc. and Special Assistant to the Commissioner for the Bureau of Customs in 1987. She obtained her degree in AB Psychology, Cum Laude, from St. Theresa's College, QC in 1973 and Bachelor of Laws, First Honorable Mention, from the University of the Philippines in 1981.

For a complete background information on the other nominee directors, please refer to item 5, Directors and Executive Officers.

Based on an evaluation made by the Nominations Committee, all nominees have the qualifications and none of the disqualifications provided by law. The evaluation was made following the requirements of the Securities Regulation Code, the applicable regulations of the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission (including SEC Memorandum Circular No. 4, series of 2017 on the term limit of independent directors), as well as the Bank's Corporate Governance Manual.

Pursuant to the requirements of SEC Circular No. 5, series of 2017, please refer to the attached certificates of qualification from the nominated independent directors as Exhibits "1", "2", "3", "4" and "5".

Legal Proceedings

To the Bank's best knowledge and information, there are no material legal proceedings filed by or against Metrobank's directors and executive officers during the past five years such as:

(a) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(b) Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

(c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

(d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Certain Relationships and Related Transactions

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectibility and did not present other unfavorable conditions. The Bank has a Related Party Transactions Committee (RPTC) and a Related Party Transactions Management Committee (RPTMC), both of which are created to assist the BOD in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that corporate or business resources of the Bank are not misappropriated or misapplied. After appropriate review, RPTC and RPTMC disclose all information and endorses to the BOD with recommendations, the proposed related party transactions. Major subsidiaries, which include FMIC, PSBank, MCC and MBCL, have their own respective RPTCs which assist their respective BODs in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that their corporate or business resources are not misappropriated or misapplied.

Moreover, in the ordinary course of business, the Group has loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI) based on BSP Circular No. 423 dated March 15, 2004, as amended. Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Group. In the aggregate, loans to DOSRI generally should not exceed the respective total equity or 15.00% of total loan portfolio, whichever is lower, of the Bank, PSBank, FMIC and ORIX Metro.

Transactions with related parties and with DOSRI are discussed in Note 31 of the audited financial statements of the Group as presented in Exhibit 8.

Others

No director has resigned or declined to stand for re-election because of disagreement with Metrobank.

No director has informed Metrobank in writing that he intends to oppose any action to be taken up at the Annual Stockholders' Meeting.

Item 6. Executive Compensation

Name and Principal Position	**2019 (Estimate)**		
	Salary	**Bonus**	**Other Annual Compensation***
1 Arthur Ty Director and Chairman 2 Fabian S. Dee Director and President 3 Vicente R. Cuna, Jr. Senior Executive Vice-President 4 Joshua E. Naing Senior Executive Vice-President 5 Fernand Antonio A. Tansingco Senior Executive Vice-President			
Total for the President and four (4) other highest paid executive officers and directors named above	**₱186.81 million**	**₱64.39 million**	**₱19.59 million**
All executive officers and directors as a group unnamed (except the President and four other highly compensated executive officers and directors mentioned above)	**₱326.18 million**	**₱144.33 million**	**₱39.32 million**

Name and Principal Position	2018		
	Salary	Bonus	Other Annual Compensation*
1 Arthur Ty Director and Chairman 2 Fabian S. Dee Director and President 3 Vicente R. Cuna, Jr. Senior Executive Vice-President 4 Joshua E. Naing Senior Executive Vice-President 5 Fernand Antonio A. Tansingco Senior Executive Vice-President			
Total for the President and four (4) other highest paid executive officers and directors named above	**₱166.98 million**	**₱42.46 million**	**₱19.12 million**
All executive officers and directors as a group unnamed (except the President and four other highly compensated executive officers and directors mentioned above)	**₱280.67 million**	**₱102.89 million**	**₱38.68 million**

Name and Principal Position	2017		
	Salary	Bonus	Other Annual Compensation*
1 Arthur Ty Director and Chairman 2 Fabian S. Dee Director and President 3 Joshua E. Naing Senior Executive Vice-President 4 Fernand Antonio A. Tansingco Senior Executive Vice-President 5 Mary Mylene A. Caparas Executive Vice-President			
Total for the President and four (4) other highest paid executive officers and directors named above	**₱149.49 million**	**₱51.78 million**	**₱18.20 million**
All executive officers and directors as a group unnamed (except the President and four other highly compensated executive officers and directors mentioned above)	**₱283.52 million**	**₱116.72 million**	**₱47.46 million**

* Inclusive of directors' per diem and transportation allowances amounting to ₱36.85 million, ₱35.68 million and ₱36.98 million as of December 31, 2019, 2018, and 2017, respectively, or an average of ₱255,916.67, ₱228,730.77 and ₱237,057.69 per month/per director in 2019, 2018 and 2017, respectively.

The directors receive fees, bonuses and allowances that are already included in the amounts stated above. Aside from the said amounts, they have no other compensation plan or arrangement with the registrant. The directors receive compensation based on their banking or finance experience and their attendance in the meetings of the board and the committees where they are members or chairs of.

The executive officers receive salaries, bonuses and other usual cash benefits that are also already included in the amounts stated above. Aside from the said amounts, they have no other compensation plan or arrangement with the Metrobank.

None of the directors and officers holds any warrant or option related to Metrobank.

Item 7. Independent Public Accountants

SyCip Gorres Velayo & Co., CPAs (SGV) has been the external auditors of the Bank since 1962. Representatives of SGV are expected to be present at the Meeting and will have the opportunity to make a statement if they desire to do so, and will be available to answer appropriate questions from the stockholders.

Ms. Janeth T. Nuñez-Javier, SGV Partner, reviewed/audited the Group's financial statements as of December 31, 2018 and 2017 and for each of the three years ended December 31, 2018. In compliance with the amended SRC Rule 68 (3) (b) (ix), the signing partners are rotated after every five years reckoned from the year 2002.

The Bank intends to retain SGV as its external auditors for the year 2019 and is submitting the same to the stockholders for ratification as endorsed by the Audit Committee with the approval of the Board of Directors.

C. ISSUANCE AND EXCHANGE OF SECURITIES

I. Mergers, Consolidations, Acquisitions and Similar Terms

a. Name, address and telephone number of the principal executive office

The name, address, and telephone number of the principal executive office shall be that of Registrant, Metrobank, as provided under page 2 of this Information Statement.

b. A brief description of the general nature of the business conducted by the other person

Metrobank Card Corporation (A Finance Company and General Insurance Agency) (MCC) is one of the leading payment solutions providers in the Philippines. It offers credit cards, prepaid cards, payment solutions (acquiring business), deposit substitutes, and insurance products of AXA Philippines. These products are provided via the different sales channels employed by MCC, including in-house sales and third party agencies.

c. Summary of the material features of the proposed transaction

A copy of the executed **Plan of Merger**, duly approved by the respective Boards of Directors of Metrobank and MCC, is attached hereto as **ANNEX "B"** and made an integral part hereof. Upon the terms and subject to conditions of the Plan of Merger, the approval by the stockholders of both Metrobank and MCC, the approval of the merger by regulators including, the Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC), MCC shall merge with and into Metrobank. Metrobank shall be the surviving corporation of the Merger and shall continue its corporate existence under the laws of the Republic of the Philippines; the separate existence of MCC shall terminate on the effectivity of the merger. Among others, the Articles of Incorporation, By-Laws, and directors of Metrobank shall continue in effect.

The proposed transaction help realize the following objectives: (1) improve synergy, (2) increase profitability and improve capital efficiency, and (3) enable Metrobank to be more competitive in the credit card business. The rights of security holders of the registrant shall remain the same.

Since MCC is a wholly-owned subsidiary of Metrobank and both entities are under common control, Metrobank as the surviving entity will adopt the pooling of interest method in accounting for the merger.

d. A brief statement as to dividends in arrears or defaults in principal or interest in respect of any security of the registrant or of such other person and as to the effect of the transaction thereon and such other information as may be appropriate in the particular case to disclose adequately the nature and effect of the proposed action

There are no dividends in arrears accruing to the stockholders of Metrobank and MCC.

e. In comparative columnar form, on a historical and, if material, a pro forma basis, the following information for the registrant and the other person for the last two fiscal years

	Metrobank			**MCC**		
(In Millions)	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
Total Revenues	78,747	64,869	59,813	19,105	17,018	13,529
Income from continuing operations	22,008	18,223	18,086	4,972	5,103	2,814
Long term debt	53,519	34,927	32,342	20,161	14,000	18,555

f. In comparative columnar form, historical and pro forma per share data of the registrant and historical and equivalent pro forma per share data of the other person for the following items for the last two fiscal years:

	Metrobank			**MCC**		
(In Millions)	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
Book value per share	73.56	64.97	61.63	14.83	13.64	8.79
Cash dividends declared per share	1.00	1.00	1.00	1.975	-	1.40
Earnings per share	5.83	5.62	5.50	4.97	5.10	3.14

g. A statement as to whether any regulatory requirement must be complied with or approval must be obtained in connection with the transaction and, if so, the status of such compliance or approval

Subsequent to the approval of the merger/Plan of Merger by the stockholders of Metrobank and MCC in their respective special meetings called for the purpose, Metrobank and MCC will seek the approval of the BSP and the PDIC through the BSP, and thereafter file the merger documents with the SEC for approval.

h. If a report, opinion or appraisal materially relating to the transaction has been received from an outside party, and such report, opinion or appraisal is referred to in the proxy statement, furnish the following information:

There are no reports, opinions or appraisals relating to the merger that have been received from an outside/third party as of to date.

i. A description of any past, present or proposed material contract, arrangement, understanding, relationship, negotiation or transaction during the past two fiscal years between the other person or its affiliates and the registrant or its affiliates such as those concerning a merger, consolidation or acquisition; a tender offer or other acquisition of securities; an election of directors; or a sale or other transfer of a material amount of assets.

MCC, in its regular course of business, has transactions with its Parent Company, Metrobank, and the latter's affiliated companies consisting principally of the following:

	In Millions		
	2018	**2017**	**2016**
MBTC investment in MCC	26,166	15,533	5,272
Deposits	517	2,748	338
Loans payable	7,207	1,028	3,828
Interest income	15	1	1
Other income	23	22	-
Interest expense	217	60	96
Occupancy cost	41	41	40
Distribution cost and computer related expenses	85	98	135

j. As to each class of securities of the registrant or of the other person which is trading on an exchange or with respect to which a market otherwise exists, state the high and low sale prices as of the date, which shall be specified, preceding public announcement of the proposed transaction, or if no such public announcement was made, as of the date, which shall be specified, preceding the day the agreement or resolution with respect to the action was made.

Only the common shares of Metrobank are listed and traded at the PSE. The total number of common shares issued by Metrobank as of February 26, 2019 is 3,980,015,036.

Refer to Part II - Securities of Metrobank under Market Information

The price of Metrobank common shares as of the last practicable trading date, March 13, 2019 was ₱78.90.

k. A statement as to whether or not representatives of the principal accountants for the current year and for the most recently completed fiscal year:
i. are expected to be present at the security holders' meeting;
ii. will have the opportunity to make a statement if they desire to do so; and
iii. are expected to be available to respond to appropriate questions.

Representatives of SGV, external auditors of both Metrobank and MCC, are expected to be present at the stockholders' meeting and will have opportunity to make statement if they desire to do so and will be available to answer appropriate questions.

l. Furnish the information specified below for the registrant (Metrobank) and for the other person (MCC):

i. Information required by Part I, paragraphs (A), (B) and (C) of "Annex C".

For Metrobank, refer to "Part I – Business" of this Information Statement
For MCC, refer to "Exhibit 9" Information Statement of MCC

ii. Information required by Part II, paragraph (A) of "Annex C", market price of and dividends on the registrants' common equity and related stockholder matters

For Metrobank, refer to "Part II - Securities of the Registrant" of this Information Statement
For MCC, refer to "Exhibit 9" Information Statement of MCC

iii. Financial statements meeting the requirements of SRC Rule 68.

For Metrobank, refer to "Exhibit 8" 2018 Audited Financial Statements
For MCC, refer to "Exhibit 10" 2018 Audited Financial Statements

iv. Information required by Part III, paragraphs (A) and (B) of "Annex C"

For Metrobank, refer to "Part III – Management Discussion and Analysis of Financial Condition and Results of Operation" of this Information Statement
For MCC, refer to "Exhibit 9" Information Statement of MCC

v. Information required by Part IV, paragraph (A) of "Annex C", directors, executive officers, promoters and control persons.

For Metrobank, refer to "Letter B - Control and Compensation Information" of this Information Statement of MCC
For MCC, refer to Exhibit 9 Information Statement

D. OTHER MATTERS

I. Proposed Action

1. Approval of the minutes of the annual meeting of stockholders held on April 25, 2018:

i. Call to Order and Certification of Quorum. The meeting was called to order by Chairman Arthur Ty at 3:00 o'clock in the afternoon. The Corporate Secretary, Antonio V. Viray, certified that there were 2,138,916,678 common shares actually present in person or by proxy, out of the 3,180,172,786 common shares outstanding. This constituted 67.26% of the outstanding capital stock.

ii. Approval of the Minutes of the Annual Stockholders' Meeting held on April 26, 2017 via the following:

RESOLUTION NO. 056-MBTC-SH-2018

RESOLVED, that the Minutes of the Annual Stockholders' Meeting on April 26, 2017 are hereby approved.

iii. President's Report on the performance of Metrobank for 2017, as further detailed in the Annual Report for 2017.

During the Meeting, stockholders were given the opportunity to be heard. The following questions and comments were raised from the floor:

Stockholder Elizabeth Santiago asked for the Bank's indicative performance for the 1st quarter of 2018. Metrobank President Fabian S. Dee replied that the focus of the Meeting was the 2017 Full Year Performance. He emphasized the Bank's positive view of the economy. Metrobank still continues to project that in the next 3 years, loan growth can be sustained at roughly 2 to 2.5 times the expected GDP growth.

iv. Ratification of All Acts and Resolutions of the Board of Directors, Management, Board and Management Committees from April 26, 2017 to April 24, 2018 via the following:

RESOLUTION NO. 057-MBTC-SH-2018

RESOLVED, that all acts, transactions and resolutions of the Board of Directors, management, board and management committees from April 26, 2017 to April 24, 2018, including among others, the approval of all loans, investments, new Bank products and services and related party transactions, are hereby ratified and confirmed.

v. Election of Twelve (12) Directors for the Year 2018 - 2019

Mr. Jesli A. Lapus, Chairman of the Nominations Committee, explained that the Nominations Committee and the Corporate Governance and Compensation Committee chaired by Rex C. Drilon II had jointly evaluated the qualifications of all nominees to the Board of Directors, and that the Committees found that the nominees had all the qualifications and none of the disqualifications prescribed by law and regulations, and that out of the twelve(12) nominees, five(5) were nominated as independent directors. Twelve(12) directors were elected for the year 2018-2019:

RESOLUTION NO. 058-MBTC-SH-2018

RESOLVED, that the following are hereby elected as directors of Metrobank effective immediately and until the successors are elected and qualified:

1)	Mr. Arthur Ty	8)	Mr. Robin A. King *
2)	Mr. Francisco C. Sebastian.	9)	Mr. Rex C. Drilon II*
3)	Mr. Fabian S. Dee	10)	Mr. Francisco F. Del Rosario, Jr.*
4)	Mr. Vicente R. Cuna, Jr.	11)	Mr. Edgar O. Chua*
5)	Mr. Edmund A. Go	12)	Mr. Solomon S. Cua
6)	Mr. Alfred V. Ty		
7)	Mr. Jesli A. Lapus*		

** Independent directors*

vi. Election of SyCip Gorres Velayo & Co. as External Auditors via the following:

RESOLUTION NO. 059-MBTC-SH-2018

RESOLVED, that as recommended by the Audit Committee and approved by the Board of Directors, SyCip Gorres Velayo & Co. is hereby appointed as the External Auditors of Metrobank for the year 2018.

There being no other matters for discussion, the meeting was adjourned.

2. Ratification/Approval of the following:

   a) Amendment of the Articles of Incorporation on the Increase of Authorized Capital Stock from ₱100 billion to ₱140 billion, with the increase of ₱40 billion to be divided into 2 billion Common Shares with a par value of ₱20 per share;
   b) Declaration of 13% Stock Dividends which will be issued out of the increase in the authorized capital stock; and
   c) Merger of MCC into Metrobank – Please refer to the write-up under letter C. Issuance and Exchange of Securities – Merger Consolidation, Acquisition and Similar Terms” for the details.

3. Ratification of Corporate Acts

   The matters for ratification include all acts, transactions and resolutions of the Board of Directors, management and all Committees done in the ordinary course of business from April 28, 2018 until April 23, 2019, including, among others, the approval of loans, investments, new Bank products and services and related party transactions.

3. Election of Directors - Please refer to the list of nominees under Item 5 - “Directors and Executive Officers - Nominee Directors” for the details.

4. Election of SyCip Gorres Velayo & Co. (SGV) as External Auditors – Please refer to the write-up under Item 7 – "Independent Public Accountants" for the details.

Voting Procedures

1. At least 2/3 of the outstanding capital stock is required for the approval of the following:

   a) Increase in the Authorized Capital Stock
   b) Declaration of 13% Stock Dividends
   c) Merger of MCC into Metrobank

2. Majority vote is required for the following:

   a) Approval of the minutes of the annual meeting of the stockholders held on April 25, 2018
   b) Ratification of Corporate Acts
   c) Election of External Auditors

   On the election of directors, nominees receiving the highest number of votes shall be declared elected following the provisions of the Corporation Code.

3. Every stockholder entitled to vote on a particular question or matter involved shall be entitled to one (1) vote for each share of stock in his name. Cumulative voting is allowed provided that the total votes cast by a stockholder shall not exceed the number of shares registered in his name as of the record date multiplied by the number of directors to be elected. Matters submitted to stockholders for ratification shall be decided by the required vote of stockholders present in person or by proxy.

4. Metrobank has not solicited any discretionary authority to cumulative voting.

5. Votes cast at the meeting shall be counted by the Bank's Stock Transfer Agent and validated by SGV.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on March 21, 2019.

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this statement to be signed on its behalf by the undersigned hereunto duly authorized.

METROPOLITAN BANK & TRUST COMPANY

By:

Laarni D. Bernabe

LAARNI D. BERNABE
Assistant Corporate Secretary

METROPOLITAN BANK & TRUST COMPANY

PART I – BUSINESS

DESCRIPTION OF BUSINESS

1. Business Development

Metropolitan Bank & Trust Company ("Metrobank" or "the Bank") was incorporated on April 6, 1962 by a group of Filipino businessmen to provide financial services to the Filipino-Chinese community. Since its formation, the Bank has diversified its business, and to date provides a broad range of banking and collateral services to all sectors of the Philippine economy.

The Bank opened its first office in Binondo, Manila on September 5, 1962. Within a year, the Bank opened its second branch in Divisoria, Manila. Soon after, the Bank started expanding outside Manila with the opening of its first provincial branch in Davao. In 1975, the Bank rolled out its first international branch in Taipei, followed by offices in New York, Guam, Hong Kong, and Tokyo towards the early 1980s. Initially, the role of the Bank's foreign offices was to tap expanding Overseas Filipino Workers (OFW) remittance business and to complement its corresponding branch network. This strategy proved successful as the OFW market grew strongly and the political turbulence in the Philippines made access to foreign exchange difficult. It was during this period that the Bank started its Foreign Currency Deposit Unit (FCDU) operations. The Philippine Central Bank authorized Metrobank to operate its FCDU on April 15, 1977.

In November 1980, the Securities and Exchange Commission (SEC) approved and certified the listing of 500,000 common shares of Metrobank's capital stock. On February 26, 1981, Metrobank's common shares were listed on the Makati Stock Exchange Inc. and the Manila Stock Exchange (which has since unified to become The Philippine Stock Exchange, Inc. or PSE), with the trading symbol of ***MBT***.

On August 21, 1981, Metrobank became one of the first to be granted a universal banking license by the Philippine Central Bank, now Bangko Sentral ng Pilipinas (BSP). This license allowed the Bank to engage in "non-allied undertakings" which include automobile manufacturing, travel services and real estate, as well as finance-related businesses such as insurance, savings and retail banking, credit card services and leasing.

The original Certification of Incorporation of the Bank was issued by the SEC on April 6, 1962 for a 50-year corporate term. On March 21 and November 19, 2007, the Board of Directors (BOD) of the Bank and the SEC, respectively, approved the extension of its corporate term for another 50 years or up to April 6, 2057.

On August 13, 2013, the SEC approved the amendment of the Articles of Incorporation of the Bank increasing its authorized capital stock from ₱50 billion to ₱100 billion composed of 4.0 billion common shares and 1.0 billion non-voting preferred shares, each with a par value of ₱20 per share. The Bank declared a 30% stock dividend equivalent to 633.4 million common shares (approved for listing by PSE on September 16, 2013) which was applied as payment for the required minimum 25% subscription to the increase in authorized capital stock. Total outstanding shares increased to 2,744,801,066 after the stock dividend.

On February 24, 2015, the SEC confirmed the exemption of a rights offer for up to ₱32.0 billion worth of common shares from the registration requirements under Section 8 of the Securities Regulation Code. Subsequently, in April 2015, the Bank completed a rights offer for 435,371,720 common shares with par value of ₱20.00. Total outstanding shares increased to 3,180,172,786 after the transaction.

On April 12, 2018, the Bank completed another stock rights offer for 799,842,250 common shares with par value of ₱20.00. Total outstanding shares increased to 3,980,015,036 after the transaction.

2. Business of Registrant

Services/Customers/Clients

Metrobank offers a complete range of commercial and investment banking services. The Bank's customer base covers a cross section of the top Philippine corporate market. The Bank has always been particularly strong in the middle market corporate sector, a significant proportion of which consists of Filipino-Chinese business.

The Bank's principal business activities involve deposit-taking and lending, trade finance, remittances, treasury, investment banking and thrift banking. The Bank is also a major participant in the Philippine foreign exchange market. It is accredited as a Government Securities Eligible Dealer (GSED) and has played an active role in the development of the domestic capital markets.

The Bank provides investment banking services through First Metro Investment Corporation (FMIC) and retail banking through the Bank and its subsidiaries Philippine Savings Bank (PSBank) and Metrobank Card Corporation (MCC).

Contribution to Sales/Revenues

The net interest income derived from lending, investment and borrowing activities represents 74.32%, 72.89% and 67.13% of the Group's revenue net of interest and finance charges in 2018, 2017 and 2016, respectively. Other operating income (consisting of service charges, fees and commissions; net trading and securities gains; net foreign exchange gain; gain on sale of investments in an associates; leasing income; profit from assets sold; income from trust operations; dividend income; and miscellaneous income) and share in net income of associates and a joint venture account for 25.68%, 27.11% and 32.87% of the Group's revenue net of interest and finance charges in 2018, 2017 and 2016, respectively.

Contribution of Foreign Offices

The percentage contributions of the Group's offices in Asia, the United States and Europe to the Group's revenue, net of interest and finance charges, and external net operating income for the years 2018, 2017 and 2016 are as follows:

Offices in	Year	Percentage Contribution to	
		Revenue, Net	External Net Operating Income
Asia (Other than Philippines)	2018	2.67	2.69
	2017	2.36	2.44
	2016	2.21	2.32
United States	2018	0.69	0.76
	2017	0.64	0.70
	2016	0.89	0.98
Europe	2018	0.06	0.06
	2017	0.07	0.07
	2016	0.10	0.11

Significant Subsidiaries

1. First Metro Investment Corporation

   FMIC is the investment banking arm of the Metrobank Group. It is an investment house incorporated in the Philippines on June 25, 1963 with principal place of business at 45th Floor, GT Tower International, Ayala Avenue corner H.V. Dela Costa Street, Makati City. On September 22, 2000, FMIC was merged with Solidbank Corporation (Solidbank) with Solidbank as the surviving entity and subsequently renamed as First Metro Investment Corporation. FMIC's shares of stock (originally Solidbank) were listed with the PSE on October 25, 1963 and were subsequently delisted effective December 21, 2012. The Company is a 99.25%-owned subsidiary of Metrobank.

FMIC is primarily engaged in investment banking and has a quasi-banking license. The company and its subsidiaries offer a wide range of services, from debt and equity underwriting to loan syndication , project finance, financial advisory, investment advisory, government securities and corporate debt trading, equity brokering, online trading, asset management and research. It operates through its two main strategic business units:

- Investment Banking Group - manages the investment banking business of the company. FMIC stands at the forefront of the Philippine capital markets as the investment bank of choice for prominent corporations and government agencies. Its track record in debt and equity underwriting rests on its key strength in origination, structuring and execution. The investment bank perennially engages in the lion's share of transactions in the debt and equites markets.

  Debt Capital Markets - widely recognized as a leader in debt capital market issuances. The company provides debt financing solutions to help achieve client objectives that normally include expansion plans, refinancing, strategic acquisitions or buy-outs, or complex project financing.

  Equity Capital Markets - for years, has been actively involved in originating and underwriting Philippines equity issuances, whether private placement or public offering. The investment bank integrates its expertise and experience in structuring, execution, and distribution to provide optimal solutions for its clients' capital requirements.

  Corporate Finance & Advisory - is a Philippine Stock Exchange-accredited financial advisor providing strategic advice on enhancing corporate value, selecting optimal fundraising structure, and addressing valuation issues.

- Financial Markets Group - responsible for the distribution and trading of financial instruments such as peso-and dollar-denominated government securities and corporate papers, as well as managing the funding and liquidity requirements of FMIC.

  Government Securities and Corporate Debt Trading - as a GSED, FMIC is authorized by the Bureau of Treasury and the SEC to trade government securities. Over the years, FMIC has remained a dominant selling agent in the distribution of government securities, GOCCs and other corporate issuances.

  Fixed Income Distribution - as part of its participation in the underwriting of various private debt issues, FMIC also distributes and sells both government and corporate papers floated by the Bureau of the Treasury and large and prime corporations.

  Money Market Placements - it offers money market instruments such as peso and dollar promissory notes (PNs). These are short-term investments with maturities ranging from 30 days to one year.

  Significant Subsidiaries and Associates of FMIC:

  - *First Metro Securities Brokerage Corporation (FMSBC)*, a wholly-owned subsidiary and the stockbrokerage arm of FMIC. It was incorporated in the Philippines on October 16, 1987 to engage in the trading of or otherwise dealing in stocks, bonds, debentures and other securities or commercial papers and rendering financial advisory services. Serving both institutional and retail clients, it started commercial operations in June 1994. FMSBC is a license trading participant in the PSE. Since October 2006, FMSBC established an online stock trading platform, FirstMetroSec, where clients can trade listed securities online, access timely and accurate market research, and be provided with reliable client support and investor education programs. FirstMetroSec can also be accessed through Android and Apple devices by downloading the FirstMetroSec app from the Play Store and App Store.

  - *First Metro Save and Learn Equity Fund, Inc. (SALEF)*, 25.11% - owned by FMIC, was registered in SEC on May 27, 2005 and under the Philippine Investment Company Act (PICA) on September 6, 2005 as an open-end mutual fund primarily engaged in selling its capital and investing the proceeds in selected stocks with strong balance sheets and attractive valuations.

  - *First Metro Save and Learn Fixed Income Fund, Inc. (SALFIF)*, 25.07% - owned by FMIC, was incorporated in the Philippines on June 3, 2005 and subsequently registered under PICA on September 6, 2005. SALFIF is an open-end mutual fund company engaged in selling its capital to the public and investing the proceeds in selected high grade fixed income generating instruments, such as bonds, commercial papers and other money market instruments. It stands at any time to redeem its outstanding capital stock at net asset value per share.

- *First Metro Save and Learn Balanced Fund, Inc. (SALBF)*, 21.31% - owned by FMIC, was incorporated in the Philippines on January 29, 2007 and subsequently registered under the PICA last May 10, 2007 to engage in the trading of stocks and fixed income securities.

- *First Metro Save and Learn Dollar Bond Fund, Inc. (SALDBF)*, formerly First Metro Save and Learn Money Market Fund, Inc., 94.58% - owned by FMIC, was incorporated on November 4, 2008. SALDBF is an open-end mutual fund engaged in selling its capital to the public and investing the proceeds in selected high grade stocks and fixed–income securities. It can also redeem its outstanding capital stock at net asset value per share at any time upon redemption of its investors.

- *First Metro Asia Focus Equity Fund, Inc. (FMAFEF)*, formerly First Metro Global Opportunity Fund, Inc., a wholly-owned subsidiary, was incorporated on December 23, 2009 to generally engage and to carry on the business of an open-ended investment company in all the elements and details thereof.

- *First Metro Philippine Equity Exchange Traded Fund, Inc. (FMETF)*, 44.98% - owned by FMIC, was incorporated on January 15, 2013 and subsequently registered under PICA and the Securities Regulation Code as an open-end investment company engaged in the business of investing, reinvesting and trading in and issuing and redeeming its shares of stock in creation unit in exchange for basket of securities representing an index.

- *PBC Capital Investment Corporation (PBC Capital)*, a wholly-owned subsidiary, was incorporated on March 1, 1996 and started commercial operations on March 8, 1996. Metrobank acquired PBC Capital as part of the acquisition of the Philippine Banking Corporation. It was incorporated primarily to perform basic investment banking activities, such as equity and debt underwriting, loan arrangement and syndication, financial advisory services and other corporate finance work.

- *First Metro Asset Management, Inc. (FAMI)*, was incorporated on April 21, 2005 to manage, provide and render management and technical advice/services for partnerships, corporations and other entities. FAMI is registered and authorized by the SEC to act as an investment company adviser and manager, administrator, and principal distributor of SALFIF, SALEF, SALBF, SALDBF, FMAFEF and FMETF. FAMI is 70.0% owned by FMIC, while 30.0% is shared equally by the Catholic Educational Association of the Philippine (CEAP) and by the Marist (Marist Brothers) Development Foundation.

- *Cathay International Resources Corporation*, 34.74% - owned by FMIC, was incorporated on April 26, 2005 primarily to acquire by purchase or exchange and use for investment or otherwise sell or transfer properties. It owns Marco Polo Cebu Plaza Hotel.

- *Philippine Axa Life Insurance Corporation (“AXA Philippines”) (PALIC)*, 28.18% - owned by FMIC, is a life insurance company incorporated in November 1962. Year 2018 is the 18th year of the joint venture between Metrobank and the AXA Group (the world’s largest insurance company). PALIC affirmed its position as a major player and formidable entrant in the life insurance industry. PALIC ranked no. 2 and no. 4 based on premium income and on total assets owned as of December 31, 2017, respectively, based on Insurance Commission statistical reports.

- *Orix Metro Leasing and Finance Corporation (ORIX Metro)*, 20.00% - owned by FMIC (see discussion about the Company under Item 2.4, Business of Registrant).

- *Lepanto Consolidated Mining Company (LCMC)*, 13.45% - owned by FMIC, was incorporated in 1936 and started only operating an enargite copper mine located in Mankayan, Benguet in 1997. LCMC shifted to gold bullion production in 1997 through its Victoria Project and continues to produce gold from its Victoria and Teresa operations, both located in Mankayan, Benguet.

2. Philippine Savings Bank (PSBank)

   PSBank was incorporated on June 30, 1959 to primarily engage in savings and mortgage banking. PSBank is the country's first publicly listed thrift bank. Its principal office is located at the PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City. PSBank is 82.68% owned subsidiary of Metrobank.

   It has outpaced some of its key competitors and is the country's second largest thrift bank in terms of assets. It mainly caters the retail and consumer markets and offers a wide range of products and services such as deposits, loans, treasury and trust. PSBank's network comprises 250 branches and 575 ATMs in strategic locations nationwide.

   PSBank has a 30% interest in Sumisho Motor Finance Corporation (SMFC), a joint venture with Sumitomo Corporation of Japan. SMFC is not listed in the stock exchange.

3. Metrobank Card Corporation (A Finance Company and General Insurance Agency) (MCC)

   MCC was established in August 1985, known then as Unibancard Corporation. Its maiden product was called Unicard, a single currency credit card accepted in key establishments in the Philippines. Over the years, Unicard evolved from a locally accepted card to an internationally recognized credit card when it rode on the MasterCard scheme in 1994 and the Visa scheme in 1998. In October 2003, Australia New Zealand Bank (ANZ) entered into a joint venture with the Bank for the cards operation business of MCC. Since then, MCC has launched a steady stream of new products that offer distinct advantages to its customers, such as special installment plans, unmatched perks and privileges, and invitations to exclusive events. In 2018, Metrobank has completed its additional 40% ownership of MCC.

   On March 27, 2008, the Company received its license from SEC to operate as a finance company. Also, on June 5, 2008, the BSP issued a quasi-banking license to the Company, which allows borrowings from more than 19 lenders for the purpose of funding working capital. On June 1, 2018, the Insurance Commission issued a license to operate as a general life insurance agent.

   MCC currently offers twelve core-branded credit cards, two co-branded credit cards (one with Toyota Motor Philippines and the other with the Robinsons Retail Group), and Prepaid Cards (YAZZ and Victory Liner Premiere).

   MCC's goal is to be the Philippines' leading payment solutions provider.

   As of December 31, 2018, MCC is a wholly-owned subsidiary of Metrobank and its principal office is located at 6778 Ayala Avenue, Legazpi Village, Makati City.

4. ORIX METRO Leasing and Finance Corporation (ORIX Metro)

   ORIX Metro was incorporated in the Philippines and was registered with the SEC on June 28, 1977. Its primary purpose is to engage in financing by leasing all kinds of real and personal property; to extend credit facilities to consumers and enterprises by discounting commercial papers or accounts receivable, or by buying or selling evidences of indebtedness; and to underwrite securities. On August 24, 2007, ORIX Metro was authorized by the BSP to engage in quasi-banking functions. ORIX Metro engaged in quasi-banking functions effective January 1, 2008 as agreed to by the BSP subject to certain conditions.

   ORIX Metro and its subsidiaries' ultimate Parent Company is Metrobank. ORIX Metro is 40% and 20% owned by Metrobank and FMIC, respectively. The registered office address of ORIX Metro is at 21st Floor, GT Tower International, Ayala Avenue corner H.V. Dela Costa Street, Makati City.

5. Metropolitan Bank (China) Ltd. (MBCL)

   MBCL is a wholly-owned subsidiary of Metrobank established in the People's Republic of China with the approval of China Banking Regulatory Commission (CBRC) on January 14, 2010. Within the territory of China, MBCL may engage in provision of all kinds of foreign exchange services to all types of customers and except for PRC citizens, provide all kinds of Renminbi services to all types of customers, with the business scope to include: accepting deposits; granting short-term, medium-term and long-term loans; handling acceptance and discount of negotiable instruments; buying and selling treasury bonds, financial bonds and other foreign exchange securities (other than stocks); offering L/C services and guarantees; arranging settlements of both domestic and overseas accounts; buying and selling foreign exchange either for itself or on behalf of its clients; handling insurance business as an agent; undertaking inter-bank borrowing or lending; providing service of safety deposit box; providing credit standing investigation and consultation service; and other business activities as approved by CBRC.

MBCL started its operations on March 2, 2010. Its headquarters is located in Nanjing, Jiangsu Province. It is the first wholly foreign-owned bank incorporated in Jiangsu Province, China. The former Metrobank Shanghai Branch and Pudong Sub-Branch were absorbed by MBCL. At present, MBCL has eight (8) branches as follows: Nanjing Branch, Shanghai Branch, Shanghai-Pudong Sub-Branch, Changzhou Branch, Quanzhou Branch, Changzhou Xinbei Sub-Branch, Changzhou Wujin Sub-Branch and Xiamen Branch.

6. First Metro International Investment Company Limited (FMIIC)

FMIIC is a Hong Kong-registered company incorporated in 1972. It was engaged mainly in deposit-taking, loans, and remittances. However, since 2008, its activity was limited to investment; non-operating entity. Metrobank acquired majority shares in FMIIC in 1978. FMIIC is 100% - owned by Metrobank.

7. Metro Remittance (Hong Kong) Limited

A wholly-owned subsidiary of Metrobank incorporated in October 1994 to provide money transmission services in Hong Kong. At present, MRHKL has five (5) branches located in United Centre, Worldwide House, Shatin, Tsuen Wan and Tsueng Kwan O.

8. Metro Remittance (Singapore) Pte. Ltd.

A wholly-owned remittance subsidiary of Metrobank established in April 2004 to conduct money-changing businesses and provide remittance services to Filipinos and other nationals in Singapore. The Company started commercial operations on November 12, 2004.

9. Metro Remittance (USA), Inc. (MRUSA)

A wholly-owned remittance subsidiary of Metrobank established to pursue the plan of expanding its remittance operations in California, U.S.A. MRUSA merged with Metro Remittance Center, Inc. (MRCI) effective December 28, 2017. MRCI was a wholly-owned subsidiary of Metrobank incorporated under the General Corporation Law of the State of Delaware on November 12, 1992. MRUSA, as a surviving company, has a branch located at 69-04 C Roosevelt Avenue, Woodside, New York, 11377. Its subsidiaries are:

- Metro Remittance (Canada), Inc.
  The Company was established to further strengthen the Bank's presence and address the remittance needs of the growing number of Filipinos in Canada. Its branches are located in Vancouver and Toronto which opened on August 1 and November 6, 2006, respectively.

- MB Remittance Center Hawaii, Ltd.
  The Company, established in 2002 and acquired by MRCI in 2005, provides money transmission services to Filipinos in Hawaii.

10. Metro Remittance (UK) Limited (MR UK)

Metrobank acquired all of the outstanding shares of MRUK in May 2004. It was incorporated on September 24, 2002 in England as a private limited company and commenced trading at its premises at Kensington Church Street in London on June 4, 2003. The Company provides fast, secure and affordable money transmission services to the Philippines. It utilizes on-line, real-time computerized links with Metrobank which completes the funds delivery processes to named beneficiaries.

11. Metro Remittance (Japan) Co. Ltd. (MR Japan)

A wholly-owned subsidiary of Metrobank incorporated in Yokohama, Japan on May 8, 2013. It started its remittance operations on October 31, 2013. The Company was established to expand the Bank's presence as well as to strengthen its remittance business in Japan.

Distribution Methods of Products and Services

To remain strongly positioned and retain its leadership, Metrobank continued to upgrade and expand its distribution channels:

1. Branches

Metrobank ended 2018 with 707 branches as compared to 703 in 2017. The Bank believes that it has reached its optimal state in terms of its branch network and is confident that it has the size and scale to pursue its growth plans.

2. Remittance Centers

To further expand the remittance business of the Bank and its presence in the international market, remittance alliances were established between the Bank and several well-established businesses in the country.

2018 - New International Remittance Tie-Ups

a. Al Mirqab Exchange, Qatar
b. Crosspay Ltd., U.K.
c. G.S. Cashline Ltd, Cyprus
d. Hong Lan Services, Inc., U.S.A
e. GCC Exchange UK Ltd., U.K.
f. Golden Money Transfer, Inc., U.S.A.
g. Granstar Global Services Pty Ltd., Australia
h. Hatari Express Holding Ltd., HongKong
i. Jiou Lai Cheng, Taiwan
j. Kabayan Capital (Canada) Inc., U.K.
k. Kabayan Capital Ltd.
l. Khalil Al Fardan Exchange, UAE
m. Oman Exchange Company WLL, Kuwait
n. Pinoy NZ Limited, New Zealand
o. Tranglo SDN.BHD
p. Universal Exchange Center, UAE

2018 – New Local Remittance Tie-Up

a. 2Queens Maritime Services, Inc.
b. Eurasian Maritime Corporation
c. Mitsui O.S.K. Lines (MOL) Training Center (Phils.), Inc.

3. ATMs

All of Metrobank's 1,797 ATMs are full-featured and allow a wide array of financial and non-financial transactions for its clients and those of Bancnet member banks. Apart from being the first bank to secure EMV-chip (Euro MasterCard VISA) certification in the Philippines, it has deployed 179 Cash Accept Machines to allow clients to make real-time cash deposits to their accounts. We have installed security device in machines, thus providing more secure and convenient solutions to meet its clients' banking needs.

4. Metrophone

Metrophone is the Bank's IVRS (Interactive Voice Response System) banking platform, and one of the first electronic banking channels made available to Metrobank customers. The Bank continues to pursue improvements by exploring the development of more features and functionalities that will further enhance the channel's overall user experience.

5. Mobile Banking

   Mobile Banking is an electronic banking channel that enables customers to perform various financial transactions via Apple iOS and Android mobile banking devices. Enrollment is done online, making banking transactions within a customer's reach anytime, anywhere.

6. Metrobank*direct*

   Metrobank*direct* is the Bank's internet browser based banking platform that allows its clients to access their accounts and make financial transactions at their own personal convenience. With more features to enhance a user's experience, such as online enrollment, Metrobank*direct* now makes internet banking a truly online experience for its clients.

7. Metrobank*direct* Corporate is an integrated platform that provides companies with online and real-time access to their accounts. It also helps them manage their business needs through efficient, flexible and secured designs of the best cash management solutions.

8. E-Government Facilities

   - Tax Direct facility is a web based payment facility of Metrobank that allows both retail and corporate clients to pay their tax dues on tax returns filed through the BIR EFPS website.

   - Bancnet's eGov Payment facility is a highly convenient online service that allows clients to electronically remit their monthly SSS, Philhealth and PAG-IBIG contributions and loan payments.

Competition

The Bank faces competition from both domestic and foreign banks. The number of foreign banks operating in the country has increased in recent years, in part as a result of the liberalization of the banking industry by the Government in 1994 and again in 2014.

As of December 31, 2018, the Philippine universal/commercial banking sector consisted of 45 banks, including 23 foreign bank entities. In terms of classification, there are 21 universal banks and 24 commercial banks. Of the 21 universal banks, 12 are private domestic banks, three are government banks and six are branches of foreign banks. Of the 24 commercial banks, five are private domestic banks, two are subsidiaries of foreign banks and 17 are branches of foreign banks. The ten largest universal/commercial banks in the country accounted for over 80% of total assets, loans and total deposits of the universal/commercial banking system based on published statements of condition as of September 30, 2018.

Products and services offered by the larger commercial banks are fairly similar, and banks have used competitive pricing to attract clients. Customer coverage, accessibility and customer experience also act as other key differentiating factors. The smaller domestic banks and foreign banks, on the other hand usually operate in smaller niche markets.

The BSP has been encouraging consolidation among banks in order to strengthen the Philippine banking system. Mergers and consolidations may result in greater competition as it strengthens the financial capabilities of a smaller group of "top tier" banks. In December 2016, the BSP issued a memorandum providing regulatory incentives for mergers, consolidations and acquisition of majority or all outstanding shares of stock of a bank or quasi bank.

Innovations and Promotions

In 2018, Metrobank continued to introduce campaigns and promotions to address the market's needs.

- Recognized as The Asian Banker's Best Trade Finance Bank in the Philippines for 2018, Metrobank established an online platform specifically designed for trade finance.

- Metrobank partnered with various merchants to provide discounts and treats for its Debit and Prepaid MasterCard cardholders. OFWs and their beneficiaries were also rewarded with MetroRemit's Premyo sa Padala promo.

- Metrobank and PSBank enabled over 2,400 ATMs nationwide for Cardless Withdrawal. Both banks also added an interbank fund transfer feature via InstaPay and PESONet in Metrobank Mobile app, PSBank Online and PSBank Mobile app.

- PSBank introduced Flexi Personal Loan with Prime Rebate, the first and only collateral-free personal loan product with a revolving credit line and a fixed term loan. PSBank also started offering Home Loan 1-day Credit Decision which highlights one of the fastest loan approvals in the industry, convenient housing loan terms and rewards. In addition, PayPal accounts can now transfer funds to PSBank accounts.

- For its credit cardholders, MCC continued to offer premium deals and various treats through its partner merchants with up to 50% discount from retailers, online booking sites, top restaurants and hotels. It also digitalized its promotions with its partner merchants. Additionally, MCC tapped China's top digital payment providers, Alipay and WeChat Pay, enabling a number of local merchants using MCC's payment platform to accept mobile payments from thousands of visiting Chinese consumers in the country.

- Maintaining its title as Interbrand's No. 1 Global Insurance Brand for the 10th consecutive year, AXA Philippines offered new products including *Asset Master*, a single-pay, investment-linked insurance plan which allows customers to build a diversified investment portfolio of local and global investments; and *MyAXA Café*, AXA's online insight community which won silver at the prestigious Efma-Accenture Innovation in Insurance Awards. Other promotions included *Choose AXA*, a marketing campaign communicating the new proposition that the company now offers both life and general insurance products. It also inaugurated its newest state-of-the art facilty – the *AXA Academy*, the training facility that aims to produce better equipped insurance professionals who can provide outstanding service to its clients.

- FAMI started offering the *First Metro Consumer Fund*, a jointly-constructed index with world-renowned index provider MSCI, Inc. that is designed to capture the Philippine consumption-led growth story.

- FMSBC launched *First Metro Sec PRO*, by far the most advanced online stock trading platform available for the Philippine Stock Market. It also conducted a series of promotions and roadshows nationwide to introduce this, as well as guide the investors on how to use it. Among the venues were major cities like Baguio City, Davao City and Cebu City. In line with its financial literacy advocacy, FMSBC continued to hold its Guided Investor, Fearless Trader (G.I.F.T.) Learning Series and B.E.S.T. (Basic Education on Stock Trading) seminars all over the country and even in Netherlands, Belgium, and Qatar.

- Metrobank Trust Banking Group launched three geographically focused funds in 2018. First, the *Metro$ S&P 500 Feeder Fund* which aims to provide market returns from a portfolio of stocks that comprise the US Equity Market. Second, the *Metro$ MSCI Eurozone Feeder Fund* which intends to provide market returns from a portfolio of stocks that comprise the European Equity Market. Third, the *Metro$ MSCI Japan Feeder Fund* which seeks to provide market returns from a portfolio of stocks that comprise the Japan Equity Market. Another fund launched in 2018 is the *Metro$ US Investment Grade Corporate Bond Feeder Fund* which aims to provide market returns from a representative portfolio of US Dollar-denominated, investment grade corporate bonds that comprise the US Investment Grade Corporate Market.

Transactions with and/or Dependence on Related Parties

Transactions with related parties and with certain directors, officers, stockholders and related interests (DOSRI) are discussed in Note 31 of the audited financial statements of the Group as presented in Exhibit 8.

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions, and Royalty Agreements Held

The Bank's major products and service lines are sold through Metrobank trade names or trademarks, among others:

1. For ATMs: Metrobank Debit Card and Metrobank Prepaid Card
2. For credit cards: Metrobank Visa/MasterCard Classic; Visa/MasterCard Gold; Femme Signature Visa/Femme Visa; Platinum Visa/MasterCard; World MasterCard; Dollar MasterCard; Metrobank ON Internet MasterCard; M Free MasterCard; M Lite MasterCard; MasterCard Corporate Card; Toyota MasterCard; The Bistro Group Visa

and Robinsons Classic/Gold MasterCard. Features: Cash2Go; Balance Transfer; Bills2Pay; M Here (Shopping Perks & Privileges); M Swipe (Acquiring); Design My Card; and Rewards.
Prepaid Card: Yazz card and Victory Premiere Prepaid Card
3. For phone banking: Metrophone Banking
4. For internet banking: Metrobank*Direct*
5. For mobile banking: Metrobank Mobile Banking
6. For remittance services: Metrobank Superbilis Padala, World Cash Card, MetroRemit, PayStation, CollectAnywhere, PayAnywhere and Payroll Plus
7. For consumer lending: MetroHome and MetroCar
8. For special current account: MetroChecking Extra, Account One
9. For special savings account for kids below 18 years old.: Fun Savers Club (FSC) Regular and Spark Savings Account
10. For Trust products: Metro Money Market Fund; Metro Short Term Fund; Metro Max-3 Bond Fund; Metro Max-5 Bond Fund; Metro Corporate Bond Fund; Metro Balanced Fund; Metro Unit Paying Fund; Metro Equity Fund; Metro PSEi Tracker Fund; Metro High Dividend Yield Fund; Metro $ Money Market Fund; Metro $ Short Term Fund; Metro $ Max-3 Bond Fund; Metro $ Max-5 Bond Fund; Metro $ Asian Investment Grade Bond Fund; Metro World Equity Feeder Fund; Metro $ MSCI Eurozone Feeder Fund; Metro $ MSCI Japan Feeder Fund; Metro $ S&P 500 Feeder Fund; Metro $ US Investment Grade Corporate Bond Feeder Fund; Metro Aspire Bond Feeder Fund; Metro Aspire Balanced Feeder Fund and Metro Aspire Equity Feeder Fund.

Corporate licenses include the following:

1. For Metrobank: expanded commercial banking license, FCDU license, license for trust operations, type 2 limited dealer authority, government securities eligible dealer (GSED) with broker-dealer of securities functions
2. For PSBank: thrift banking license, FCDU license, license for trust operations, GSED (non-market maker) as dealer-broker, type 3 limited user authority and quasi-banking license
3. For FMIC: investment house, investment company adviser (ICA) and quasi banking
4. For ORIX Metro: financing company and quasi-banking license
5. For MCC: quasi-banking license, finance company, electronic money issuer license and general insurance agency
6. For MBCL: business license to expire on January 13, 2040

All the Bank's trademark registrations are valid for 10 years. The Bank closely monitors the renewal dates of registrations to protect and secure its rights to these trademarks. Corporate licenses issued by different regulatory bodies have no specific expiration dates except for the GSED licenses of Metrobank and PSBank which is renewable annually every November.

On January 19, 2017, the BSP had approved the surrender of the trust license of FMIC and had issued the Revocation of Authority to Conduct Trust and Fiduciary Business. On January 10, 2019, FMIC renewed its ICA license with SEC as fund manager for FMSLEFI.

Government Approval of Principal Products or Services

The Group regularly obtains approvals and permits from regulatory bodies and agencies, as applicable, prior to the offering of its products and services to the public.

Effect of Existing or Probable Government Regulations

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the compliance with regulatory requirements and ratios is based on the amount of the "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies that differ from PFRS in some respects.

The Group complied with BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%; capital conservation buffer of 2.50%

comprised of CET1 capital and Total Capital Adequacy Ratio (CAR) at 10.00%. These ratios shall be maintained at all times. Further, BSP Circular No. 856 covers the implementing guidelines on the framework for dealing with domestic systemically important banks (DSIBs) in accordance with the Basel III standards. Banks identified as DSIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer. Compliance with this requirement was phased-in starting January 1, 2017, with full compliance on January 1, 2019.

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations.

The Internal Capital Adequacy Assessment Process (ICAAP) supplements the BSP's risk-based capital adequacy framework. In compliance with this, the Group has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget; as well as regulatory edicts.

Leverage Ratio

On June 9, 2015, the BSP issued Circular No. 881 covering the implementing guidelines on the Leverage Ratio framework designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018 per BSP Circular No. 990 issued on January 22, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

Liquidity Coverage Ratio (LCR)

On March 10, 2016, the BSP issued Circular No. 905 which provides the implementing guidelines on LCR and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows which should be no lower than 100.00%. Compliance with the LCR minimum requirement will commence on January 1, 2018 with the prescribed minimum initially set at 90.00% for 2018 and 100.00% effective January 1, 2019.

Applicable Tax Regulations

Under Philippine tax laws, the RBU of the Parent Company and its domestic subsidiaries are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statement of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax (DST). Income taxes include 30.00% regular corporate income tax (RCIT) and 20.00% final taxes paid, which is a final withholding tax on gross interest income from government securities and other deposit substitutes. Interest allowed as a deductible expense is reduced by an amount equivalent to 33.00% of interest income subjected to final tax.

Current tax regulations also provide for the ceiling on the amount of EAR expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and some of its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue. The regulations also provide for MCIT of 2.00% on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group's income tax liability and taxable income, respectively, over a three-year period from the year of inception.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10.00% income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units (OBUs) is taxed at 15.00%. Income derived by the FCDU from foreign currency-denominated transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

The applicable taxes and tax rates for the foreign branches of the Bank are discussed in Note 28 of the audited financial statements of the Group as presented in Exhibit 8.

Research and Development Costs

For the last three fiscal years, the Bank has not incurred any expenses for research and development.

Employees

Metrobank had 12,851 employees as of December 31, 2018. By year-end 2019, the Bank projects to have 13,408 employees.

	Officers	**Rank and File**	**Total**
As of year-end 2018:			
AVPs and up	479		479
Senior Managers and down	5,503	6,869	12,372
	5,982	6,869	12,851
By year-end 2019 (projected):			
AVPs and up	612		612
Senior Managers and down	6,271	6,525	12,796
	6,883	6,525	13,408

Majority of the registrant's rank and file employees are members of the employees' union. Benefits or incentive arrangements of the rank and file employees are covered by the Collective Bargaining Agreement (CBA) that is effective for three years. The Bank continues to ensure that its employees are properly compensated. The latest CBA that is effective for three years beginning January 2019 will end in December 2021. The Bank has not experienced any labor strikes and the management of the Bank considers its relations with its employees and the Union to be harmonious.

Risk Management

The Group has exposures to the following risks from its use of financial instruments: (a) credit; (b) liquidity; and (c) market risks. Detailed discussions and analysis on Risk Management of the Group are disclosed in Note 4 of the Audited Financial Statements as presented in Exhibit 8.

Risk management framework

The BOD has overall responsibility for the oversight of the Bank's risk management process. On the other hand, the risk management processes of the subsidiaries are the separate responsibilities of their respective BOD. Supporting the BOD in this function are certain Board-level committees such as Risk Oversight Committee (ROC), Audit Committee (AC) and senior management committees through the Executive Committee, Asset and Liability Committee (ALCO) and Policy Committee, among others.

The ROC, which is composed primarily of independent members of the BOD, is responsible for overseeing the Bank's risk infrastructure, the adequacy and relevance of risk policies, and the compliance to defined risk appetite and levels of exposure. The ROC is assisted in this responsibility by the Risk Management Group (RSK). RSK undertakes the implementation and execution of the Bank's Risk Management framework which involves the identification, assessment, control, monitoring and reporting of risks.

The Bank and its subsidiaries manage their respective financial risks separately. The subsidiaries have their own risk management processes but are structured similar to that of the Bank. To a certain extent, the respective risk management programs and objectives are the same across the Group. Risk management policies adopted by the subsidiaries and affiliates are aligned with the Bank's risk policies. To further promote compliance with PFRS and Basel III, the Bank created a Risk Management Coordinating Council composed of the risk officers of the Bank and its financial institution subsidiaries.

Credit Risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, related groups of borrowers, for market segmentation, and industry concentrations, and by monitoring exposures in relation to such limits, among others. The same is true for treasury-related activities. Each business unit is responsible for the quality of its credit portfolio and for monitoring and controlling all credit risks in its portfolio. Regular reviews and audits of business units and credit processes are undertaken by IAG and RSK, respectively.

Liquidity Risk

Liquidity risk is the current and prospective risk to earnings or capital arising from the Group's inability to meet its obligations when they become due. This may be caused by the inability to liquidate assets or to obtain funding to meet liquidity needs. The Group manages its liquidity risk by holding adequate stock of high quality liquid assets, analyzing net funding requirements over time, diversification of funding sources and contingency planning. To measure the prospective liquidity needs, the Group uses Maximum Cumulative Outflow (MCO), a liquidity gap tool to project short-term as well as long-term cash flow expectations on a business-as-usual condition. The MCO is generated by distributing the cash flows of the Group's assets, liabilities and off-balance sheet items to time bands based cash flow expectation such as contractual maturity, nature of the account, behavioral patterns, projections on business strategies, and/or optionality of certain products. The incorporation of behavioral cash flow assumptions and business projections or targets results in a dynamic gap report which realistically captures the behavior of the products and creates a forward-looking cash flow projection.

Cash flow from assets are considered as cash inflows, while cash flows from liabilities are considered cash outflows. The net cash flows are determined for each given time period. If the inflows exceed the outflows, the Group is said to have a positive liquidity gap or excess funds for the given time bucket. Conversely, if the outflows exceed the inflows, the Group is said to have a negative liquidity gap or funding need for the given time bucket.

The MCO is monitored regularly to ensure that it remains within the set limits. The Parent Company generates and monitors daily its MCO. The subsidiaries generate at least monthly their respective MCO reports. The liquidity profile of the Group is reported monthly to the Parent Company's ROC. To supplement the business-as-usual scenario parameters reflected in the MCO report, the Group also conducts liquidity stress testing to determine the impact of extreme factors, scenarios and/or events to the Group's liquidity profile. Liquidity stress testing is performed quarterly.

Market Risk

Market risk is the possibility of loss to future earnings, fair values or future cash flows that may result 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 exchange rates, and other market factors. Market risk originates from its holdings in foreign currencies, debt securities and derivatives transactions. It is managed by segregating the balance sheet into a trading book and a banking book. ALCO, chaired by the President is the senior review and decision-making body for the management of all related market risks. A set of risk limits is enforced to properly monitor and manage market risks. The risk limits are approved by the BOD. The RSK serves under the ROC and performs daily market risk analyses to ensure compliance with the Bank's policies. The Treasury Group manages asset/liability risks arising from both banking book and trading operations in financial markets.

As part of group supervision, the Bank regularly coordinates with subsidiaries to monitor their compliance to their respective risk tolerances and ensure consistency of risk management practices. Risk aggregation and consolidation of exposures provide senior management with a group-wide market risk profile perspective such as Group Trading Value-at-Risk (VaR) and Earnings-at-Risk (EaR).

Market Risk - Trading Book

In measuring the potential loss in its trading portfolio, the Bank uses VaR. VaR is an estimate of the potential decline in the value of a portfolio, under normal market conditions, for a given "confidence level" over a specified holding period. The Bank measures and monitors the Trading Book VaR daily and this value is compared against the set VaR limit. Meanwhile, the Group VaR is monitored and reported monthly. The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures and by doing stress testing analysis. These processes address potential product concentration risks, monitor portfolio vulnerability and give the management an early advice if an actual loss goes beyond what is deemed to be tolerable to the bank, even before the VaR limit is hit.

Stress testing is performed by the Bank on a quarterly basis and the results are reported to the ALCO and, subsequently, to the ROC and BOD. On a Group-wide perspective, stress testing is done, at least, on an annual basis. These results are reported by the Bank's Risk Management Group to the BOD through ROC. Furthermore, the results and contagion effects relevant to the specific institution will be reported by the institutions Risk Management Unit to their respective Senior Management and Board-level ROC.

Market Risk - Banking Book
The Bank and its subsidiaries have in place their risk management system and processes to quantify and manage their respective market risks in the banking book.

Interest rate risk
The Group assesses interest rate risk in the banking book using measurement tools such as Interest Rate Repricing Gap, EaR, Delta Economic Value of Equity (^EVE), and Sensitivity Analysis.

Interest Rate Repricing Gap is a tool that distributes rate-sensitive assets and liabilities into predefined tenor buckets according to time remaining to their maturity (if fixed rate) or repricing (if floating rate). Items lacking definitive repricing schedule (e.g., current and savings account) and items with actual maturities that could vary from contractual maturities (e.g., securities with embedded options) are assigned to repricing tenor buckets based on analysis of historical patterns, past experience and/or expert judgment.

The Bank and its subsidiaries calculate EaR using HS approach, with one-year horizon and using five years data. EaR is then derived as the 99th percentile biggest drop in net interest income. This methodology was implemented starting 2018, thus resulting to significant changes in EaR figures.

Foreign currency risk
Foreign exchange risk is the probability of loss to earnings or capital arising from changes in foreign exchange rates. Foreign currency liabilities generally consist of foreign currency deposits in the Group's FCDU account. Foreign currency deposits are generally used to fund the Group's foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held in FCDUs. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held in the FCDU. Outside the FCDU, the Group has additional foreign currency assets and liabilities in its foreign branch network. The Group's policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

PART II – SECURITIES OF THE REGISTRANT

MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

In November 1980, the SEC approved and certified the listing of 500,000 common shares of Metrobank's capital stock with par value of ₱100.00 each. On February 26, 1981, the listing and trading of Metrobank's common shares with the Makati Stock Exchange Inc. and Manila Stock Exchange (which unified) took effect with the trading symbol of ***MBT***. Today, the Bank's common shares are all listed at the PSE.

Average market prices per share for each quarter within the last two years and subsequent interim period were as follows:

YEAR	QUARTER/ PERIOD ENDED	MARKET PRICES			
		HIGH	LOW	CLOSE	AVERAGE
2019	February 28	84.15	76.00	76.00	81.44
	January 31	84.60	77.95	84.00	82.31
2018	March 31	104.88	83.00	85.80	93.93
	June 30	86.00	71.00	73.40	80.76
	September 30	77.45	64.00	67.00	71.73
	December 31	82.00	64.50	80.95	71.60

YEAR	QUARTER/ PERIOD ENDED	MARKET PRICES			
		HIGH	LOW	CLOSE	AVERAGE
2017	March 31	81.98	71.91	80.00	78.08
	June 30	90.00	80.00	87.50	86.34
	September 30	95.15	85.35	86.50	88.23
	December 31	102.90	86.50	101.40	93.24

Holders

The Bank has 3,021 stockholders as of February 26, 2019.

Top Twenty Stockholders

Following are the top 20 stockholders as of February 26, 2019:

NAME OF STOCKHOLDER		TOTAL NO. OF COMMON SHARES HELD	PERCENT TO TOTAL NO. OF OUTSTANDING COMMON SHARES
1	GT Capital Holdings, Inc.	1,447,016,063	36.357
2	PCD Nominee Corporation (Non-Filipino)	1,187,575,973	29.838
3	PCD Nominee Corporation (Filipino) [a]	686,791,878	17.256
4	Grand Titan Capital Holdings, Inc.	179,864,522	4.519
5	Philippine Securities Corp.	100,000,000	2.513
6	Nove Ferum Holdings, Inc. [b]	67,457,450	1.695
7	82 Alpha Holdings Corporation [c]	48,558,666	1.220
8	Neiman Rhodes Holdings, Inc. [d]	25,315,970	0.636
9	Philippine Geiko Holdings, Inc. [e]	25,023,304	0.629
10	Metrobank Foundation, Inc. [f]	22,460,161	0.564
11	Go, James	17,869,509	0.449
12	Ty, George Siao Kian	17,449,393	0.438
13	Ty, Alfred	15,121,879	0.380
14	Ty, Arthur [g]	13,456,030	0.338
15	Chua, Gabriel	12,812,814	0.322
16	Asia Pacific Capital Equities & Securities Corp.	9,659,228	0.243
17	Bloomingdale Enterprises, Inc.	9,139,685	0.230
18	Ty, Alesandra Vy	8,222,818	0.207
19	Dy Buncio, Anjanette	6,528,511	0.164
20	Solid State Multi-Prod Corp.	5,174,831	0.130

a Net of 5,112,463 shares owned by Nove Ferum Holdings, Inc.; 674,483 shares owned by 82 Alpha Holdings Corporation; 6,632,601 shares owned by Neiman Rhodes Holdings, Inc.; 6,631,628 shares owned by Philippine Geiko Holdings, Inc.; 6,606,514 shares owned by Metrobank Foundation, Inc.; 197,200 shares owned by Arthur Ty.

b. Inclusive of 5,112,463 shares lodged with PCD Nominee Corporation

c. Inclusive of 674,483 shares lodged with PCD Nominee Corporation

d. Inclusive of 6,632,601 shares lodged with PCD Nominee Corporation

e. Inclusive of 6,631,628 shares lodged with PCD Nominee Corporation

f. Inclusive of 6,606,514 shares lodged with PCD Nominee Corporation

g. Inclusive of 197,200 shares lodged with PCD Nominee Corporation

As of February 26, 2019, public ownership on the Bank was at 48.95%. Of the total shares issued, 29.87% represents foreign ownership.

Dividends

There are no restrictions that limit the ability of the Bank to pay cash dividends. Details of cash dividend distribution from 2016 to 2018 follow:

Date of Declaration	Per Share	Amount (In Millions)	Record Date	Payment Date
February 21, 2018	₱1.00	₱3,180	March 8, 2018	March 16, 2018
February 22, 2017	₱1.00	₱3,180	March 9, 2017	March 23, 2017
March 16, 2016	₱1.00	₱3,180	April 1, 2016	April 8, 2016

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines.

The Bank paid the semi-annual coupon on its USD125.0 million HT1 Capital Securities (redeemed on February 16, 2016) amounting to USD5.6 million in 2006 to 2016 after obtaining their respective BSP approvals, with the last coupon payment made on February 16, 2016. Coupon payment was treated as dividends and deducted from equity when due.

Recent Sales of Unregistered or Exempt Securities

The information required under Part II paragraph (A) (4) of Annex C of the Securities Regulation Code (SRC) under SRC Rule 12 is not applicable to the Bank.

Compliance with Lead Practice on Corporate Governance

The Bank upholds the highest standards of corporate governance principles that underpin the mechanism in ensuring optimization of performance, sustainable value creation and protection of interests of all our stakeholders.

The Bank's corporate governance is anchored on the pillars of integrity, accountability, fairness and transparency observed across all our operations and dealings which provides the strong foundation to achieve our goals. We support adoption of structures and processes that would ensure that our business is conducted ethically and comply with applicable laws and regulations. Our staunch commitment to safeguard the long-term best interests of our shareholders and all other stakeholders translates into a corporate culture that embraces good governance practices and fiduciary duties manifested from the Bank's Board of Directors, Senior Management and all Employees.

The Board of Directors

The Board of Directors, collectively the Board is the highest authority in the organization. It sets the tone of good governance from the top as well as corporate values, codes of conduct and other standards of appropriate behavior for itself, the senior management and other employees. Metrobank is headed by a competent Board that has collective responsibilities for leadership and control of the Bank's affairs ensuring its long-term sustainability and success. The Board oversees the overall governance framework, approves and oversees effective implementation of business and risk strategic directions to achieve objectives, monitors managements' performance against set targets and ensures appropriate controls and systems of checks and balances are in place and operating effectively.

Metrobank's Board is composed of twelve directors, ten of whom are non-executive directors, five of whom are independent directors. BSP requires a minimum of 1/3 or not less than two representation of independent directors in the Board to which the Bank is fully compliant having directors that represent 42% of the Board. Diversity in the Board is a key consideration. The members are experts in their field and bring with them diversity in age, ethnic background, skills and experience. All directors were selected based on their qualifications such as integrity, probity, physical & mental fitness, competence, relevant education, financial literacy and training, diligence, knowledge and experience.

Any stockholder may submit nominations for directorial positions to the Nominations Committee per the Bank's By-laws. The Committee screens the nominations based on its screening policies and parameters, including among others, alignment with the strategic directions of the Bank, The Nominations Committee assesses the qualifications of the nominees guided by our By-laws, Corporate Governance Manual and relevant regulations of BSP and SEC and ensures the optimal mix of skills and talent and balanced memberships of the Board. When identifying or screening potential candidates, the Committee may consult whatever resources it deems appropriate, including but not limited to, referrals from existing directors and officers, recommendations from a third-party search firm or suggestions from stockholders. They may also make use of external databases of the Institute of Corporate Directors (ICO) or other professional search firms. Only nominees whose names appear in the Final List of Candidates shall be eligible for election as director.

The Chairman of the Board and the President

The roles of the Chairman of the Board and the President are separate and held by two different people to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making by the Board. Each has clearly defined responsibilities in the Bank's By-Laws and Corporate Governance Manual (CGM).

Board Meetings

The Board meets regularly to discuss performance of the Bank, strategies and other matters requiring board attention, decisions and approvals. The organizational meeting of the Board is held immediately after the Annual Stockholder's Meeting. Board-level committees are reconstituted during the organizational meeting. Regular Board meetings are held every second Wednesday of each month. Special meetings may be called at any time by the Chairman, or, in his absence, by the Vice Chairman, or pursuant to the written request of any four directors.

In 2018, the Board had 16 meetings with the incumbent directors attending more than 93% of all meetings.

Independent and non-executive directors likewise meet once a year with the external auditor and heads of internal audit, compliance and risk without any senior executive present. In 2018, such meeting was held on February 19, 2018.

The Office of the Corporate Secretary prepares the agenda and sends out notices and materials at least five business days before the meeting date, prepares and distributes the minutes of the previous meeting and keeps full minutes of all Board and stockholders meetings.

Orientation and Continuing Education

The Bank ensures that all its directors are always equipped and abreast with the latest developments, such as but not limited to regulatory changes in the banking landscape to enable them to properly fulfill their duties

All first-time directors are furnished with a copy of the Bank's Articles of Incorporation, By-Laws, Code of Conduct and the CGM. They are also provided with the general responsibility and specific duties and responsibilities of the Board and of an individual director. Directors are required to certify under oath that they have received copies and fully understand and accept the general responsibility and specific duties. Each director certifies that he or she has all the prescribed qualifications and none of the disqualifications as a director.

On a continuing basis, the Bank provides suitable training and funding for the continuous development and education of its directors, including the corporate secretary. This includes updates on regulatory developments, corporate governance, risk management, anti-money laundering issues among others which are conducted by BSP and SEC accredited external service providers. There is a formal record of all attendance of each of the directors on the training sessions by the Corporate Secretary.

In 2018, the Bank arranged a special training/seminar conducted by ICD attended by all directors and senior management of the Bank to apprise them on the significant developments in corporate governance including subject matters on cybersecurity, data privacy, anti-money laundering, sustainability reporting and other relevant changes/developments.

Other Measures Undertaken

1. Corporate Governance Manual

   Metrobank has a strong corporate governance framework that is embodied in the CGM which sets out the roles and responsibilities within the Bank and the practices and procedures that we adopt to ensure we govern our organization to the highest standards of good governance principles.

The CGM serves as the guidebook in the implementation of the corporate governance rules and regulations. It is periodically updated for relevance and alignment with new regulatory issuances and best industry practices. The Board of Directors, Management, Officers and Staff of the Bank fully commit themselves to the principles and practices contained in the Manual and acknowledge that the same will guide them in the development and achievement of the Bank's corporate goals.

The CGM serves as reference or guide for the Bank, its subsidiaries and affiliates for the implementation of BSP Circular Nos. 749, 757 and 969 "Guidelines in Strengthening Corporate Governance in BSP Supervised Financial Institutions", Circular No. 793 "Amendment to Align the Familial Restrictions Applicable to `Independent Director' with the Existing Provision of the Securities Regulation Code (SRC)", BSP Memorandum No. 2013-002 "Guidelines in Assessing the Quality of Corporate Governance in BSP-Supervised Financial Institutions", SEC Memorandum Circular No. 6 Series of 2009 "Revised Code of Corporate Governance" as amended by SEC Memorandum Circular No. 9 Series of 2014, applicable provisions in the BSP Manual of Regulations for Banks (MORB) and other relevant references.

The Manual was revised to include changes in the regulations and approved by the Board on 25 April 2018. To enforce bank-wide compliance, a copy of the Board-approved Manual on Corporate Governance is available in the Bank's Insight Online (intranet) for easy access by the Board, Management and all employees of the Bank. Likewise, it is posted in the Bank's website to be accessible by the public.

2. Code of Conduct and Ethics for Directors and Metrobank Code of Conduct for Employees

The Bank ensures that its Directors and Employees embrace the Code of Conduct which sets forth the standards for professional and ethical behaviors expected of them when dealing internally and externally. The Bank's Codes of Conduct are anchored on its core values otherwise known as the PITCH which stands for **P**assion for results, **I**ntegrity, **T**eamwork, **C**ommitment to customer service, & **H**eart for the community and adhere only to the highest standards of fairness, accountability and transparency.

The members of the Board have adopted the Code of Conduct and Ethics for Directors. It describes the behavioral standards expected from a director so that he/she can better understand and meet the expectations and requirements of the organization and regulators.

Included in the Code are the standards of conduct for ensuring the proper discharge of the duties and responsibilities, basic principle that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests, avoiding situations that would compromise his impartiality; maintaining professional integrity; enhancement of skills, knowledge and understanding of bank activities, etc.

In place also is the Metrobank Code of Conduct for employees which includes the principles of ensuring the proper discharge of duties and responsibilities, the avoidance of conflict of interest between the Bank's business and the personal activities, the preservation of confidential information which mandates adoption of every practicable measure to preserve confidential information at all times and the prohibition of direct or indirect offering or receiving by an employee of any gift, gratuity, other payment or entertainment from any person, be it a client, vendor, supplier, business partner or subordinate, when the gift might affect the employee's judgment or actions in the performance of his/her duties.

To enforce bank-wide compliance, the Bank's Codes of Conduct for directors and employees are posted in the Bank's intranet and the Human Resources Management Group Public Folder for easy access of all directors, officers and employees of the Bank, as well as the Bank's website.

The Codes are implemented by the Corporate Governance and Compensation Committee and the Human Resources Group and breaches are subject to appropriate disciplinary actions which may range from reprimand, suspension, termination, set forth under the Corporate Governance Manual and the Bank's Manual on Policies and Procedures in accordance with the principles of due process.

3. Board Committees

a) Anti-Money Laundering Committee

The Anti-Money Laundering Committee is tasked to assist the Board in fulfilling its oversight responsibility over the Bank's AML Compliance Management to make sure that the Bank complies with the provisions of the Anti-Money Laundering Act (AMLA), as amended, its Revised Implementing Rules and Regulations (RIRR), and BSP regulations.

b) Audit Committee

The Audit Committee (AC) assists the Board in fulfilling its statutory and fiduciary responsibilities, enhancing shareholder value, and protecting shareholder's interest through (a) effective oversight of internal and external audit functions, (b) transparency and proper reporting, (c) compliance with laws, rules and regulations; and code of conduct, and (d) adequate and effective internal controls.

c) Corporate Governance and Compensation Committee

The Corporate Governance and Compensation Committee assists the Board in fulfilling its statutory and fiduciary responsibilities, enhancing shareholder value, and protecting shareholders' interest through (a) effective oversight on corporate governance practices, (b) ensuring the effectiveness and observance by the Board of corporate governance principles and guidelines, (c) providing oversight in the implementation of the Bank's Compliance System; (d) making recommendations to the Board regarding the continuing education of directors, assignment to board committees, succession plan for the senior officers, and the remuneration policy linked to the corporate and individual performance.

d) Domestic Equity Investments Committee

The Domestic Equity Investments Committee assists the Board in overseeing the development and maintenance of the Bank's domestic equity investments policy and in monitoring its implementation by Management.

e) Executive Committee

The Executive Committee is primarily responsible for the review and approval of credit proposals and credit policies within its authority and limits, as well as provide recommendations or conditions to lending. The Committee may also act on other matters as delegated by the Stockholders, and the Board of Directors within its competence and in accordance with the By-Laws of the Bank.

f) Information Technology Steering Committee

The Information Technology Steering Committee ensures that IT strategies are consistent with the overall business objectives. As an extension of the Board, it supervises the IT Risk Management Program of the Bank and the development of policies, controls and specific accountabilities consistent with the Bank's IT Risk Management Framework. It also regularly provides adequate information to the Board regarding overall IT performance, status of major projects or other significant issues related to IT risks.

g) Nominations Committee

The Nominations Committee, jointly with the Corporate Governance and Compensation Committee, reviews and evaluates the qualifications of all persons nominated to the Board. Moreover, it also reviews the qualifications of those nominated to other positions requiring approval by the Board.

h) Overseas Banking Committee

The Overseas Banking Committee assists the Board in its oversight functions over the operations and financial performance of the overseas branches and subsidiaries, their compliance with the rules and regulations of their respective host countries and their adherence to the Parent Bank's business and corporate governance policies as prescribed by the BSP and SEC.

i) Related Party Transactions Committee

The Related Party Transactions Committee (RPTC) assists the Board in ensuring that transactions with related parties (including internal group transactions) are reviewed to assess risks, are subject to appropriate restrictions to ensure that such are conducted at arm's-length terms and that corporate or business resources of the Bank are not misappropriated or misapplied.

j) Risk Oversight Committee

The Risk Oversight Committee, as an extension of the Board, is responsible for the development and oversight of the risk management program of the Bank and its Trust Banking Group.

k) Trust Committee

The Trust Committee is responsible for the oversight of all Trust activities and shall act within the sphere of authority as provided by the pertinent rules and regulations in the exercise of fiduciary powers under the Manual or Regulations for Banks (MORB) and BSP Circular 766 - Guidelines in Strengthening Corporate Governance and Risk Management Practices on Trust, Other Fiduciary Business, and Investment Management Activities.

4. Evaluation System

The Board conducts an annual evaluation process through the Corporate Governance and Compensation Committee to assess the effectiveness of the Board, Chairman of the Board, President, Committees and each Director's performance and contributions. It has adopted an internal self-rating system and procedures to determine and measure compliance with the Manual on Corporate Governance vis-à-vis good corporate governance principles and practices: (i) Each director self-rates and collectively rates the Board and the President; (ii) Corporate Governance, Audit, Risk Oversight and other Board committees conduct self-rating. When a director or officer has multiple positions in the Group, the Corporate Governance Committee determines whether or not said director or officer is able to and has been adequately carrying out his/her duties.

The results of the annual self-assessment are discussed in the Corporate Governance and Compensation Committee meeting and reported to the Board.

Based on the results of the annual evaluation, for the year 2018, the Bank has fully complied with the material requirements of the Code of Corporate Governance.

5. Fair Business Transactions

The Bank champions the fair treatment and protection of all our stakeholders, particularly our customers, resource providers, creditors and the community in which we operate and believe that fair, professional and objective dealings forge enduring relationships. The members of the Board conduct fair business transactions with the Bank and ensure that personal interest does not bias Board decisions. Directors, officers and all employees avoid situations that would give rise to a conflict of interest. If transactions with the Bank cannot be avoided, these are done in the regular course of business and upon terms not less favorable to the Bank than those offered to others. Likewise, employees are prohibited from directly or indirectly engaging in any conduct or activity that may directly or indirectly be construed as inconsistent or incompatible with Metrobank's business interests.

The directors are expected to act honestly and in good faith, with loyalty and in the best interest of the Bank, its stockholders, regardless of the amount of their stockholdings, and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates. Employees are expected to effectively manage their personal affairs and avoid any situation or business endeavors arising from associations, interests or relationships that may lead to conflict or potential conflict between their personal interests and that of the Bank.

The Bank has adopted a policy concerning transactions with related parties which are reviewed by either the Related Party Transactions Management Committee, a management-level committee composed of senior officers or the RPTC, depending on the materiality threshold set by the Bank. The policy aims to ensure that transactions with related parties are conducted at arm's length and that the no resources of the Bank are misappropriated. Material related party transactions require prior written approval of the members of the Board, with the exclusion of the director concerned in case the transaction involves him or his related interests.

6. Policy on Insider Trading

Metrobank, as a publicly traded company is governed by securities laws and regulations. The Bank strictly enforces and monitors compliance with its Insider Trading Policy to uphold applicable laws and ensure that the shareholders are afforded protection and that individuals do not benefit from knowledge which is not generally available to the market, The policy generally prohibits trading of securities during blackout periods by covered persons/insiders i.e. directors and employees within the Metrobank Group including their immediate family members residing with them in the same household and corporations, other entities and funds subject to their influence or control to the extent that they are considered insiders having access to material nonpublic information about the securities of companies within the Metrobank Group ("Metrobank Group Securities") as well as the securities of any of their corporate clients and business partners ("Partner's Securities").

The policy requires that the disclosure of Material Nonpublic Information about any of the companies within the Metrobank Group or any Partner shall be made on a reasonable need-to-know basis and in furtherance of a legitimate business purpose. It further requires the reporting insiders to confirm their respective beneficial ownership of listed shares of stock in their respective companies, if any, and report any changes thereto on the next trading day from the date of the change pursuant to the requirements of the SEC and the PSE.

7. Whistle Blowing Policy

As a way of strengthening the Bank's system of integrity, all employees as well as other stakeholders are encouraged to report irregular transactions. Towards this end, the Bank instituted a Whistle Blowing Policy where acts of fraud, malpractice, conflict of interest or violation of internal/regulatory policies, procedures and control may be reported to the Chief Audit Executive.

The Whistle Blowing Policy applies in cases when an employee deems it more prudent to report violations or offenses to another authorized unit/person within the Bank, when the matter which is brought to the attention of the immediate superior is not acted upon in accordance with the standard reporting procedures, or is concealed, or the immediate superior is himself involved in the infraction, or the reporting employee fears reprisal.

Under the policy, the Bank shall maintain the identity of the reporting employee as confidential and retaliation against any reporting employee shall not be allowed. Consistent with the principles of good governance, the Chief Audit Executive reports to the Board's AC.

8. Interest of Stakeholders

Metrobank has a responsibility to all its stakeholders and addresses their needs. It has policies that safeguard the interests of customers & creditors, shareholders, employees, suppliers, and the environment.

a) Customer/Creditor's Welfare

Metrobank measures its success not by numbers but by the success of its customers. The Bank remains anchored on its very purpose of ensuring customer success, by safeguarding its customers' and creditors' welfare, fulfilling their needs and by helping them achieve their goals.

As contained in the Bank's Code of Conduct for Employees, customers are the driving force behind everything we do and their needs are continuously prioritized. Failure to attend promptly to clients' requests/inquiries and rumor-mongering, gossiping and character assassination of clients are among the examples of non-acceptable behavior under this standard of conduct.

The Bank has also developed its Customer Protection Policy Manual to enumerate the basic principles and ethical business practices that govern the conduct of the Bank in dealing with its customers, setting out the standards of consumer protection in the areas of disclosure and transparency, protection of client information, fair treatment, effective recourse and financial education. It provides assurance that the Bank and its employees comply with consumer protection laws, rules and regulations, thus ensuring that consumer protection practices are embedded in the Bank's business operations which address and prevent identified risks to the Bank and associated risk of financial harm or loss to its customers. The Manual is created to ensure that customer protection is inherent in the Bank's day-to-day operations, providing the foundation in ensuring the Bank's adherence to customer protection standards of conduct.

b) Stockholders' Rights and Protection of Minority Stockholders' Interests

The Board respects the rights of the stockholders as provided for in the Corporation Code. It promotes the rights of the stockholders, removes impediments to the exercise of those rights and provides an adequate avenue for them to seek timely redress for breach of their rights.

The Board makes available to the stockholders accurate and timely information to enable the latter make a sound judgment on all matters brought to their attention for consideration or approval. All material information about the Bank is disclosed in a timely manner to the SEC and PSE.

The Board is transparent and fair in the conduct of the annual stockholders' meetings of the Bank. The Bank encourages the stockholders to personally attend such meetings. If they cannot attend, they are apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-Laws, the exercise of the right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

Every stockholder entitled to vote on a particular question or matter involved shall be entitled to one (1) vote for each share of stock in his name. Cumulative voting is allowed provided that the total votes cast by a stockholder shall not exceed the number of shares registered in his name as of the record date multiplied by the number of directors to be elected. Matters submitted to stockholders for the ratification shall be decided by the required vote of stockholders present in person or by proxy. All shareholders shall have the opportunity to obtain effective redress for violation of their rights.

c) Policy on Health, Safety and Welfare of Employees

The Bank actively promotes a safe and healthy work environment that is conducive to the well-being and professional development of its employees. Among the programs instituted were wellness check of employees, results of which were the basis of choosing relevant health interventions for the workforce; lectures on bank security are conducted to equip personnel.

The Bank is fully committed to ensure that all employees perform their work consistently to high standards and achieve their full potential. It recognizes that training and development is fundamental to the improvement of the bank's operational performance and the achievement of the bank's strategy and goals. The Metrobank Academy provides all officers with a wide range of suitable programs to assist in their continuing professional development, so that the organization will have the right quality of people for the business to grow and achieve its goals. The Bank strives to empower Metrobankers with the right skills, knowledge, work ethics and expertise that are relevant to the stakeholders.

The Bank acknowledges that it has a responsibility to ensure the safety and security of its employees and clients. The Bank also believes that providing them with a secure and safe work environment greatly enhances business and work productivity. In particular, the Bank ensures a drug-and alcohol-free work environment at all times.

d) Supplier/Contractor Selection

The Bank also ensures that it maintains policies for supplier and contract selection. The policy on vendor management and outsourcing of banking support and marketing activities provides guidelines on accreditation of service providers as well as monitoring and reviewing their performance. The Bank's Vendor Management Policy provides guidelines in the purchase or acquisition of products or services from vendors and mitigates risks of dealing with unqualified vendors. It shall also ensure that the Bank's vendor management guidelines are compliant with the BSP regulations. The Bank also practices the policy of canvassing and bidding services as a basis for the evaluation and approval of the bid process.

e) Environment Protection

Mindful of the impact that its practices may have on the environment, Metrobank is committed to sound environmental stewardship. It consistently strives to look for ways to improve its operations towards the conservation of energy, water and resources. In place are various policies on optimizing the use of paper, power shutdown of office equipment to minimize resource usage and to save on electricity costs, use of vehicles for carpool and regular maintenance and servicing of vehicles to reduce transportation cost and carbon emissions.

f) Community Interaction

The Bank believes that it is responsible not just for its financial performance but also for the state and welfare of the larger society to which it belongs. As an institution, Metrobank gives back to the communities we serve, committed to making meaningful contributions to the economic and social development of our nation. Metrobank has comprehensive community and social responsibility programs conducted by the Metrobank Foundation and the employees through the Purple Hearts Club.

9. Corporate Governance Scorecard

In 2018, the Bank accomplished its first Integrated Annual Corporate Governance Report (I-ACGR). The new I-ACGR provides a consolidated reporting tool to disclose compliance/non-compliance with the recommendations provided under the Corporate Governance Code for publicly listed companies as well as CG practices under the PSE CG Guidelines and the ASEAN Corporate Governance Scorecard. The I-ACGR was submitted to the regulators in May 2018 and posted on the Bank's website.

10. Plans for Improvement of Corporate Governance

Commitment to having good corporate governance remains at the heart of the Bank's overall strategy and strong risk culture. The Board plays a key role in overseeing management performance and ensuring that controls and systems of check and balance are in place and effective. Hence, continuous adoption of best practices in corporate governance coupled with the aim of facilitating sustained growth and steady improvement of the corporate value in the medium and long term will be the foremost focus.

11. Awards

- The Asian Banker Transaction Awards 2018
    - Best Trade Finance Bank in the Philippines
    - Best Foreign Exchange Bank in the Philippines
    - Best Transaction Bank in the Philippines
- The Asset Triple A Treasury, Trade, Supply Chain and Risk Management Awards 2018
    - Best Service Providers - Supply Chain - Rising Star 2018
- PDS Annual Awards 2018
    - Cesar EA Virata Award for Best Securities House (Bank Category)
    - Top Dealing Participant for Corporate Securities
    - Top Fixed Income Dealing Participant
    - Top Brokering Participant for Retail Transactions
    - Most Active Bank in FX Spot Matching
    - Top 5 Spot Foreign Exchange Dealer
    - Top 5 Fixed Income Brokering Participant
    - Top 5 Fixed Income Cash Settlement for Banks
    - Top 5 PDDTS-PvP Participant
    - Special Citation: Pilot Issuance of Bank-Issued Bond and Commercial Paper Program
- The Asset Benchmark Research Awards 2018
    - Top Sellside in Corporate Bonds (Rank 1)
    - Top Sellside in Government Bonds (Rank 3)
    - Top Investment House (Rank 3)

    - Best Individual - Trading (Ranks 3 & 4)
    - Best Individual - Sales (Ranks 2, 4 & 5)
- Fund Managers Association of the Philippines (FMAP) 2018
    - Best Fixed Income House (Rank 2)
    - Best Fixed Income Trader Local Currency (Rank 2)
    - Best Fixed Income Trader Foreign Currency (Rank 2)
    - Best Fixed Income Salesperson (Rank 2)
    - Best Fixed Income Strategist (Rank 2)
- The Bureau of Treasury GSED Market Maker
- Institute of Corporate Directors Corporate Governance Award 2018
- The Legal 500 GC Powerlist: Southeast Asia Teams 2018
- Bloomberg First Corporate Bond to List in Bloomberg FIQ Trading 2018

Deviations

This is not applicable to the Bank.

PART III - MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Audited Financial Statements

The audited financial statements of the Group and the Bank are presented in Exhibit 8 as an attachment to this report, together with the notarized Statement of Management Responsibility for Financial Statements which was signed by the Chairman, President, Head of Financial and Control Sector, Treasurer and Controller of the registrant.

Statements of Financial Position
(Amounts in millions)

	December 31			Increase (Decrease) 2018 vs. 2017		Increase (Decrease) 2017 vs. 2016	
	2018	2017	2016	Amount	%	Amount	%
Assets							
Cash and Other Cash Items	₱33,091	₱27,631	₱26,553	₱5,460	**19.76**	₱1,078	4.06
Due from Bangko Sentral ng Pilipinas	240,134	261,959	238,806	(21,825)	**(8.33)**	23,153	**9.70**
Due from Other Banks	45,802	31,291	44,315	14,511	**46.37**	(13,024)	**(29.39)**
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	50,719	45,475	91,646	5,244	**11.53**	(46,171)	**(50.38)**
Investment Securities at Fair Value Through Profit or Loss (FVTPL)	39,689	43,887	37,214	(4,198)	**(9.57)**	6,673	**17.93**
Fair Value Through Other Comprehensive Income (FVOCI)	111,288	-	-	111,288	-	-	-
Amortized Cost	265,376	-	-	265,376	-	-	-
Available-for-Sale (AFS) Investments	-	343,910	316,855	(343,910)	-	27,055	**8.54**
Loans and Receivables	1,391,034	1,265,469	1,060,868	125,565	**9.92**	204,601	**19.29**
Property and Equipment	21,954	22,362	21,995	(408)	(1.82)	367	1.67
Investments in Associates and a Joint Venture	5,947	5,764	5,350	183	3.17	414	**7.74**
Goodwill	5,200	5,200	5,200	-	0.00	-	0.00
Investment Properties	7,500	7,717	8,474	(217)	(2.81)	(757)	**(8.93)**
Deferred Tax Assets	10,238	9,161	8,855	1,077	**11.76**	306	3.46
Other Assets	15,721	10,466	9,878	5,255	**50.21**	588	**5.95**
Total Assets	₱2,243,693	₱2,080,292	₱1,876,009	₱163,401	**7.85**	₱204,283	**10.89**
Liabilities and Equity							
Liabilities							
Deposit Liabilities	₱1,556,753	₱1,527,962	₱1,389,302	₱28,791	1.88	₱138,660	**9.98**
Bills Payable and Securities Sold Under Repurchase Agreements	259,607	227,835	161,376	31,772	**13.95**	66,459	**41.18**
Derivative Liabilities	6,537	5,352	4,612	1,185	**22.14**	740	**16.05**
Manager's Checks and Demand Drafts Outstanding	7,565	8,054	6,932	(489)	**(6.07)**	1,122	**16.19**
Income Taxes Payable	2,830	3,381	2,185	(551)	**(16.30)**	1,196	**54.74**
Accrued Interest and Other Expenses	9,619	6,973	7,067	2,646	**37.95**	(94)	(1.33)
Bonds Payable	30,743	2,910	11,498	27,833	**956.46**	(8,588)	**(74.69)**
Subordinated Debts	26,618	26,580	29,524	38	0.14	(2,944)	**(9.97)**
Deferred Tax Liabilities	357	277	312	80	**28.88**	(35)	**(11.22)**
Non-equity Non-controlling Interest	6,747	8,002	7,934	(1,255)	**(15.68)**	68	0.86
Other Liabilities	45,613	58,876	49,714	(13,263)	**(22.53)**	9,162	**18.43**
Total Liabilities	1,952,989	1,876,202	1,670,456	76,787	4.09	205,746	**12.32**

	December 31			Increase (Decrease) 2018 vs. 2017		Increase (Decrease) 2017 vs. 2016	
	2018	**2017**	**2016**	**Amount**	%	**Amount**	%
Equity							
Equity Attributable to Equity Holders of the Bank							
Common stock	₱79,600	₱63,603	₱63,603	₱15,997	**25.15**	₱-	-
Capital paid in excess of par value	85,252	42,139	42,139	43,113	**102.31**	-	-
Surplus reserves	1,956	1,810	1,653	146	**8.07**	157	**9.50**
Surplus	130,550	116,786	101,900	13,764	**11.79**	14,886	**14.61**
Treasury stock	(67)	(46)	(485)	(21)	**(45.65)**	439	**90.52**
Remeasurement losses on retirement plan	(3,591)	(4,025)	(4,007)	434	10.78	(18)	(0.45)
Net unrealized loss on investment securities at FVOCI	(2,994)	-	-	(2,994)	-	-	-
Net unrealized loss on AFS investments	-	(15,804)	(10,115)	15,804	-	(5,689)	**(56.24)**
Equity in other comprehensive income (losses) of investees	(27)	22	54	(49)	**(222.73)**	(32)	**(59.26)**
Translation adjustment and others	(7,719)	(2,530)	1,260	(5,189)	**(205.10)**	(3,790)	**(300.79)**
	282,960	**201,955**	**196,002**	**81,005**	**40.11**	**5,953**	**3.04**
Other equity reserves	-	(7,400)	-	7,400	-	(7,400)	-
Non-controlling Interest	7,744	9,535	9,551	**(1,791)**	**(18.78)**	(16)	(0.17)
Total Equity	290,704	204,090	205,553	86,614	42.44	(1,463)	(0.71)
Total Liabilities and Equity	₱2,243,693	₱2,080,292	₱1,876,009	₱163,401	**7.85**	₱204,283	**10.89**

Statements of Income

Interest Income	₱97,186	₱80,322	₱68,181	₱16,864	**21.00**	₱12,141	**17.81**
Interest and Finance Charges	28,364	18,916	15,235	9,448	**49.95**	3,681	**24.16**
Net Interest Income	68,822	61,406	52,946	7,416	**12.08**	8,460	**15.98**
Provision for Credit and Impairment Losses	7,770	7,507	7,342	263	3.50	165	2.25
Net Interest Income After Provision for Credit and Impairment Losses	61,052	53,899	45,604	7,153	**13.27**	8,295	**18.19**
Other Operating Income	22,910	22,147	25,666	763	3.45	(3,519)	**(13.71)**
Other Operating Expenses	53,656	47,475	44,593	6,181	**13.02**	2,882	**6.46**
Income Before Share in Net Income of Associates and a Joint Venture	30,306	28,571	26,677	1,735	**6.07**	1,894	**7.10**
Share in Net Income of Associates and a Joint Venture	874	689	261	185	**26.85**	428	**163.98**
Income Before Income Tax	31,180	29,260	26,938	1,920	**6.56**	2,322	**8.62**
Provision for Income Tax	7,745	7,990	6,622	(245)	(3.07)	1,368	**20.66**
Net Income	₱23,435	₱21,270	₱20,316	₱2,165	**10.18**	₱954	4.70
Attributable to:							
Equity holders of the Bank	₱22,008	₱18,223	₱18,086	₱3,785	**20.77**	₱137	0.76
Non-controlling interest	1,427	3,047	2,230	(1,620)	**(53.17)**	817	**36.64**
	₱23,435	₱21,270	₱20,316	₱2,165	**10.18**	₱954	4.70

Statements of Comprehensive Income

Net Income	₱23,435	₱21,270	₱20,316	₱2,165	10.18	₱954	4.70
Other Comprehensive Income for the Year, net of tax							
Items that may not be reclassified to profit or loss:							
Change in remeasurement loss on retirement plan	498	26	(489)	472	**1,815.38**	515	**105.32**
Items that may be reclassified to profit or loss:							
Change in net unrealized loss on investment securities at FVOCI	(2,794)	-	-	(2,794)	-	-	-
Change in net unrealized loss on AFS investments	-	(5,772)	(5,464)	5,772	-	(308)	**(5.64)**
Change in equity in other comprehensive income of investees	(50)	(32)	(127)	(18)	**(56.25)**	95	**74.80**
Translation adjustment and others	(309)	733	(1,076)	(1,042)	**(142.16)**	1,809	**168.12**
	(3,153)	(5,071)	(6,667)	1,918	**37.82**	1,596	**23.94**
Total Comprehensive Income for the Year	₱20,780	₱16,225	₱13,160	₱4,555	**28.07**	₱3,065	**23.29**
Attributable to:							
Equity holders of the Bank	₱19,665	₱13,365	₱12,428	₱6,300	**47.14**	₱937	**7.54**
Non-controlling Interest	1,115	2,860	732	(1,745)	**(61.01)**	2,128	**290.71**
	₱20,780	₱16,225	₱13,160	₱4,555	**28.07**	₱3,065	**23.29**

Key Performance Indicators

The performance of the Bank and its significant majority-owned subsidiaries are measured by the following key indicators:

Company Name	Performance Indicators				
	Book Value Per Share	Basic/ Diluted Earnings Per Share	Return on Average Equity	Return on Average Assets	Net Interest Margin on Average Earning Assets

For the Interim Period, January 31, 2019 (unaudited)

Metrobank Group	₱71.33	₱0.59	10.00%	1.28%	3.97%
FMIC (a)	40.16	0.56	6.08%	2.06%	0.50%
PSBank	84.78	4.43	5.97%	0.72%	5.13%
MCC	15.08	0.36	28.79%	5.70%	1.15%

For the Year 2018

Metrobank Group	₱71.11	₱5.83	9.08%	1.02%	3.82%
FMIC (a)	39.74	1.35	3.46%	1.07%	1.36%
PSBank	101.54	0.37	11.98%	1.23%	6.15%
MCC	14.83	4.97	34.94%	6.30%	13.99%

For the Year 2017

Metrobank Group	₱63.52	₱5.62*	9.16%	0.92%	3.75%
FMIC (a)	37.57	3.15	7.92%	2.16%	1.57%
PSBank	93.21	11.05	12.51%	1.26%	6.10%
MCC	13.64	5.10	46.24%	7.51%	14.36%

** Restated to show the effect of stock rights issued in 2018.*
(a) FMIC and Subsidiaries

A separate schedule showing financial soundness indicators of the Group as of December 31, 2018 and 2017 is presented in Exhibit "6" as an attachment to this report.

2018 Performance

Financial Position

As of December 31, 2018, the Metrobank Group posted a 7.85% growth in total assets from ₱2.08 trillion as of December 31, 2017 to ₱2.24 trillion. Total liabilities of the Group increased to ₱1.95 trillion from ₱1.88 trillion or by 4.09%. Moreover, equity attributable to equity holders of the Parent Company was higher by ₱81.01 billion or 40.11% from ₱201.96 billion to ₱282.96 billion.

Cash and Other Cash Items increased by ₱5.46 billion or 19.76% due to the higher level of cash requirements of the Parent Company. Due from BSP which represents 10.70% of the Group's total assets decreased by ₱21.83 billion or 8.33% due to reserve cuts in 2018. Due from Other Banks increased by ₱14.51 billion or 46.37% as a result of the net movements in the balances maintained with various local and foreign banks. Interbank Loans Receivable and SPURA went up by ₱5.24 billion or 11.53% primarily due to increase in balance of securities under resale agreement with BSP.

Total investment securities which consisted of FVTPL, FVOCI (AFS in 2017) and securities at amortized cost which represents 18.56% and 18.64% of the Group's total assets as of December 31, 2018 and 2017, respectively, went up by ₱28.56 billion or 7.36%. As a result of the adoption of the classification and measurement requirements of PFRS 9, the Group classified debt securities held under AFS investments as at January 1, 2018 as either at amortized cost for securities belonging to portfolios managed under a hold to collect business model or at FVOCI.

Loans and Receivables, representing 62.0% and 60.83% of the Group's total assets as of December 31, 2018 and 2017, respectively, went up by ₱125.57 billion or 9.92% driven by the strong demand for loans from all segments. Non-performing loans were at 1.20% as of December 31, 2018. Deferred Tax Assets (DTA) increased by ₱1.08 billion or 11.76% primarily attributable to allowance for credit and impairment losses. Other Assets increased by ₱5.26 billion or

50.21% from ₱10.47 billion to ₱15.72 billion primarily due to the increases in miscellaneous assets (inclusive of the funding for retirement) and interoffice float items.

Deposit liabilities represent 79.71% and 81.44% of the consolidated total liabilities as of December 31, 2018 and 2017, respectively, wherein, low cost deposits represent 61.98% and 62.19% of the Group’s total deposits, respectively. The Group’s deposit level, sourced by the Bank, PSBank and MBCL reached ₱1.56 trillion as of December 31, 2018, an increase of ₱28.79 billion or 1.88% from ₱1.53 trillion as of December 31, 2017. The increment came from CASA by ₱14.73 billion or 1.55%, time deposits by ₱0.30 billion or 0.05% and from the issuances of LTNCDs by the Bank for ₱8.68 billion and by PSBank for ₱5.08 billion on October 4 and August 9, 2018, respectively.

Bills Payable and SSURA representing 13.29% and 12.14% of the Group’s total liabilities as of December 31, 2018 and 2017, respectively, went up by ₱31.77 billion or 13.95% due to the net effect of higher balances of borrowings from foreign banks by ₱18.48 billion, local banks by ₱4.07 billion and SSURA by ₱30.67 billion reduced by the decreases in borrowings from BSP by ₱6.50 billion and deposits substitutes by ₱14.95 billion. Derivative Liabilities which represent mark-to-market of foreign currency forwards, interest rate swaps, cross currency swaps and foreign currency options with negative fair value increased by ₱1.19 billion or 22.14%.

The decrease of ₱0.49 billion or 6.07% in Manager’s Checks and Demand Drafts Outstanding resulted from normal banking operations of the Bank and PSBank. Income taxes payable decreased by ₱0.55 billion or 16.30% while Accrued Interest and Other Expenses went up by ₱2.65 billion or 37.95% due to increases in accruals of other bank expenses and interests on deposit liabilities. Bonds payable increased by ₱27.83 billion on account of the ₱10.00 billion and ₱18.00 billion fixed rate bonds issued by the Parent Company on November 9 and December 17, 2018, respectively, which bear an interest rate of 7.15% per annum and will mature on November 9, 2020. Deferred tax liabilities increased by ₱0.08 billion or 28.88%. Non-equity Non-controlling Interest representing the portion of net income and net assets of the mutual fund subsidiaries of FMIC not attributed to the Group went down by ₱1.26 billion or 15.68% on account of the net decline in income of these mutual funds.

Other Liabilities decreased by ₱13.26 billion or 22.53% primarily due to the settlement of the ₱14.80 billion liability on the agreed purchase of 40% stake in MCC and the funding of the ₱3.40 billion retirement liability, partially offset by the ₱1.00 billion increase in marginal deposits and the ₱2.60 billion unsecured notes issued by ORIX Metro on October 29, 2018.

Equity attributable to equity holders of the Parent Company increased by ₱81.01 billion or 40.11% due to the net effect of the ₱59.1 billion net proceeds from the stock rights issued by the Parent Company on April 12, 2018, net income reported during the year, net impact of PFRS 9 adoption on Surplus and net unrealized loss on FVOCI/AFS investments, and the ₱3.18 billion cash dividends declared and paid during the year. The Group also recognized additional equity reserves (included in “Translation adjustment and others”) for the difference between the acquisition price and the acquired remaining non-controlling interest of 20% in MCC. The acquisition of the remaining 20% interest in MCC was completed on September 4, 2018 (“second tranche”) and the Group recognized equity reserves (included in “Translation adjustment and others”) for the difference between the acquisition price and the acquired non-controlling interest amounting to ₱5.1 billion. Other accounts affected by this transaction were “other equity reserves” and “non-controlling interest”.

Results of Operations

Net income attributable to equity holders of the Bank amounted to ₱22.01 billion for the year 2018 compared with ₱18.22 billion net income for the year 2017.

Interest income improved by ₱16.86 billion or 21.00% resulting from higher interest income on loans and receivables by ₱16.27 billion and on total investment securities by ₱0.72 billion net of the ₱0.14 billion decrease in interest income on interbank loans and SPURA. Meanwhile, the increases in interest expense on deposit liabilities by ₱6.36 billion and on borrowings by ₱3.09 billion accounted for the increase of ₱9.45 billion or 49.95% in interest and finance charges. These resulted to a ₱7.42 billion or 12.08% increase net interest income.

Other operating income of ₱22.91 billion increased by ₱0.76 billion or 3.45% from ₱22.15 billion in 2017 on account of the increases in fee-based income by ₱1.65 billion, income from leasing by ₱0.12 billion and profit from disposal of foreclosed properties by ₱0.30 billion, reduced by lower net trading and securities and foreign exchange gains by ₱1.10 billion.

Provision for credit and impairment losses in 2018 was at ₱7.77 billion under PFRS 9 compared with ₱7.51 billion in 2017 under PAS 39 or increased by ₱0.26 billion or 3.50%. Total other operating expenses increased by ₱6.18 billion or 13.02% as a result of the increases in compensation and fringe benefits by ₱2.15 billion or 10.63%, taxes and licenses by ₱2.20 billion or 33.37% (as a result of changes on tax rates, particularly on documentary stamp taxes, brought about by the implementation of the TRAIN law in 2018), occupancy and equipment-related expenses by ₱0.26 billion or 9.01% and miscellaneous expenses by ₱1.51 billion or 10.96%. Provision for income tax was lower by ₱0.25 billion or 3.07% due to net movements in deferred income tax, corporate and final taxes.

Share in net income of associates and a joint venture increased by ₱0.19 billion or 26.85% due to higher net income of certain associates while income attributable to non-controlling interest went down by ₱1.62 billion or 53.17% due to the effect of the acquisition of the remaining 20% interest in MCC.

Total comprehensive income went up by ₱4.56 billion from ₱16.23 billion income in 2017 to ₱20.78 billion in 2018. The variance was attributable to the higher net income of the Group and the lower net unrealized loss recognized on investment securities. As a result, total comprehensive income attributable to equity holders of the Parent Company went up to ₱19.67 billion or by ₱6.30 billion from ₱13.37 billion in 2017.

Market share price was at ₱80.95 from ₱101.40 as of December 31, 2017 with a market capitalization of ₱322.18 billion as at December 31, 2018.

<u>2017 Performance</u>

Financial Position

As of December 31, 2017, the Metrobank Group posted a 10.89% growth in total assets from ₱1.88 trillion as of December 31, 2016 to ₱2.08 trillion. Total liabilities of the Group increased to ₱1.88 trillion from ₱1.67 trillion or 12.32%. Moreover, equity attributable to equity holders of the Parent Company increased by ₱5.95 billion or 3.04% from ₱196.00 billion to ₱201.96 billion due to net effect of the net income reported for the year ended December 31, 2017, higher translation adjustments, higher net unrealized loss on AFS investments driven by lower market prices, and declaration of cash dividend.

Due from BSP which represents 12.59% of the Group's total assets increased by ₱23.15 billion or 9.70% due to the increase in demand deposits net of lower placements in term and overnight deposit facilities of the BSP. Due from Other Banks decreased by ₱13.02 billion or 29.39% as a result of the net movements in the balances maintained with various local and foreign banks. Interbank Loans Receivable and SPURA went down by ₱46.17 billion or 50.38% mainly due to lower balance of securities under resale agreement with BSP.

Financial Assets at FVTPL which consist of held-for-trading (HFT) securities and derivative assets amounting to ₱37.52 billion and ₱6.37 billion, respectively, as of December 31, 2017 and ₱30.09 billion and ₱7.12 billion, respectively, as of December 31, 2016 increased by ₱6.67 billion or 17.93% coming from both corporate and government securities. AFS investments went up by ₱27.06 billion or 8.54% due to higher investments in treasury notes and bonds and corporate securities.

Loans and Receivables, representing 60.83% and 56.55% of the Group's total assets as of December 31, 2017 and 2016, respectively, went up by ₱204.60 billion or 19.29% driven by the strong demand for loans from all segments. Consumer loans increased by 16.68% while commercial loans increased by 19.94%. Non-performing loans were still maintained at lower level with a ratio of 1.01% as of December 31, 2017. Investments in Associates and a Joint Venture went up by ₱0.41 billion or 7.74% due to the share in net income of associates during the year net of PSBank's sale of its 10% ownership in SMFC. Investment Properties decreased by ₱0.76 billion or 8.93% due to continuous disposals of foreclosed real estate properties. A minimal increase of ₱0.59 billion or 5.95% was noted on other assets which consist of, among others, software costs, inter-office float items, creditable withholding tax and miscellaneous assets.

Deposit liabilities represent 81.44% and 83.17% of the consolidated total liabilities as of December 31, 2017 and 2016, respectively, wherein, low cost deposits represent 62.19% and 60.89% of the Group's total deposits, respectively. The Group's deposit level, sourced by the Bank, PSBank and MBCL reached ₱1.53 trillion as of December 31, 2017, an increase of ₱138.66 billion or 9.98% from ₱1.39 trillion as of December 31, 2016. The increment came from CASA by ₱104.14 billion or 12.31%, time deposits by ₱27.39 billion or 5.26% and from the issuances of LTNCDs by the Bank for ₱3.75 billion and by PSBank for ₱3.4 billion on July 20 and January 30, 2017, respectively.

Bills Payable and SSURA representing 12.14% and 9.66% of the Group's total liabilities as of December 31, 2017 and 2016, respectively, went up by ₱66.46 billion or 41.18% due to higher balances of borrowings from BSP by ₱28.0 billion, local banks by ₱16.78 billion and foreign banks by ₱5.45 billion; deposits substitutes by ₱2.69 billion and SSURA by ₱13.54 billion. Derivative Liabilities which represent mark-to-market of foreign currency forwards, interest rate swaps, cross currency swaps and foreign currency options with negative fair value increased by ₱0.74 billion or 16.05%.

The increase of ₱1.12 billion or 16.19% in Manager's Checks and Demand Drafts Outstanding resulted from normal banking operations of the Bank and PSBank. Income taxes payable increased by ₱1.20 billion or 54.74% representing additional corporate income tax due for the year. Bonds payable decreased by ₱8.59 billion or 74.69% due to the maturity of FMIC bonds with total face value of ₱9.0 billion in 2017. The early redemption of PSBank's ₱3.0 billion Tier 2 Notes on February 21, 2017 accounted for the 9.97% decline in Subordinated Debts. Deferred tax liabilities decreased by ₱0.04 billion or 11.22%. Other Liabilities increased by ₱9.16 billion or 18.43% primarily due to the recognition of ₱14.80 billion liability on the agreed purchase of 40% stake in MCC. As discussed in Note 11 of the audited financial statements of the Group as presented in Exhibit 8, on October 18, 2017, the Parent Company's BOD approved and the Parent Company has entered into a purchase agreement with its joint venture partner (the Seller). On December 28, 2017, the BSP approved the transaction and with this, the purchase of 20% is deemed completed and the acquisition cost for the remaining 20% is required to be recognized for accounting purposes. Other accounts affected by the said transaction were "translation adjustment and others" and "other equity reserves."

Results of Operations

Net income attributable to equity holders of the Bank amounted to ₱18.22 billion for the year 2017 compared with ₱18.09 billion net income for the year 2016.

Interest income improved by ₱12.14 billion or 17.81% resulting from higher interest income on loans and receivables and interbank loans and SPURA by ₱12.13 billion and ₱0.33 billion, respectively, driven by the loan growth net of lower interest income on trading and investment securities by ₱0.31 billion. Meanwhile, the increases in interest expense on deposit liabilities by ₱2.72 billion and on borrowings by ₱0.96 billion accounted for the increase of ₱3.68 billion or 24.16% in interest and finance charges. These resulted in ₱8.46 billion or 15.98% increase net interest income.

Other operating income of ₱22.15 billion decreased by ₱3.52 billion or 13.71% from ₱25.67 billion in 2016 on account of lower net trading and securities and foreign exchange gains by ₱4.71 billion or 55.01% due to disposals of HTM investments in 2016. On the other hand, increases were noted in fee-based income by ₱0.72 billion or 6.93%, profit from disposal of foreclosed properties of ₱0.34 billion or 46.86% and income from trust operations by ₱0.10 billion or 8.08%.

Total operating expenses were maintained at a reasonable level of ₱54.98 billion in 2017 or ₱3.05 billion or 5.87% increase from ₱51.94 billion in 2016 with 2.25% increase in provision for credit and impairment losses. Increases were also noted in compensation and fringe benefits by ₱1.84 billion or 10.04%, taxes and licenses by ₱0.58 billion or 9.72% and depreciation and amortization by ₱0.23 billion or 7.11%. Provision for income tax was also higher by ₱1.37 billion or 20.66% from ₱6.62 billion to ₱7.99 billion on account of higher provision for corporate income tax.

Share in net income of associates and a joint venture increased by ₱0.43 billion or 163.98% due to higher net income of certain associates while income attributable to non-controlling interest went up by ₱0.82 billion or 36.64% with noted improvement on the results of operations of certain majority-owned subsidiaries.

Total comprehensive income went up by ₱3.07 billion from ₱13.16 billion in 2016 to ₱16.23 billion in 2017. The variance was attributed to the higher net income of the Group and the ₱2.11 billion increase in other comprehensive income particularly on the movements in translation adjustments and in remeasurement loss on retirement plan. Total comprehensive income attributable to equity holders of the Bank went up to ₱13.37 billion from ₱12.43 billion in 2016.

Market share price was at ₱101.40 from ₱72.60 as of December 31, 2016 with a market capitalization of ₱322.47 billion as at December 31, 2017.

<u>Key Variable and Other Qualitative and Quantitative Factors</u>

<u>Plans for 2019</u>

Apart from the focus on sustaining and increasing market relevance through continuous improvement in customer experience, operational efficiency and people development, Metrobank is deepening its commitment to instilling financial discipline across new and underserved markets, and exploring venues outside its current CSR activities by which it can increase its socio economic impact.

The Bank relaunched its Core Values program around PITCH: Passion for Results, Integrity, Teamwork, Commitment to Customer Service and Heart for Community – as a reinforcement of the work ethic and institutional values it wants to embed amidst changing dynamics of the work force. Moreover, the Bank believes that developing its people to be capable of delivering the "You're in the Good Hands" promise to each customer will rely on a sustainable culture transformation and change management program, a robust IT infrastructure, and sound control and risk management practices. Thus, investments in people are further backed by investments in IT and information security, process efficiencies, and risk and control systems.

Capital position

The Bank will continue to actively improve on the Group's strong capital position. The Bank has benefited from a series of capital markets transactions to raise Tier 1 and Tier 2 capital. The Bank also has had a series of measures to prepare for Basel III implementation.

In 2006, the Bank issued US$125.0 million Hybrid Tier 1 capital security in February and 173,618,400 common shares at ₱38.00 per common share in October. In May 2010, the Bank raised an additional ₱5.0 billion in capital through a private placement of common shares. In January 2011, the Bank raised approximately US$220.0 million through a rights offer for 200 million common shares at the offer price of ₱50.00 per rights share. In August 2013, the Bank increased its capital stock from ₱50 billion to ₱100 billion and on September 16, 2013 and issued a stock dividend equivalent to 633,415,805 common shares (with a par value of ₱20) that was applied as payment of the required subscription to the increase in capital stock, which further improved the Bank's capital position. In April 2015, the Bank raised ₱32.0 billion through a rights offer for 435,371,720 common shares with par value of ₱20.00 priced at ₱73.50 per share. The newly issued shares were listed on the PSE on April 7, 2015. Further, in April 2018, the Bank raised ₱60.0 billion through a rights offer for 799,842,250 common shares with par value of ₱20.00 priced at ₱75.00 per share. The newly issued shares were listed on the PSE on April 12, 2018.

The Bank also issued Tier 2 instruments to boost its capital adequacy ratio. The Bank issued Basel II compliant Tier 2 subordinated notes in October 2007 for ₱8.5 billion with a coupon of 7.0%; in October 2008 for ₱5.5 billion with a coupon of 7.75%; and in May 2009 for ₱4.5 billion with a coupon of 7.5%. With the advent of Basel III, the Bank subsequently redeemed these previously issued subordinated debt issuances as they would not have been considered as capital beginning January 1, 2014. The Bank exercised the call option on its ₱8.5 billion 7.0%; ₱5.5 billion 7.75% and ₱4.5 billion 7.5% Lower Tier 2 Notes on October 22, 2012, October 4, 2013 and May 6, 2014, respectively. The early redemptions of these instruments were in accordance with the terms and conditions of the notes when they were originally issued. By redeeming the notes, the Bank avoided a step-up in the interest rate and the capital decay from the instruments. In 2014, the Bank raised a total of ₱22.5 billion in subordinated debt wherein ₱16.0 billion was issued on March 27, 2014 at a coupon rate of 5.375% and ₱6.5 billion on August 8, 2014 at 5.25%. The terms of the notes contain a loss absorption feature, allowing them to be recognized as bank capital in accordance with Basel III standards. The transactions were done in part to replace the Basel II Tier 2 notes which were redeemed on their call option dates.

Basel III penalizes banks for their holdings in non-allied undertakings. As such, during the period 2012-2016, the Group has actively sought to divest itself of such undertakings and strengthen its standing under Basel III. These transactions included the sale of the Bank's ownership in Toyota Motor Philippines Corporation in tranches between 2012 and 2013 as well as the sale of FMIC's holdings in Global Business Power Corporation in tranches between 2013 and 2016 and FMIC's holdings in Charter Ping An Insurance Corporation in 2014. In 2014, the Bank and PSBank also disposed of its holdings in Toyota Financial Services Philippines Corporation. Altogether, these sales further improved the Bank's CAR position under Basel III. The Group continues to review its holdings in non-allied undertakings and may consider selling additional stakes as necessary.

2018 Economic Performance

The Philippines remained a dynamic performer in the region, consistently posting above 6% growth since 2016. The economy grew by an average of 6.2% in 2018, the third fastest expansion in the ASEAN region including China, on the back of sustained pickup in government spending, strong investment spending, and solid services sector.

2018 saw domestic consumer prices rise to its highest level in nine years amid the impact of rice supply disruptions and volatile global crude oil prices. Inflation, which averaged at 5.2% in 2018 compared to 2.9% in 2017, was largely influenced by the heavily-weighted Food index that experienced supply bottlenecks. Global oil prices, on the other hand, were on a steady climb since the start of the year and reached its peak in October, with WTI and Brent crude hitting $75 per barrel and $85 per barrel, respectively. Expectation of a modest global economic growth in 2019 is seen to underpin softer global commodity prices.

Consequently, interest rates were on a slow rise amid the upside pressure on inflation and in anticipation of subsequent US Fed rate hikes. The US Federal Reserve raised the federal funds rate four times in 2018 on the back of an improving economy and labor market. The BSP, meanwhile, hiked policy rates five times, raising rates by a total of 175 basis points to address the second-round impact of inflation.

The Philippine peso, like other emerging market currencies, was on a depreciation trend since the start of the year, weighed down by significant risk events like widening current account deficit, US Fed rate hikes, and geopolitical tensions.

Following a robust expansion in 2017, the global economy managed to cap 2018 on a still solid footing. For most of the year, the performance of many major economies has been strong while some emerging economies faced headwinds. The US economy continued to show improving fundamentals, while the Eurozone posted solid growth in the first half of the year. A number of emerging economies, on the other hand, experienced some setbacks as reflected by sharp currency depreciations. Nevertheless, economic dynamics in Asia were fairly solid, supported by strong labor markets and robust domestic demand. Risks to the outlook, however, continue to mount, especially stemming from the escalating US-China trade conflict.

In the domestic front, the continuous increases in government and investment spending should keep growth above the 6% level. Sustained infrastructure outlays will continue to underpin the expansion in investment spending. The government's infra program will open more opportunities for the private sector to expand business activities and increase capital spending. Furthermore, consumption spending is expected to be higher in 2019 amid the continued easing in inflation.

Liquidity

To ensure that funds are more than adequate to meet its obligations, the Bank proactively monitors its liquidity position daily. Based on this system of monitoring, the Bank does not anticipate having any cash flow or liquidity problem within the next twelve months. As of December 31, 2018, the contractual maturity profile shows that the Bank has at its disposal about ₱918.10 billion of cash inflows in the next twelve (12) months from its portfolio of cash, placements with banks, debt securities and receivable from customers. This will cover 71.22% of the ₱1.29 trillion total deposits that may mature during the same period. These cash inflows exclude securities booked in FVTPL and FVOCI whose maturities beyond one (1) year but may easily be liquidated in an active secondary market. Inclusive of these securities, the total current assets will cover 77.07% of the total deposits that may mature within one (1) year. On the other hand, historical balances of deposits showed that no substantial portion has been withdrawn in one year.

Events That Will Trigger Material Direct or Contingent Financial Obligation

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. No material losses are anticipated as a result of these transactions.

On October 17, 2011, a consortium of eight banks including the Bank filed a Petition for Certiorari, Prohibition and/or Mandamus (with Urgent Application for a Temporary Restraining Order (TRO) and/or Writ of preliminary Injunction) with the Supreme Court (SC) against respondents the ROP, Bureau of Internal Revenue (BIR) and its Commissioner, the Department of Finance and its Secretary and the BTr and the National Treasurer, asking the Court to annul BIR Ruling No. 370-2011 which imposes a 20-percent FWT on the 10-year Zero-Coupon Government Bonds (also known as the PEACe bonds) that matured on October 18, 2011 and command the respondents to pay the full amount of the face value of the PEACe Bonds. The Bank recognized a receivable from a third party of ₱425.7 million representing the 20% FWT. On November 22, 2016, the Court issued a Resolution denying the said Motion, considering that a second motion for reconsideration is a prohibited pleading under the Rules of Civil Procedure and also stated that no further pleadings or motions will be entertained. The case was settled on April 11, 2017 by way of issuance of retail treasury bonds.

Upon its own discovery, the Bank immediately caused the arrest of its Corporate Service Management Division Head, Ma. Victoria S. Lopez on July 17, 2017 for qualified theft through falsification of commercial documents. Both the Motion to Fix Bail and Motion for Reconsideration were denied. She is currently detained at the Makati City Jail. On July 24, 2017, another criminal complaint for qualified theft through falsification of commercial documents and violation of Section 55 of the General Banking Law (GBL) was filed against her and her cohorts for the abstraction of ₱900.0 million before the RTC of Makati City. On December 5, 2017, a third criminal case for the qualified theft through falsification of commercial documents and violation of Section 55 of GBL was filed against her, her cohorts and family members relative to the abstraction of ₱850.0 million. These criminal cases are pending trial with the RTC of Makati City. On the civil case, the RTC of Makati City granted the preliminary writ of attachment filed by the Bank against her, her family, cohorts and corporations, for the collection of the said sum of money, interests and penalties, damages and other costs. This case is likewise pending trial. In addition, foreign proceedings are ongoing on the cases which were filed in the USA and in Singapore to preserve and recover their identified properties. Accounts receivable classified under 'Loans and Receivables' includes total identified claims of ₱1.75 billion with full provisioning. Relative to this incident, the MB approved the imposition of certain sanctions to the Bank and added that the MB took into consideration the strong financial condition and immediate corrective actions of the Bank as well as its safety and soundness given the medium to long-term initiatives that improve governance, controls and compliance. The Bank does not expect this isolated incident to have long term material impact on its financial statements. Further, the Bank is reinforcing its commitment to the highest standards of integrity and upholds the protection of its customers as its main priority.

Several suits and claims relating to the Group's operations and labor-related cases remain unsettled. In the opinion of management, these suits and claims, if decided adversely, will not involve sums having a material effect on the Group's financial statements.

Material Off-Balance Sheet Transactions, Arrangements or Obligations

The following is a summary of contingencies and commitments of the Group at their peso-equivalent contractual amounts arising from off-balance sheet items as of December 31, 2018 and 2017 (in millions):

	2017	2017
Trust Banking Group accounts	**₱429,162**	₱450,492
Credit card lines	**188,211**	160,057
Unused commercial letters of credit	**43,051**	44,759
Bank guaranty with indemnity agreement	**11,708**	13,555
Undrawn commitments – facilities to lend	**6,890**	1,965
Outstanding shipside bonds/airway bills	**6,350**	5,248
Credit line certificate with bank commission	**5,509**	6,351
Late deposits/payments received	**1,376**	472
Inward bills for collection	**1,141**	2,824
Outward bills for collection	**747**	682
Confirmed export letters of credits	**235**	246
Outstanding guarantees	**209**	92
Others	**9,080**	6,076
	₱703,669	₱692,819

Other Relationships of the Registrant with Unconsolidated Entities or Other Persons

The Group has ownership in the following significant unconsolidated entities as of December 31, 2018:

	Effective % of Ownership
Philippine AXA Life Insurance Corporation	27.96%
Cathay International Resources Corporation	32.49%
Sumisho Motor Financing Corporation*	24.80% *
Taal Land, Inc.	35.00%
Northpine Land, Inc.	20.00%
SMBC Metro Investment Corporation	30.00%
Lepanto Consolidated Mining Company	13.35%

* Represents investments in a joint venture of the Group and effective ownership interest of the Bank through PSBank.

Material Commitments for Capital Expenditures

For the year 2019, the Bank estimates to incur capital expenditures of about ₱2.0 to ₱4.0 billion, of which 50% is estimated to be incurred for information technology.

Significant Elements from Continuing Operations

Standards Issued But Not Yet Effective

Standards issued but not yet effective up to date of issuance of the Group's financial statements are listed in Note 2 of the audited financial statements of the Group as presented in Exhibit 8. The listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements. The Group will assess impact of these amendments on its financial position or performance when they become effective.

Information on Independent Accountant

1. SGV has been the external auditors of the registrant since 1962. In compliance with the amended SRC Rule 68 (3) (b) (ix), the signing partners are rotated after every five years reckoned from the year 2002. The following SGV Partners have reviewed/audited the financial statements of the registrant and signed the reports of the independent auditors for the years ended as indicated below:

SGV Partner	Years Ended December 31
Ms. Janeth T. Nuñez-Javier	2018 and 2017 2017 and 2016 2016 and 2015 2015 and 2014 2014 and 2013
Mr. Aris C. Malantic	2013 and 2012 2012 and 2011 2011 and 2010 2010 and 2009 2009 and 2008
Ms. Vicky B. Lee-Salas	2008 and 2007 2007 and 2006

2. The Bank intends to retain SGV as its external auditors for the year 2019. The external auditors are appointed annually by the registrant's Board of Directors in its organizational meeting held immediately after the Annual Stockholders' Meeting.

3. The aggregate fees billed and paid for each of the last two fiscal years for professional services rendered by the registrant's external auditors are summarized below:

Nature of Services Rendered		Aggregate Fees (in millions)	
		2018	**2017**
Audit and Audit-Related Fees	Annual audit of the Consolidated, Parent Company and FCDU Financial Statements in connection with statutory and regulatory filings, including the Combined Financial Statements of Trust and Managed Funds Operated by the Trust Banking Group with Supplementary Combining Information; limited review of financial statements and offering circulars based on agreed-upon procedures and issuance of comfort letters relative to the issuances of debt securities (LTNCDs, bonds) and shares of stocks.	₱16.85	₱14.56
All Other Fees	Seminars and others	22.14	9.28
Total Fees		**₱38.99**	**₱23.84**

Audit Committee's Approval Policies and Procedures for Above Services

The Institutional Accounting Division of the Bank's Controllership Group, upon consultation with the Controller, the Financial and Control Sector Head and the President, reviews the continuing eligibility of the Bank's external auditors and/or other probable candidates, considering certain criteria.

Upon selection by the Controller, the Financial and Control Sector Head and the President, the recommendation for hiring of the preferred external auditors shall be presented by the Controller to the Audit Committee, which shall then evaluate and endorse the appointment of the external auditors to the Board of Directors for approval.

On March 14, 2018, the Board of Directors approved the endorsement of the Audit Committee re-appointing SGV as the external auditors for 2018, and it was ratified by the stockholders during the Annual Stockholders' Meeting on April 25, 2018.

Appointment of Members and Composition of the Audit Committee

The members of the Audit Committee are appointed annually by the Board of Directors. It shall be composed of at least three (3) qualified non-executive directors, and majority of whom shall be independent directors, including the Chairperson. All of the members of the Audit Committee must have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance commensurate with the size, complexity of operations and risk profile of the bank. It shall have access to independent experts to assist them in carrying out its responsibilities. The Chairman of the Audit Committee should not be the chairman of the board or of any other board-level committees. Metrobank's Audit Committee is composed of the following:

Names of Members	Designation - Audit Committee	Designation - Registrant
Edgar O. Chua	Chairman	Independent Director
Francisco F. Del Rosario, Jr.	Vice Chairman	Independent Director
Robin A. King	Member	Independent Director
Cornelio C. Gison	Adviser	Board Adviser

As provided for in its amended charter, one of the duties and responsibilities of the Audit Committee is to exercise effective oversight of external audit functions. With respect to the registrant's independent external auditors, the Audit Committee is responsible to:

1. Recommend the appointment/selection, re-appointment and dismissal of the independent external auditors based on fair and transparent criteria, which should be approved by the Board and ratified by the shareholders. If the external auditors resign or communicate an intention to resign, the Audit Committee should follow up the reasons/explanations giving rise to such resignation, and should consider whether it needs to take any action in response to those reasons. For removal of the external auditors, the reasons for removal or change should be disclosed to the regulators and the public through the company website and required disclosures;
2. Discuss and agree to the terms of the engagement letter issued by the external auditors prior to the approval of the engagement; obtain an understanding of the nature, scope covering areas specifically prescribed by the Bangko Sentral ng Pilipinas and other regulators, and audit approach; set compensation of the external auditors in relation to the scope of its duties upon recommendation of Controller; and, ensure coordination where more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
3. Ensure that the external auditors shall have free and full access to all the Bank's records, properties and personnel relevant to the audit activity, and that audit be given latitude in determining the scope of auditing examinations, performing work, and communicating results and shall be free from interference by outside parties in the performance of work;
4. Assess the extent of cooperation provided by the management during the conduct of external audit;
5. Evaluate and determine non-audit work by external auditors and keep under review the non-audit fees paid to the external auditors both in relation to their significance to the total annual income of the external auditor and in relation to the Bank's total expenditure on consultancy and disallow any non-audit work that will conflict with or pose a threat to the independence of the external auditors. The non-audit work, if allowed, should be disclosed in the Annual Report and Annual Corporate Governance Report;
6. Review management representation letters before these are transmitted to the external auditors to ensure that items in the letter are complete and appropriate;
7. Review the disposition of the recommendations in the external auditors' management letter;
8. Review and monitor the overall suitability and effectiveness and conduct of regular performance appraisal of external auditors on an annual basis. These shall involve assessing and monitoring the integrity, independence and objectivity of external auditors, and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements;
9. Oversee financial reporting process by performing review of independent external auditors' report on the results of the audit of the annual financial statements before these are submitted to the Board of Directors for approval, focusing particularly on any change/s in accounting policies and procedures; major estimates, assumptions and judgmental areas; unusual or complex transactions; significant adjustments, material errors and fraud; going concern assumption; compliance with accounting standards, and tax, legal and regulatory requirements; and, fully funding of employee pension funds or recognition of corresponding liability in the books;
10. Understand and assess the external auditors' opinion regarding the capability of the management and the adequacy of accounting/information systems to comply with the financial and prudential reporting responsibilities;
11. Meet with external auditors every semester or as the need arises; and,

12. Recommend necessary enhancements in the audit processes and continually engage the external auditor on matters concerning audit quality.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

SGV has been the external auditors of the Bank since 1962 with engagement partner being changed every five (5) years effective 2002 in accordance with SEC and BSP regulations. There have been no disagreements with the Bank's independent accountants on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

Material Subsequent Events

1. On January 11, 2019, PSBank concluded its P8.0 billion SRO, involving 142,856,925 common shares priced at ₱56.00 per share and listed at the PSE on January 18, 2019. This was approved by the BOD of PSBank on October 15, 2018 and noted by the BSP on October 19, 2018. The Bank exercised its rights to purchase thus increasing its ownership in PSBank to 88.38%.

2. On January 17, 2019, the BOD of PSBank declared a 7.50% regular cash dividend for the fourth quarter of 2018 amounting to ₱180.2 million or ₱0.75 per share, payable not later than February 18, 2019 to all common stockholders as of record date of February 1, 2019.

3. On February 13, 2019, the BOD of the Bank approved the following:

   i. declaration of 5% regular cash dividend payable on March 14, 2019 to all stockholders of record as of March 1, 2019;
   ii exercise of the call option on the Bank's ₱16.0 billion 2024 Peso Notes described in Note 20 on June 27, 2019 in accordance with its terms and conditions; and
   iii increase in the authorized capital stock of the Bank from ₱100.0 billion to ₱140.0 billion and the declaration of a 13% stock dividend equivalent to 517,401,955 shares amounting to ₱10.3 billion representing the minimum 25% subscription and paid-up capital for the increase in the authorized capital stock. These shall be subject to receipt of regulatory approvals and stockholders' approval during the Annual Stockholders' Meeting scheduled on April 24, 2019.

Others

As of December 31, 2018, the Group has no significant matters to report on the following:

1. Known trends, events or uncertainties that would have material impact on liquidity and on the sales or revenues.

2. Explanatory comments about the seasonality or cyclicality of operations.

3. Issuances, repurchases and repayments of debt and equity securities except for the issuances of ₱8.7 billion LTNCD, ₱28.0 billion fixed rate bonds and ₱60.0 billion stock rights for the Bank and the issuance of LTNCD amounting to ₱5.1 billion for PSBank as discussed in Note 16, 19 and 23 of the audited financial statements of the Group as presented in Exhibit 8.

4. Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows except for the payments of cash dividends by the Bank as discussed in Note 23 of the audited financial statements of the Group as presented in Exhibit 8; and

5. Effect of changes in the composition of the Group during the year, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations (except as discussed in Notes 2 and 11 of the audited financial statements of the Group as presented in Exhibit 8).

SEC FORM 17-A (ANNUAL REPORT)

A copy of SEC Form 17-A (2018 Annual Report) will be provided free of charge upon written request addressed to:

ATTY. LAARNI D. BERNABE
Assistant Corporate Secretary
Metropolitan Bank & Trust Company
11/F Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village,
Makati City, Metro Manila, Philippines

PART IV – SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct.

This report is signed in the City of Makati on March 21, 2019.

METROPOLITAN BANK & TRUST COMPANY
Registrant

By:

Laarni D. Bernabe

LAARNI D. BERNABE
Assistant Corporate Secretary

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **JESLI A. LAPUS,** Filipino, of legal age and a resident of #3 Galaxy St., Bel-Air Village, Makati City, after having been sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Metropolitan Bank & Trust Company and have been its independent director since Aug. 18, 2010.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
STI Education Systems Holdings, Inc.	Director	September 25, 2013 – Present
STI Education Services Group Inc.	Chairman	March 21, 2013 – Present
RFC & Company	Advisor	2013 – Present
Asian Institute of Management	Chairman – Center for Tourism	September 2012 – Present
Philippine Life Financial Assurance Corporation	Independent Director	June 1, 2012 – Present
LBP Service Corporation	Chairman	May 16, 2012 – Present
PhilPlans First, Inc.	Member, Investment Committee	2011 – Present
Information & Communications Technology Academy Inc.	Member-BOG	November 1, 2010 – Present
Optimus Management Services, Inc.	Chairman	July 1, 2010 – Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Metropolitan Bank & Trust Company, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of *(covered company and its subsidiaries and affiliates)* other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. *(where applicable)*

Name of Director/Officer/ Substantial Shareholder	Company	Nature of Relationship
Not Applicable		

5. Except as disclosed in Annex A hereof, I am not the subject of any pending criminal or administrative investigation or proceeding.

Offense Charged/ Investigated	Tribunal or Agency Involved	Status
See Annex A		

6. *(For those in government service/affiliated with a government agency or GOCC)* I have the required written permission or consent from the *(head of agency/department)* to be an independent director in Metropolitan Bank & Trust Company, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. *Not Applicable*

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and Other SEC issuances.

8. I shall inform the corporate secretary of Metropolitan Bank & Trust Company of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 14th day of MARCH 2019, at Makati City.

JESLI A. LAPUS
Affiant

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI)S.S.

SUBSCRIBED AND SWORN to before me this ____ day of MAR 14 2019 at [redacted], affiant personally appeared before me and exhibited to me his [redacted].

ATTY. DONATO V. ESPINO
Notary Public for Makati City
M-111 (2019-2020), until 12/31/2020
Roll of Attorneys No. 63712
7F, Metrobank Plaza, Gil Puyat Ave
2019 IBP OR No. 056046; 12/5/2018
2019 PTR No. MKT 7332949; 01/4/2019
MCLE Compliance No. VI-0001784

Doc. No.: 164
Page No.: 34
Book No.: VI
Series of 2019.

For Paragraph 5:

Case Title Parties Involved	Restituto T. Lopez (on his own behalf and for and in behalf of Fernandez, Santos, & Lopez) vs. Metropolitan Bank & Trust Company, Ramon L. Villanueva, Winston G. Conlu, George S.K. Ty, Arthur V. Ty, Francisco C. Sebastian, Fabian S. Dee, Alfredo V. Ty, Renato C. Valencia, Remedios L. Macalincag, Jesli A. Lapus, Vicente P. Valdepeñas, Jr., Robin A. King, Edmund A. Go, Rex C. Drilon II, Francisco F. Del Rosario Jr., Vicente R. Cuna, Rr., Patricia May de Leon and Atty. Benjamin b. Fernando, Jr.
Case Number Where Case is Pending	Administrative Case No. 2017-082 (OSI Admin. Case No. 2015-028) Bangko Sentral Ng Pilipinas Office of the Geneal Counsel and Legal Services Supervised Banks Complaints Evaluation Group Manila
Date Filed	February 22, 2016
Amount Involved (if applicable)	N.A.
Nature of the Case:	**Administrative** For: Violation of Sec. 56, Gen. Banking Act; Sec 37 of the New Central Bank Act 1. Complainant alleges that Metrobank conducted business in an unsafe and unsound manner when it allowed withdrawals from the deposit account of FS&L, a partnership of which Plaintiff was one of the partners. 2. Plaintiff claimed in April 1995 that Metrobank honored a partnership resolution that was allegedly passed contrary to the Articles of Partnership. 3. At the same time, Plaintiff filed an intra-partnership dispute with the Securities and Exchange Commission impleading the other members of the partnership but not Metrobank. 4. In May 2015, or 20 years after Plaintiff first questioned the withdrawals, the SEC resolved the case and decided in favor of the Plaintiff. 5. Plaintiff is using the SEC decision as basis for the administrative case that he filed before the BSP-Office of Special Investigation.
Status	On January 15, 2018, the Bank filed its Preliminary

	Conference Brief. During the hearing on March 7, 2018, the Court directed both parties to file their respective Judicial Affidavits on April 20, 2018, and trial was set on April 25, 2018 at 2:00 PM. Position paper were already submitted and the case has been submitted for resolution and remains pending to date.

EXHIBIT 2

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **REX C. DRILON II,** Filipino, of legal age and a resident of 11 First Street, St. Ignatius, Quezon City, after having been sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Metropolitan Bank & Trust Company and have been its independent director since Aug.29, 2012.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Keyland Corporation	Chairman	September 2011 – Present
YLD Holdings, Inc.	Chairman	2012 – Present
Center for Excellence in Governance	Vice Chairman	2016 – Present
Institute of Corporate Directors	Vice Chairman	January 2013 – Present
Institute for Solidarity in Asia	Trustee	January 2013 – Present
Center for School Governance	Trustee	2016 – Present
Center for Family Advancement	Board Adviser	2016 - Present
Iloilo Economic Development Foundation	Board Adviser	2015 – Present
Management Association of the Philippines	Member	1994 - Present
Shareholders Association of the Philippines	Member	2010 – Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Metropolitan Bank & Trust Company, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of *(covered company and its subsidiaries and affiliates)* other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. *(where applicable)*

Name of Director/Officer/ Substantial Shareholder	Company	Nature of Relationship
Not Applicable		

5. Except as disclosed in Annex A hereof, I am not the subject of any pending criminal or administrative investigation or proceeding.

Offense Charged/ Investigated	Tribunal or Agency Involved	Status
See Annex A		

6. *(For those in government service/affiliated with a government agency or GOCC)* I have the required written permission or consent from the *(head of agency/department)* to be an independent director in Metropolitan Bank & Trust Company, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. *Not applicable.*

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and Other SEC issuances.

8. I shall inform the corporate secretary of Metropolitan Bank & Trust Company of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 14th day of MARCH 2019, at Makati City.

REX C. DRILON II
Affiant

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI)S.S.

SUBSCRIBED AND SWORN to before me this _____ day of MAR 14 2019 at ____________, affiant personally appeared before me and exhibited to me his [redacted].

Doc. No.: 165
Page No.: 34
Book No.: VI
Series of 2019.

ATTY. DONATO V. ESPINO
Notary Public for Makati City
M-111 (2019-2020), until 12/31/2020
Roll of Attorneys No. 63712
7F, Metrobank Plaza, Gil Puyat Ave
2019 IBP OR No. 056046; 12/5/2018
2019 PTR No. MKT 7332949; 01/4/2019
MCLE Compliance No. VI-0001784

For Paragraph 5:

Case Title Parties Involved	Restituto T. Lopez (on his own behalf and for and in behalf of Fernandez, Santos, & Lopez) vs. Metropolitan Bank & Trust Company, Ramon L. Villanueva, Winston G. Conlu, George S.K. Ty, Arthur V. Ty, Francisco C. Sebastian, Fabian S. Dee, Alfredo V. Ty, Renato C. Valencia, Remedios L. Macalincag, Jesli A. Lapus, Vicente P. Valdepeñas, Jr., Robin A. King, Edmund A. Go, Rex C. Drilon II, Francisco F. Del Rosario Jr., Vicente R. Cuna, Rr., Patricia May de Leon and Atty. Benjamin b. Fernando, Jr.
Case Number Where Case is Pending	Administrative Case No. 2017-082 (OSI Admin. Case No. 2015-028) Bangko Sentral Ng Pilipinas Office of the Geneal Counsel and Legal Services Supervised Banks Complaints Evaluation Group Manila
Date Filed	February 22, 2016
Amount Involved (if applicable)	N.A.
Nature of the Case:	**Administrative** For: Violation of Sec. 56, Gen. Banking Act; Sec 37 of the New Central Bank Act 1. Complainant alleges that Metrobank conducted business in an unsafe and unsound manner when it allowed withdrawals from the deposit account of FS&L, a partnership of which Plaintiff was one of the partners. 2. Plaintiff claimed in April 1995 that Metrobank honored a partnership resolution that was allegedly passed contrary to the Articles of Partnership. 3. At the same time, Plaintiff filed an intra-partnership dispute with the Securities and Exchange Commission impleading the other members of the partnership but not Metrobank. 4. In May 2015, or 20 years after Plaintiff first questioned the withdrawals, the SEC resolved the case and decided in favor of the Plaintiff. 5. Plaintiff is using the SEC decision as basis for the administrative case that he filed before the BSP-Office of Special Investigation.
Status	On January 15, 2018, the Bank filed its Preliminary

	Conference Brief. During the hearing on March 7, 2018, the Court directed both parties to file their respective Judicial Affidavits on April 20, 2018, and trial was set on April 25, 2018 at 2:00 PM. Position paper were already submitted and the case has been submitted for resolution and remains pending to date.

EXHIBIT 3

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **FRANCISCO F. DEL ROSARIO, JR.,** Filipino, of legal age and a resident of 22 Mckinley Hills Drive, Mckinley Hills Subdivision, Fort Bonifacio, Taguig, after having been sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Metropolitan Bank & Trust Company and have been its independent director since Apr. 15, 2013.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
PWC Isla Lipana	Senior Executive Director	2017 – Present
Institute for Solidarity in Asia	Chairman	2017 – Present
Omnipay Inc.	Director	2014 – Present
DMCI Homes, Inc.	Director	2011 – Present
ABS-CBN Foundation	Trustee	2007 – Present
GMR Infrastructure , Ltd,	Strategic Advisor	November 2018

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Metropolitan Bank & Trust Company, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of *(covered company and its subsidiaries and affiliates)* other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. *(where applicable)*

Name of Director/Officer/ Substantial Shareholder	Company	Nature of Relationship
Not Applicable		

5. Except as disclosed in Annex A hereof, I am not the subject of any pending criminal or administrative investigation or proceeding.

Offense Charged/ Investigated	Tribunal or Agency Involved	Status
See Annex A		

6. *(For those in government service/affiliated with a government agency or GOCC)* I have the required written permission or consent from the *(head of agency/department)* to be an independent director in Metropolitan Bank & Trust Company, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. *Not Applicable*

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and Other SEC issuances.

8. I shall inform the corporate secretary of Metropolitan Bank & Trust Company of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 14th day of MARCH 2019, at Makati City.

FRANCISCO F. DEL ROSARIO, JR.
Affiant

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI)S.S.

SUBSCRIBED AND SWORN to before me this ____ day of MAR 14 2019 at ______, affiant personally appeared before me and exhibited to me his [redacted]

Doc. No.: 166
Page No.: 35
Book No.: VI
Series of 2019.

ATTY. DONATO V. ESPINO
Notary Public for Makati City
M-111 (2019-2020), until 12/31/2020
Roll of Attorneys No. 63712
7F, Metrobank Plaza, Gil Puyat Ave
2019 IBP OR No. 056046; 12/5/2018
2019 PTR No. MKT 7332949; 01/4/2019
MCLE Compliance No. VI-0001784

For Paragraph 5:

Case Title Parties Involved	Restituto T. Lopez (on his own behalf and for and in behalf of Fernandez, Santos, & Lopez) vs. Metropolitan Bank & Trust Company, Ramon L. Villanueva, Winston G. Conlu, George S.K. Ty, Arthur V. Ty, Francisco C. Sebastian, Fabian S. Dee, Alfredo V. Ty, Renato C. Valencia, Remedios L. Macalincag, Jesli A. Lapus, Vicente P. Valdepeñas, Jr., Robin A. King, Edmund A. Go, Rex C. Drilon II, Francisco F. Del Rosario Jr., Vicente R. Cuna, Rr., Patricia May de Leon and Atty. Benjamin b. Fernando, Jr.
Case Number Where Case is Pending	Administrative Case No. 2017-082 (OSI Admin. Case No. 2015-028) Bangko Sentral Ng Pilipinas Office of the Geneal Counsel and Legal Services Supervised Banks Complaints Evaluation Group Manila
Date Filed	February 22, 2016
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Nature of the Case:	**Administrative** For: Violation of Sec. 56, Gen. Banking Act; Sec 37 of the New Central Bank Act 1. Complainant alleges that Metrobank conducted business in an unsafe and unsound manner when it allowed withdrawals from the deposit account of FS&L, a partnership of which Plaintiff was one of the partners. 2. Plaintiff claimed in April 1995 that Metrobank honored a partnership resolution that was allegedly passed contrary to the Articles of Partnership. 3. At the same time, Plaintiff filed an intra-partnership dispute with the Securities and Exchange Commission impleading the other members of the partnership but not Metrobank. 4. In May 2015, or 20 years after Plaintiff first questioned the withdrawals, the SEC resolved the case and decided in favor of the Plaintiff. 5. Plaintiff is using the SEC decision as basis for the administrative case that he filed before the BSP-Office of Special Investigation.
Status	On January 15, 2018, the Bank filed its Preliminary

	Conference Brief. During the hearing on March 7, 2018, the Court directed both parties to file their respective Judicial Affidavits on April 20, 2018, and trial was set on April 25, 2018 at 2:00 PM. Position paper were already submitted and the case has been submitted for resolution and remains pending to date.

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **EDGAR O. CHUA,** Filipino, of legal age and a resident of 229 Country Club Drive, Ayala Alabang Village, Muntinlupa, after having been sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Metropolitan Bank & Trust Company and have been its independent director since April 26, 2017.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Cavitex Holdings Inc	President and Chief Executive	current
Energy Development Corp	Independent Director	current
IMI	Independent Director	current
Makati Business Club	Chairman	current
Philippine Eagle Foundation	Chairman	current
Philippine Business for Environment	Chairman	current
De La Salle Philippines	Chairman	current
De La Salle Science Foundation	Chairman	current
College of Saint Benilde	Chairman	current
Integrity Initiative	Trustee	current
De La Salle Araneta Salikneta	Trustee	current
De La Salle National Mission Council	Trustee	current
Philippine Business for Education	Trustee	current
Gawad Kalinga Foundation	Trustee	current
Pilipinas Shell Foundation	Trustee	current
Zuellig Family Foundation	Trustee	current
Alvarez Foundation	Trustee	current
English Speaking Union of the Phil	Chairman	current
Philippine Disaster Relief Foundation	Trustee	current
National Resilience Council	Co-Vice Chairman	current

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Metropolitan Bank & Trust Company, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of *(covered company and its subsidiaries and affiliates)* other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. *(where applicable)*

Name of Director/Officer/ Substantial Shareholder	Company	Nature of Relationship
Not Applicable		

5. Except as disclosed in Annex A hereof, I am not the subject of any pending criminal or administrative investigation or proceeding.

Offense Charged/ Investigated	Tribunal or Agency Involved	Status
Not Applicable		

6. *(For those in government service/affiliated with a government agency or GOCC)* I have the required written permission or consent from the *(head of agency/department)* to be an independent director in Metropolitan Bank & Trust Company, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. *Not Applicable*

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and Other SEC issuances.

8. I shall inform the corporate secretary of Metropolitan Bank & Trust Company of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 14th day of March 2019, at Makati City.

EDGAR O. CHUA
Affiant

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI)S.S.

SUBSCRIBED AND SWORN to before me this _____ day of MAR 14 2019 at ____________, affiant personally appeared before me and exhibited to me his [redacted]. [redacted]

Doc. No.: 167
Page No.: 35
Book No.: VI
Series of 2019.

ATTY. DONATO V. ESPINO
Notary Public for Makati City
M-111 (2019-2020), until 12/31/2020
Roll of Attorneys No. 63712
7F, Metrobank Plaza, Gil Puyat Ave
2019 IBP OR No. 056046; 12/5/2018
2019 PTR No. MKT 7332949; 01/4/2019
MCLE Compliance No. VI-0001784

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **ANGELICA H. LAVARES,** Filipino, of legal age and a resident of Unit 31-C The Address at WackWack Condominium, 567 WackWack Road, Mandaluyong City, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for independent director of Metropolitan Bank & Trust Company;

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Institute of Corporate Directors	Teaching Fellow	Mar 2011 – to date
Bank of Commerce	Consultant	Nov 2015 – to
Williamton Financing Corp.	Independent Director	Oct 2016 – to date
MetrobankCard Corp.	Independent Director	Apr 2018 – to date
Inter-Asia Development Bank	Independent Director	Jul 2018 – to date

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Metropolitan Bank & Trust Company, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of *(covered company and its subsidiaries and affiliates)* other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. *(where applicable)*

Name of Director/Officer/ Substantial Shareholder	Company	Nature of Relationship
Not Applicable		

5. Except as disclosed in Annex A hereof, I am not the subject of any pending criminal or administrative investigation or proceeding.

Offense Charged/ Investigated	Tribunal or Agency Involved	Status
Not Applicable		

6. *(For those in government service/affiliated with a government agency or GOCC)* I have the required written permission or consent from the *(head of agency/department)* to be an independent director in Metropolitan Bank & Trust Company, pursuant to Office of the

President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules. *Not Applicable*

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and Other SEC issuances.

8. I shall inform the Corporate Secretary of Metropolitan Bank & Trust Company of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 14th day of March 2019, at Makati City.

ANGELICA H. LAVARES
Affiant

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI)S.S.

SUBSCRIBED AND SWORN to before me this ____ day of MAR 14 2019 at [redacted], affiant personally appeared before me and exhibited to me her [redacted] expiring on June 6, 2023.

Doc. No.: 163
Page No.: 34
Book No.: VI
Series of 2019.

ATTY. DONATO V. ESPINO
Notary Public for Makati City
M-111 (2019-2020), until 12/31/2020
Roll of Attorneys No. 63712
7F, Metrobank Plaza, Gil Puyat Ave
2019 IBP OR No. 056046; 12/5/2018
2019 PTR No. MKT 7332949; 01/4/2019
MCLE Compliance No. VI-0001784

Exhibit 6

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
FINANCIAL INDICATORS
AS OF DECEMBER 31, 2018 AND 2017

		2018	2017
a)	Liquidity Ratio	35.04%	36.25%
b)	Loans to Deposits Ratio	89.49%	82.60%
c)	Debt to Equity Ratio	690.20%	929.03%
d)	Asset to Equity Ratio	792.94%	1,030.08%
e)	Return on Average Equity	9.08%	9.16%
f)	Return on Average Assets	1.02%	0.92%
g)	Net Interest Margin on Average Earning Assets	3.82%	3.75%
h)	Operating Efficiency Ratio	58.49%	56.82%
i)	Capital Adequacy Ratio	16.98%	14.35%
j)	Common Equity Tier 1 Ratio	14.56%	11.79%

Exhibit 7

ARTICLES OF MERGER

Pursuant to Sectlon 78 of Batas Pambansa Blg. 68, otherwise known as the Corporation Code of the Philippines, as amended by Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines, this Articles of Merger is executed and entered into, this ___________ day of ___________, at Makati City, by and among:

METROPOLITAN BANK & TRUST COMPANY, a universal banking corporation duly organized and existing under the laws of the Republic of the Philippines, with principal place of business at Metrobank Plaza, Sen. Gil J. Puyat Avenue, Makati City, represented herein by its President, Fabian S. Dee, hereinafter referred to as "**METROBANK**";

and

METROBANK CARD CORPORATION (A FINANCE COMPANY AND GENERAL INSURANCE AGENCY) a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal place of business at the 12th Floor, The MCC Center Building, 6778 Ayala Avenue, 1226 Makati, Philippines, represented herein by its President, Pradeep Pant, hereinafter referred to as **"MCC."**

(METROBANK and **MCC** are hereinafter referred to as the "**Constituent Corporations**".)

NOW THEREFORE, the parties have mutually agreed to the following Articles of Merger:

1.The merger of METROBANK and MCC, with METROBANK as the surviving corporation, shall be pursuant to the Plan of Merger, attached hereto as Annex B, dated ________________ 2019, approved by the majority vote of each of the board of directors of the Constituent Corporations at a meeting duly called for the purpose on 13th of March 2019. The copies of the respective Board of Directors' Certificates of METROBANK and MCC are attached hereto as _____ and _______.

2. As of the date of this Articles of Merger, the respective authorized capital stock, total number of outstanding and issued shares, the par value of each share and the total paid-up capital for **METROBANK** and **MCC** are as follows:

METROBANK		
	Number of Shares	Amount [at (insert par value)]
Authorized Capital Stock		
Outstanding Capital Stock		
Total Paid-up Capital		

MCC		
	Number of Shares	Amount
Authorized Capital Stock		
Outstanding Capital Stock		
Total Paid-up Capital		

3. The stockholders of **METROBANK**, in their annual meeting held on __________ 2019 at Makati City, at which quorum was present and acting throughout, representing at least 2/3 of its outstanding capital stock voted and approved the Plan of Merger, and ______________ voted against it. The copies of the Minutes of the Special Stockholders' Meeting and the Secretary's Certificate are attached hereto as Annexes "_________" and "__________".

4. The stockholders of **MCC**, in their special meeting held on ___________________ at ______________, at which quorum was present and acting throughout, representing at least 2/3 of its outstanding capital stock voted and approved the plan of Merger, and ___________________voted against it. The copies of the Minutes of the Special Stockholders' Meeting and the Secretary's Certificate are attached hereto as Annexes "_______________" and " _______________".

5. The respective stockholders of **METROBANK** and **MCC**, at their separate Stockholders' Meeting as stated above, authorized their respective Presidents to sign, execute, and deliver this Articles of Merger and the Plan of Merger. They likewise authorized their respective Corporate Secretaries to certify this Articles of Merger.

6. The carrying amounts and fair values of the assets and liabilities of **METROBANK** and **MCC** as of ____________ is attached herein as Annex " _____________".

7. The method to be used in the merger of accounts of **METROBANK** and **MCC** is ________________.

8. The provisional or pro forma values of **METROBANK** and **MCC** as merged using the ____________ is attached herein as Annex " ____________".

IN WITNESS WHEREOF, the Constituent Corporations have caused the execution of this Articles of Merger at the place and on the date above written.

METROPOLITAN BANK & TRUST COMPANY

By: **FABIAN S. DEE**

Certified Correct:
Corporate Secretary

METROBANK CARD CORPORATION

By: **PRADEEP PANT**

Certified Correct:
Corporate Secretary

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) ss.

BEFORE ME, a Notary Public in and for the city named above, personally appeared the following:

Name	**Evidence of Identity**	**Place of Issuance/ Date of Expiry**
FABIAN S. DEE	[redacted]	[redacted]
PRADEEP PANT	[redacted]	[redacted]

who were identified by me through competent evidence of identity to be the same persons described in the foregoing instrument, who acknowledged before me that their respective signatures on this instrument were voluntarily affixed by them for the purposes stated therein, and who declared to me that they have executed this instrument as their free and voluntary act and deed and that they have the authority to sign on behalf of their respective principals.

WITNESS MY HAND AND SEAL on this _____ day of ________________, 2019.

Doc. No. ______;
Page No. ______;
Book No. ______;
Series of 2019.

ANNEX B

PLAN OF MERGER

This Plan of Merger executed and entered into on this _____ day of ______ 2019 at Makati City, by and among:

METROPOLITAN BANK & TRUST COMPANY, a universal banking corporation duly organized and existing under the laws of the Republic of the Philippines, with principal place of business at Metrobank Plaza, Sen. Gil J. Puyat Avenue, Makati City, represented herein by its President, Fabian S. Dee, hereinafter referred to as "**METROBANK**";

and

METROBANK CARD CORPORATION (A FINANCE COMPANY AND GENERAL INSURANCE AGENCY) a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal place of business at 12th Floor, The MCC Center Building, 6778 Ayala Avenue, 1226 Makati, Philippines, represented herein by its President, Pradeep Pant, hereinafter referred to as **"MCC."**

(METROBANK and **MCC** are hereinafter referred to as the "**Constituent Corporations**".)

WITNESSETH: That:

WHEREAS, the respective Board of Directors of the Constituent Corporations deemed it prudent and in the best interests of each corporation and its respective stockholders that METROBANK and MCC engage in a business combination in order to advance their long-term strategic business interests;

WHEREAS, the respective Board of Directors of the Constituent Corporations have determined that the business combination of METROBANK and MCC shall be effected through a merger, which merger ("the Merger") is in furtherance of and consistent with their respective business strategies and is in the best interests of their respective stockholders;

NOW THEREFORE, for and in consideration of the foregoing premises, the parties have mutually agreed and hereby agree to accomplish the Merger as follows:

ARTICLE 1
MERGER

1.1 Upon the terms and subject to conditions of this Plan of Merger and on the Effective Date (as hereinafter defined), MCC shall merge with and into METROBANK. METROBANK shall be the surviving corporation of the Merger and shall continue its corporate existence under the laws of the Republic of the Philippines. On Effective Date, the separate existence of MCC shall terminate.

1.2 The Merger shall become effective on the date following the issuance by the Securities and Exchange Commission ("SEC") of a Certificate of Merger subject to compliance with Article 1.4 of this Plan of Merger ("Effective Date").

1.3 At and after the Effective Date, all of the legal consequences set forth in Section 80 of the Corporation Code, as amended, shall take effect with respect to the Merger, including the following:

(a) METROBANK and MCC shall become a single corporation, with METROBANK as the surviving corporation and MCC shall cease to exist and its legal personality shall be terminated.

(b) METROBANK shall continue to possess all its rights, privileges, immunities and powers and shall continue to be subject to all its duties and liabilities prior to the Merger.

(c) All the rights, privileges, immunities, franchises and powers of MCC shall be deemed transferred to and possessed by METROBANK, in addition to those originally belonging to METROBANK.

(d) All the properties of MCC, real or personal, tangible or intangible, and all receivables due on whatever account, including subscription to shares and choses in action, and all and every interest of, belonging to, or due to MCC as of the Effective Date shall be deemed transferred to METROBANK without further act or deed; and

(e) All liabilities and obligations of MCC as of the Effective Date shall be transferred to and become the liabilities and obligations of METROBANK in the same manner as if METROBANK has itself incurred such liabilities and obligations and in order that the rights and interest of creditors of MCC or liens upon the property of MCC shall not be impaired by the Merger.

1.4 The effectivity of this Plan of Merger shall be subject to the approval of the Bangko Sentral ng Pilipinas ("BSP"), the SEC and the Philippine Deposit Insurance Corporation.

ARTICLE 2
SHARES

As of the Effective Date, the shares of MCC shall, without any other action on the part of the respective holders of the shares, become the shares of stock of METROBANK.

ARTICLE 3
UNDERTAKINGS AND ADDITIONAL AGREEMENTS

3.1 The Constituent Corporations hereby undertake to:

(a) Secure the conformity and approval of this Plan of Merger by their respective stockholders representing at least two-thirds (2/3) of their respective outstanding capital stock at their respective stockholders' meetings called for such purpose.
(b) Obtain any and all required consents, approvals, or waivers of other parties, including their respective creditors, to the Plan of Merger.
(c) Jointly exert their best efforts to secure the approval of the Merger and its related transactions from the government authorities as provided for in Article 1.4 hereof.

3.2. Prior to Effective Date, the Constituent Corporations shall conduct their respective business in substantially the same manner as previously conducted and shall continue to preserve said business as a going concern. However, each of METROBANK and MCC shall give each other immediate notice of any claim, event or transaction which could or does materially and adversely affect their respective businesses, properties or financial condition.

3.3. The Articles of Incorporation and By-Laws of METROBANK approved as of the Effective Date shall continue to be the Articles and By-Laws of METROBANK until thereafter changed or amended in accordance with law.

3.4 The directors of METROBANK as of the Effective Date shall continue to be the directors of METROBANK, each to hold office in accordance with the Articles of Incorporation and By-Laws of METROBANK and applicable law, and until their respective successors are duly elected and qualified.

3.5 The Constituent Corporations shall execute and deliver, or cause to be executed and delivered, all deeds and other instruments and shall take, or cause to be taken, all such other and further acts desirable in order to fully carry out the intent and purposes of this plan of Merger.

3.6 Unless otherwise required by law or regulation or as may be agreed upon by the parties, each of the Constituent Corporations will use its best efforts to keep confidential any information obtained from the other party, and in the event the Merger is abandoned or not consummated, METROBANK and MCC shall return all documents and other written information and materials obtained in connection herewith.

3.7 All fees, costs and expenses relating to only one party shall be borne exclusively by the party incurring the same. All common costs and expenses shall be equally borne by each of the Constituent Corporations.

ARTICLE 4
SPECIAL PROVISIONS

4.1. This Plan of Merger has been approved by the respective Boards of Directors of the Constituent Corporations and shall be submitted to their respective stockholders for approval in accordance with law and the respective By-Laws of METROBANK and MCC; provided, that the approval of this Plan of Merger by the stockholders of METROBANK and MCC will constitute an authorization to their respective Board of Directors by majority vote to amend, modify or supplement this Plan of Merger; provided further, that such amendment, modification or supplement shall not substantially change the terms of the Merger.

4.2. As soon as practicable after the Effective Date, METROBANK shall take such steps or measures as it may deem necessary or advisable to substitute itself in all suits and proceedings where MCC is a party and to substitute its name for MCC in all titles and registers.

4.3. As soon as practicable after the Effective Date, METROBANK shall apply for and avail itself of the merger incentives or other similar incentives granted by the BSP and other government agencies, as may be applicable or allowed under existing law, rules and regulations.

4.4. Upon approval of this Plan of Merger by the required votes of stockholders of METROBANK and MCC during their respective stockholders' meetings called for the purpose, the attached Articles of Merger marked as “Exhibit 7” hereof and made as an integral part of this Plan of Merger shall be executed by METROBANK and MCC, to be signed by the President and certified by the Corporate Secretary of each of METROBANK and MCC setting forth this Plan of Merger, the number of shares outstanding of METROBANK and MCC, and the number of shares voting for and against this Plan of Merger, respectively.

4.5. In the event that the Merger is not consummated for whatsoever reason, each of METROBANK and MCC, their respective stockholders, directors and agents, successors and assigns shall hold each other free and harmless from any and all liabilities and damages arising from or incurred by reason of the non-consummation of the Merger.

IN WITNESS WHEREOF, the Constituent Corporations have signed this Plan of Merger at the place and on the date above written.

METROPOLITAN BANK & TRUST COMPANY

By: **FABIAN S. DEE**
President

METROBANK CARD CORPORATION

By: **PRADEEP PANT**
President

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) ss.

BEFORE ME, a Notary Public in and for the city named above, personally appeared the following:

Name	**Evidence of Identity**	**Place of Issuance/ Date of Expiry**
FABIAN S. DEE	[redacted]	[redacted]
PRADEEP PANT	[redacted]	[redacted]

who were identified by me through competent evidence of identity to be the same persons described in the foregoing instrument, who acknowledged before me that their respective signatures on this instrument were voluntarily affixed by them for the purposes stated therein, and who declared to me that they have executed this instrument as their free and voluntary act and deed and that they have the authority to sign on behalf of their respective principals.

WITNESS MY HAND AND SEAL on this _____ day of ________________, 2019.

Doc. No. ______;
Page No. ______;
Book No. ______;
Series of 2019.

Metrobank

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Metropolitan Bank & Trust Company and Subsidiaries (the Group) and of Metropolitan Bank & Trust Company (the Parent Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

ARTHUR TY
Chairman

FABIAN S. DEE
President

JOSHUA E. NAING
SEVP and Head, Financial and Control Sector

FERNAND ANTONIO A. TANSINGCO
SEVP, Treasurer and Head, Financial Market Sector

MARILOU C. BARTOLOME
SVP and Controller

Signed this 13th day of February, 2019.

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S.S.

MAR 01 2019

SUBSCRIBED AND SWORN to before me at Makati City, Metro Manila this MAR 01 2019, affiants exhibiting to me their respective Passports with the following details:

Names	Passport No.	Date/Place of Issue	Valid Until
ARTHUR TY	[redacted]	[redacted]	[redacted]
FABIAN S. DEE	[redacted]	[redacted]	[redacted]
JOSHUA E. NAING	[redacted]	[redacted]	[redacted]
FERNAND ANTONIO A. TANSINGCO	[redacted]	[redacted]	[redacted]
MARILOU C. BARTOLOME	[redacted]	[redacted]	[redacted]

CYNTHIA G. RUIZ
Notary Public for Makati City
Appointment No. M-48 until December 31, 2020
10/F Metrobank Plaza, Sen. Gil Puyat Ave., Makati City
PTR# MKT 7336454 / 01-07-19 / Makati City
IBP# 063884 / 01-07-19 / Makati City
Roll# 37155
MCLE Compliance# VI-0011287 / 08-20-18

Doc. No. 336;
Page No. 69;
Book No. V;
Series of 2019.

EXHIBIT 8

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

2 0 5 7 3

COMPANY NAME

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

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

Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
https://www.metrobank.com.ph	898-8000	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
3,031		12/31

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
Ms. Marilou C. Bartolome	marilou.bartolome@metrobank.com.ph	898-8805	09178172814

CONTACT PERSON's ADDRESS

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

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

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Metropolitan Bank & Trust Company
Metrobank Plaza, Sen. Gil Puyat Avenue
Urdaneta Village, Makati City
Metro Manila, Philippines

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Metropolitan Bank & Trust Company and its subsidiaries (the Group) and the parent company financial statements of Metropolitan Bank & Trust Company (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2018 and 2017, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

Applicable to the audit of the consolidated and parent company financial statements

Adoption of PFRS 9, Financial Instruments
On January 1, 2018, the Group and the Parent Company adopted PFRS 9, *Financial Instruments*, which replaced Philippine Accounting Standards 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 provides revised principles for classifying financial assets and introduces a forward-looking expected credit loss model to assess impairment on debt financial assets not measured at fair value through profit or loss and loan commitments and financial guarantee contracts. The Group and the Parent Company used the modified retrospective approach in adopting PFRS 9.

1. Classification of Financial Assets
   As at January 1, 2018 (the transition date), the Group and the Parent Company classified their financial assets based on their business models for managing these financial assets and the contractual cash flow characteristics of the financial assets. This resulted in transition adjustments that increased surplus and other comprehensive income by ₱210.5 million and ₱15.4 billion, respectively. Thereafter, the financial assets were accounted for based on the transition date classification, while newly originated or acquired financial assets were classified based on the PFRS 9 classification criteria.

   The Group's and the Parent Company's application of the PFRS 9 classification criteria is significant to our audit as the classification determines how financial assets are measured and accounted for in the financial statements.

   The disclosures in relation to the adoption of the PFRS 9 classification criteria are included in Note 2 to the financial statements.

   Audit response
   We obtained an understanding of the Group's and the Parent Company's contracts review process to establish the contractual cash flow characteristics of debt financial assets, including the identification of standard and non-standard contracts, and reviewed the assessment made by management by inspecting underlying contracts on a sample basis. We obtained the board-approved business models

for the Group's and the Parent Company's portfolios of financial assets. We compared the parameters set within the business models with the portfolio and risk management policies of the Group and the Parent Company. For significant portfolios, we assessed frequency and relative amount of sales in the past, understood how the business performance is measured and evaluated performance measurement reports.

We checked the appropriateness of the transition adjustments and reviewed the completeness of the disclosures made in the financial statements.

2. Expected Credit Loss (ECL)
The Group's and the Parent Company's adoption of the ECL model is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's and the Parent Company's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset and expected recoveries from defaulted accounts; and incorporating forward-looking information (called overlays) in calculating ECL.

The adoption of the impairment requirements under PFRS 9 resulted in an increase in ECL allowances as of January 1, 2018 by ₱5.6 billion for the Group and ₱3.6 billion for the Parent Company. Provision for credit losses of the Group and the Parent Company in 2018 using the ECL model amounted to ₱7.7 billion and ₱807.5 million, respectively.

Refer to Notes 2 and 15 of the financial statements for the disclosure on the transition adjustments and details of the allowance for credit losses using the ECL model, respectively.

Audit response
We obtained an understanding of the board-approved methodologies and models used for the Group's and the Parent Company's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

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

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

We recalculated impairment provisions on a sample basis. We checked the appropriateness of the transition adjustments and reviewed the completeness of the disclosures made in the financial statements.

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

Existence of Loans and Receivables

As of December 31, 2018, the Group and the Parent Company's loans and receivables represent 62% and 60% of the total assets of the Group and the Parent Company, respectively. We considered loans and receivables as a key audit matter because of the significance of the account balance, high volume of transactions, and the incident that happened in 2017 as discussed in Note 30.

The disclosures in relation to the loans and receivables are included in Note 9 to the financial statements.

Audit response

We performed confirmation procedures for loans and receivable accounts. For those accounts without confirmation replies, we performed loan review by examining the credit folders containing promissory notes, board resolutions of the borrowers, call memos and collateral documents; checking whether the signature of the borrowers and the use of proceeds of the loans were verified by the authorized personnel/department; and checking through the assistance of the Internal Audit Group the crediting of the loan proceeds to the designated bank accounts of the borrowers, if applicable. For those loan accounts where the proceeds were disbursed through checks, we inspected whether the checks were issued in the borrower's name.

Recognition of Deferred Tax Assets

As of December 31, 2018, the net deferred tax assets of the Group and the Parent Company amounted to ₱10.2 billion and ₱6.8 billion, respectively. The recognition of deferred tax assets was significant to our audit because it requires significant judgment and is based on assumptions such as availability of future taxable income and the timing of the reversal of the temporary differences that are affected by expected future market or economic conditions and the expected performance of the Group and the Parent Company.

The disclosures in relation to deferred income taxes are included in Note 28 of the financial statements.

Audit response
We involved our internal specialist in interpreting the tax regulations, testing the temporary differences identified by the Group and the Parent Company and the applicable tax rate. We also re-performed the calculation of the deferred tax assets. We reviewed the management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We evaluated management's forecast by comparing the loan portfolio and deposit growth rates to the historical performance of the Group and the Parent Company and the industry.

Applicable to the audit of the consolidated financial statements

Recoverability of Investments in Associates and a Joint Venture
The Group assesses the impairment of its investments in associates and a joint venture whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. As of December 31, 2018, the Group has an investment in associate amounting to ₱2.1 billion where its fair value declined significantly compared to the carrying value. The Group performed impairment testing using the investment's value-in-use (VIU). We considered the impairment testing of the Group's investment in this associate as a key audit matter as significant judgment and estimates are involved in the determination of the investment's VIU.

The disclosures relating to investments in associates and a joint venture are included in Notes 3 and 11 to the financial statements.

Audit response
We discussed the investee's current business performance and prospects and how these were reflected in the Group's VIU calculation with the management. We involved our internal specialist to assist us in evaluating the methodology and calculation of the VIU by comparing the key assumptions – such as the expected production volume and capital expenditures to historical performance and plans of the investee, and the price assumption, exchange rates and long-term growth rate to available industry, economic and financial data including consensus market forecasts. We also tested whether the discount rate used represents current market assessment of risks associated with the investment.

Recoverability of Goodwill
As of December 31, 2018, the Group has goodwill amounting to ₱5.2 billion as a result of various business acquisitions. Under PFRS, the Group is required to annually test the amount of goodwill for impairment. The Group performed the impairment testing using the fair value less costs to sell (FVLCTS). The annual impairment test was significant to our audit because significant judgment and estimates are involved in the determination of the cash generating unit's (CGU's) FVLCTS. The CGU's assets include significant investments in unquoted equity shares and their fair values were determined using price-to-earnings (P/E) ratios of comparable companies. Other assets of the CGU include investments in quoted equity shares and debt financial assets, and real properties, while other liabilities include unquoted debt financial liabilities.

The disclosures in relation to goodwill are included in Notes 3 and 11 to the financial statements.

Audit response
We involved our internal specialist to evaluate the assumptions and methodology used by the Group in determining the FVLCTS of the CGU, in particular those relating to the use of P/E ratios of comparable companies in the valuation of the unquoted equity shares. We tested the fair value of the other assets and liabilities by referring to the quoted prices of listed equity and debt instruments, agreeing the appraised values of real estate properties to the appraisal reports, comparing the future cash flows of unquoted debt instruments to the related contracts, and tested the discount rate if based on prevailing interest rates for similar instruments. We also re-performed the calculation of the FVLCTS.

Other Information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

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

The engagement partner on the audit resulting in this independent auditor's report is Janeth T. Nuñez-Javier.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier

Janeth T. Nuñez-Javier
Partner
CPA Certificate No. 111092
SEC Accreditation No. 1328-AR-1 (Group A),
July 28, 2016, valid until July 28, 2019
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332590, January 3, 2019, Makati City

February 13, 2019

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
(In Millions)

	Consolidated		Parent Company	
	December 31			
	2018	2017	**2018**	2017
ASSETS				
Cash and Other Cash Items	**₱33,091**	₱27,631	**₱29,280**	₱24,975
Due from Bangko Sentral ng Pilipinas (Notes 4 and 16)	**240,134**	261,959	**206,289**	224,723
Due from Other Banks (Note 4)	**45,802**	31,291	**35,218**	19,286
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA) (Notes 4, 7 and 26)	**50,719**	45,475	**24,712**	27,208
Investment Securities at				
Fair Value Through Profit or Loss (FVTPL) (Note 8)	**39,689**	43,887	**30,166**	32,272
Fair Value Through Other Comprehensive Income (FVOCI) (Notes 4 and 8)	**111,288**	–	**92,144**	–
Amortized Cost (Notes 4 and 8)	**265,376**	–	**212,607**	–
Available-for-Sale (AFS) Investments (Note 8)	**–**	343,910	**–**	270,445
Loans and Receivables (Notes 4 and 9)	**1,391,034**	1,265,469	**1,116,257**	1,002,921
Property and Equipment (Note 10)	**21,954**	22,362	**15,632**	15,757
Investments in Subsidiaries (Note 11)	**–**	–	**81,288**	68,452
Investments in Associates and a Joint Venture (Note 11)	**5,947**	5,764	**494**	644
Goodwill (Note 11)	**5,200**	5,200	**–**	–
Investment Properties (Note 12)	**7,500**	7,717	**2,825**	3,013
Deferred Tax Assets (Note 28)	**10,238**	9,161	**6,769**	6,528
Other Assets (Note 14)	**15,721**	10,466	**9,983**	5,161
	₱2,243,693	₱2,080,292	**₱1,863,664**	₱1,701,385
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 16 and 31)				
Demand	**₱355,473**	₱344,708	**₱322,371**	₱314,542
Savings	**609,471**	605,508	**577,815**	576,807
Time	**548,019**	547,721	**390,475**	395,948
Long-Term Negotiable Certificates	**43,790**	30,025	**35,330**	26,650
	1,556,753	1,527,962	**1,325,991**	1,313,947
Bills Payable and Securities Sold Under Repurchase Agreements (SSURA) (Notes 17 and 31)	**259,607**	227,835	**151,079**	106,482
Derivative Liabilities (Note 8)	**6,537**	5,352	**6,182**	5,352
Manager's Checks and Demand Drafts Outstanding	**7,565**	8,054	**5,950**	5,840
Income Taxes Payable	**2,830**	3,381	**1,670**	2,077
Accrued Interest and Other Expenses (Note 18)	**9,619**	6,973	**5,625**	3,905
Bonds Payable (Notes 19 and 31)	**30,743**	2,910	**27,826**	–
Subordinated Debts (Note 20)	**26,618**	26,580	**22,471**	22,437
Deferred Tax Liabilities (Note 28)	**357**	277	–	–
Non-equity Non-controlling Interest (Note 21)	**6,747**	8,002	–	–
Other Liabilities (Note 21)	**45,613**	58,876	**24,107**	34,719
	1,952,989	1,876,202	**1,570,901**	1,494,759

(Forward)

	Consolidated		Parent Company	
	December 31			
	2018	2017	**2018**	2017
EQUITY				
Equity Attributable to Equity Holders of the Parent Company				
Common stock (Note 23)	**₱79,600**	₱63,603	**₱79,600**	₱63,603
Capital paid in excess of par value (Note 23)	**85,252**	42,139	**85,252**	42,139
Treasury stock (Notes 23 and 31)	**(67)**	(46)	**(67)**	(46)
Surplus reserves (Note 24)	**1,956**	1,810	**1,956**	1,810
Surplus (Note 23)	**130,550**	116,786	**130,550**	116,786
Net unrealized loss on investment securities at FVOCI (Note 8)	**(2,994)**	–	**(2,994)**	–
Net unrealized loss on AFS investments (Note 8)	**–**	(15,804)	**–**	(15,804)
Remeasurement losses on retirement plan (Notes 11 and 27)	**(3,591)**	(4,025)	**(3,591)**	(4,025)
Equity in other comprehensive income (losses) of investees (Note 11)	**(27)**	22	**(27)**	22
Translation adjustment and others (Note 11)	**(7,719)**	(2,530)	**2,084**	2,141
	282,960	201,955	**292,763**	206,626
Other Equity Reserves (Note 11)	**–**	(7,400)	**–**	–
Non-controlling Interest (Note 11)	**7,744**	9,535	**–**	–
	290,704	204,090	**292,763**	206,626
	₱2,243,693	₱2,080,292	**₱1,863,664**	₱1,701,385

See accompanying Notes to Financial Statements.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF INCOME

(In Millions, Except Earnings Per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017	2016	**2018**	2017	2016
INTEREST INCOME ON						
Loans and receivables (Notes 9 and 31)	**₱79,659**	₱63,391	₱51,266	**₱46,860**	₱35,072	₱27,386
Investment securities at FVOCI/AFS investments and at amortized cost (Note 8)	**14,610**	13,480	14,261	**11,592**	10,655	11,892
Investment securities at FVTPL (Note 8)	**1,170**	1,585	1,110	**1,006**	1,362	853
Interbank loans receivable and securities purchased under resale agreements (Notes 7 and 31)	**1,092**	1,231	898	**441**	606	479
Deposits with banks and others	**655**	635	646	**422**	316	387
	97,186	80,322	68,181	**60,321**	48,011	40,997
INTEREST AND FINANCE CHARGES						
Deposit liabilities (Notes 16 and 31)	**18,968**	12,613	9,888	**13,447**	8,777	6,811
Bills payable and securities sold under repurchase agreements, bonds payable, subordinated debts and others (Notes 17, 19, 20, 21 and 31)	**9,396**	6,303	5,347	**4,546**	2,741	1,979
	28,364	18,916	15,235	**17,993**	11,518	8,790
NET INTEREST INCOME	**68,822**	61,406	52,946	**42,328**	36,493	32,207
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES (Note 15)	**7,770**	7,507	7,342	**807**	1,395	1,174
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	**61,052**	53,899	45,604	**41,521**	35,098	31,033
OTHER OPERATING INCOME						
Service charges, fees and commissions (Notes 25 and 31)	**12,695**	11,045	10,329	**4,954**	4,171	3,768
Trading and securities gain (loss) - net (Notes 8, 21 and 31)	**2,541**	(402)	6,563	**3,041**	(1,079)	6,154
Foreign exchange gain (loss) - net (Note 31)	**210**	4,257	2,005	**(66)**	4,101	1,533
Leasing (Notes 12, 13 and 31)	**2,252**	2,129	2,001	**224**	215	220
Profit from assets sold (Notes 12 and 31)	**1,371**	1,075	732	**623**	639	463
Income from trust operations (Notes 24 and 31)	**1,290**	1,377	1,274	**1,259**	1,351	1,251
Dividends (Note 11)	**141**	182	151	**23**	19	17
Miscellaneous (Note 25)	**2,410**	2,484	2,611	**401**	446	452
	22,910	22,147	25,666	**10,459**	9,863	13,858
OTHER OPERATING EXPENSES						
Compensation and fringe benefits (Notes 27 and 31)	**22,368**	20,218	18,374	**15,115**	13,526	12,339
Taxes and licenses (Note 28)	**8,776**	6,580	5,997	**5,253**	3,701	3,317
Depreciation and amortization (Notes 10, 12 and 14)	**3,572**	3,524	3,290	**1,559**	1,585	1,515
Occupancy and equipment-related cost (Note 13)	**3,193**	2,929	2,819	**1,824**	1,730	1,680
Amortization of software costs (Note 14)	**512**	494	474	**131**	123	141
Miscellaneous (Note 25)	**15,235**	13,730	13,639	**9,573**	8,553	8,881
	53,656	47,475	44,593	**33,455**	29,218	27,873
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE	**30,306**	28,571	26,677	**18,525**	15,743	17,018
SHARE IN NET INCOME OF SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE (Note 11)	**874**	689	261	**7,967**	6,995	4,958
INCOME BEFORE INCOME TAX	**31,180**	29,260	26,938	**26,492**	22,738	21,976
PROVISION FOR INCOME TAX (Note 28)	**7,745**	7,990	6,622	**4,484**	4,515	3,890
NET INCOME	**₱23,435**	₱21,270	₱20,316	**₱22,008**	₱18,223	₱18,086
Attributable to:						
Equity holders of the Parent Company (Note 32)	**₱22,008**	₱18,223	₱18,086			
Non-controlling interest (Note 11)	**1,427**	3,047	2,230			
	₱23,435	₱21,270	₱20,316			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 32)	**₱5.83**	₱5.62*	₱5.50*			

*Restated to show the effect of stock rights issued in 2018

See accompanying Notes to Financial Statements.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
(In Millions)

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017	2016	**2018**	2017	2016
Net Income	**₱23,435**	₱21,270	₱20,316	**₱22,008**	₱18,223	₱18,086
Other Comprehensive Income for the Year, Net of Tax						
Items that may not be reclassified to profit or loss:						
Change in remeasurement loss on retirement plan (Notes 11 and 27)	**498**	26	(489)	**434**	(18)	(477)
Items that may be reclassified to profit or loss:						
Change in net unrealized loss on investment securities at FVOCI (Note 8)	**(2,794)**	–	–	**(2,671)**	–	–
Change in net unrealized loss on AFS investments (Note 8)	**–**	(5,772)	(5,464)	**–**	(5,689)	(5,332)
Change in equity in other comprehensive income of investees (Note 11)	**(50)**	(32)	(127)	**(49)**	(32)	(126)
Translation adjustment and others (Note 11)	**(309)**	733	(1,076)	**(57)**	881	277
	(3,153)	(5,071)	(6,667)	**(2,777)**	(4,840)	(5,181)
Total Comprehensive Income for the Year	**₱20,780**	₱16,225	₱13,160	**₱19,665**	₱13,365	₱12,428
Attributable to:						
Equity holders of the Parent Company	**₱19,665**	₱13,365	₱12,428			
Non-controlling interest	**1,115**	2,860	732			
	₱20,780	₱16,225	₱13,160			

See accompanying Notes to Financial Statements.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(In Millions)

	Consolidated													
	Common Stock (Note 23)	Hybrid Capital Securities (Note 23)	Capital Paid In Excess of Par Value (Note 23)	Treasury Stock (Note 23)	Surplus Reserves (Note 24)	Surplus (Note 23)	Net Unrealized Loss on Investment Securities at FVOCI/AFS Investments (Note 8)	Remeasurement Losses on Retirement Plan (Notes 11 and 27)	Equity in Other Comprehensive Income (Losses) of Investees (Note 11)	Translation Adjustment and Others (Note 11)	Total	Other Equity Reserve (Note 11)	Non-controlling Interest (Note 11)	Total Equity
Balance as at December 31, 2017	**₱63,603**	**₱–**	**₱42,139**	**(₱46)**	**₱1,810**	**₱116,786**	**(₱15,804)**	**(₱4,025)**	**₱22**	**(₱2,530)**	**₱201,955**	**(₱7,400)**	**₱9,535**	**₱204,090**
Effect of adoption of Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments* (Note 2)	–	–	–	–	–	**(4,756)**	**15,359**	–	–	–	**10,603**	–	**(108)**	**10,495**
Effect of adoption of PFRS 15, *Revenue from Contracts with Customers* (Note 2)	–	–	–	–	–	**(40)**	–	–	–	–	**(40)**	–	**(10)**	**(50)**
Balance as at January 1, 2018	**63,603**	–	**42,139**	**(46)**	**1,810**	**111,990**	**(445)**	**(4,025)**	**22**	**(2,530)**	**212,518**	**(7,400)**	**9,417**	**214,535**
Issuance of stock rights	**15,997**	–	**43,113**	–	–	–	–	–	–	–	**59,110**	–	–	**59,110**
Total comprehensive income for the year	–	–	–	–	–	**22,008**	**(2,671)**	**434**	**(49)**	**(57)**	**19,665**	–	**1,115**	**20,780**
Transfer to surplus reserves	–	–	–	–	**146**	**(146)**	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	–	–	**(3,180)**	–	–	–	–	**(3,180)**	–	**(520)**	**(3,700)**
Realized loss on sale of equity securities at FVOCI	–	–	–	–	–	**(122)**	**122**	–	–	–	–	–	–	–
Parent Company shares held by mutual fund subsidiaries	–	–	–	**(21)**	–	–	–	–	–	–	**(21)**	–	–	**(21)**
Settlement of non-controlling interest acquired (Note 11)	–	–	–	–	–	–	–	–	–	**(5,132)**	**(5,132)**	**7,400**	**(2,268)**	–
Balance as at December 31, 2018	**₱79,600**	**₱–**	**₱85,252**	**(₱67)**	**₱1,956**	**₱130,550**	**(₱2,994)**	**(₱3,591)**	**(₱27)**	**(₱7,719)**	**₱282,960**	**₱–**	**₱7,744**	**₱290,704**
Balance as at January 1, 2017	₱63,603	₱–	₱42,139	(₱485)	₱1,653	₱101,900	(₱10,115)	(₱4,007)	₱54	₱1,260	₱196,002	₱–	₱9,551	₱205,553
Total comprehensive income for the year	–	–	–	–	–	18,223	(5,689)	(18)	(32)	881	13,365	–	2,860	16,225
Transfer to surplus reserves	–	–	–	–	157	(157)	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	–	–	(3,180)	–	–	–	–	(3,180)	–	(147)	(3,327)
Disposal of Parent Company shares held by mutual fund subsidiaries	–	–	–	439	–	–	–	–	–	–	439	–	–	439
Acquisition of non-controlling interest (Note 11)	–	–	–	–	–	–	–	–	–	(4,671)	(4,671)	(7,400)	(2,729)	(14,800)
Balance as at December 31, 2017	₱63,603	₱–	₱42,139	(₱46)	₱1,810	₱116,786	(₱15,804)	(₱4,025)	₱22	(₱2,530)	₱201,955	(₱7,400)	₱9,535	₱204,090
Balance as at January 1, 2016	₱63,603	₱6,351	₱42,139	(₱187)	₱1,506	₱87,497	(₱4,783)	(₱3,530)	₱180	₱983	₱193,759	₱–	₱9,551	₱203,310
Total comprehensive income for the year	–	–	–	–	–	18,086	(5,332)	(477)	(126)	277	12,428	–	732	13,160
Transfer to surplus reserves	–	–	–	–	147	(147)	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	–	–	(3,180)	–	–	–	–	(3,180)	–	(732)	(3,912)
Coupon payment of hybrid capital securities	–	–	–	–	–	(267)	–	–	–	–	(267)	–	–	(267)
Redemption of hybrid capital securities	–	(6,351)	–	–	–	(89)	–	–	–	–	(6,440)	–	–	(6,440)
Parent Company shares held by mutual fund subsidiaries	–	–	–	(298)	–	–	–	–	–	–	(298)	–	–	(298)
Balance as at December 31, 2016	₱63,603	₱–	₱42,139	(₱485)	₱1,653	₱101,900	(₱10,115)	(₱4,007)	₱54	₱1,260	₱196,002	₱–	₱9,551	₱205,553

	Parent Company										
	Common Stock (Note 23)	Hybrid Capital Securities (Note 23)	Capital Paid In Excess of Par Value (Note 23)	Treasury Stock (Note 23)	Surplus Reserves (Note 24)	Surplus (Note 23)	Net Unrealized Loss on Investment Securities at FVOCI/AFS Investments (Note 8)	Remeasurement Losses on Retirement Plan (Notes 11 and 27)	Equity in Other Comprehensive Income (Losses) of Investees (Note 11)	Translation Adjustment and Others (Note 11)	Total Equity
Balance as at December 31, 2017	**₱63,603**	**₱–**	**₱42,139**	**(₱46)**	**₱1,810**	**₱116,786**	**(₱15,804)**	**(₱4,025)**	**₱22**	**₱2,141**	**₱206,626**
Effect of adoption of PFRS 9 (Note 2)	–	–	–	–	–	**(4,756)**	**15,359**	–	–	–	**10,603**
Effect of adoption of PFRS 15 (Note 2)	–	–	–	–	–	**(40)**	–	–	–	–	**(40)**
Balance as at January 1, 2018	**63,603**	–	**42,139**	**(46)**	**1,810**	**111,990**	**(445)**	**(4,025)**	**22**	**2,141**	**217,189**
Issuance of stock rights	**15,997**	–	**43,113**	–	–	–	–	–	–	–	**59,110**
Total comprehensive income for the year	–	–	–	–	–	**22,008**	**(2,671)**	**434**	**(49)**	**(57)**	**19,665**
Transfer to surplus reserves	–	–	–	–	**146**	**(146)**	–	–	–	–	–
Cash dividends	–	–	–	–	–	**(3,180)**	–	–	–	–	**(3,180)**
Share in realized loss on sale of equity securities at FVOCI	–	–	–	–	–	**(122)**	**122**	–	–	–	–
Parent Company shares held by mutual fund subsidiaries	–	–	–	**(21)**	–	–	–	–	–	–	**(21)**
Balance as at December 31, 2018	**₱79,600**	**₱–**	**₱85,252**	**(₱67)**	**₱1,956**	**₱130,550**	**(₱2,994)**	**(₱3,591)**	**(₱27)**	**₱2,084**	**₱292,763**
Balance as at January 1, 2017	₱63,603	₱–	₱42,139	(₱485)	₱1,653	₱101,900	(₱10,115)	(₱4,007)	₱54	₱1,260	₱196,002
Total comprehensive income for the year	–	–	–	–	–	18,223	(5,689)	(18)	(32)	881	13,365
Transfer to surplus reserves	–	–	–	–	157	(157)	–	–	–	–	–
Cash dividends	–	–	–	–	–	(3,180)	–	–	–	–	(3,180)
Disposal of Parent Company shares held by mutual fund subsidiaries	–	–	–	439	–	–	–	–	–	–	439
Balance as at December 31, 2017	₱63,603	₱–	₱42,139	(₱46)	₱1,810	₱116,786	(₱15,804)	(₱4,025)	₱22	₱2,141	₱206,626
Balance as at January 1, 2016	₱63,603	₱6,351	₱42,139	(₱187)	₱1,506	₱87,497	(₱4,783)	(₱3,530)	₱180	₱983	₱193,759
Total comprehensive income for the year	–	–	–	–	–	18,086	(5,332)	(477)	(126)	277	12,428
Transfer to surplus reserves	–	–	–	–	147	(147)	–	–	–	–	–
Cash dividends	–	–	–	–	–	(3,180)	–	–	–	–	(3,180)
Coupon payment of hybrid capital securities	–	–	–	–	–	(267)	–	–	–	–	(267)
Redemption of hybrid capital securities	–	(6,351)	–	–	–	(89)	–	–	–	–	(6,440)
Parent Company shares held by mutual fund subsidiaries	–	–	–	(298)	–	–	–	–	–	–	(298)
Balance as at December 31, 2016	₱63,603	₱–	₱42,139	(₱485)	₱1,653	₱101,900	(₱10,115)	(₱4,007)	₱54	₱1,260	₱196,002

See accompanying Notes to Financial Statements.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

(In Millions)

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017	2016	**2018**	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱31,180**	₱29,260	₱26,938	**₱26,492**	₱22,738	₱21,976
Adjustments for:						
Provision for credit and impairment losses (Note 15)	**7,770**	7,507	7,342	**807**	1,395	1,174
Depreciation and amortization (Notes 10, 12 and 14)	**3,572**	3,524	3,290	**1,559**	1,585	1,515
Unrealized market valuation loss (gain) on financial assets and liabilities at FVTPL	**(3,499)**	1,652	(778)	**(3,494)**	1,652	(802)
Profit from assets sold (Notes 10 and 12)	**(1,371)**	(1,075)	(732)	**(623)**	(639)	(463)
Share in net income of subsidiaries, associates and a joint venture (Note 11)	**(874)**	(689)	(261)	**(7,967)**	(6,995)	(4,958)
Gain on initial recognition of investment properties and chattel properties acquired in foreclosure (Note 25)	**(638)**	(1,075)	(834)	**(23)**	(26)	(24)
Amortization of software costs (Note 14)	**512**	494	474	**131**	123	141
Dividends (Note 11)	**(141)**	(182)	(151)	**(23)**	(19)	(17)
Trading and securities loss on investment securities at FVOCI (Note 8)	**115**	–	–	**24**	–	–
Amortization of discount on subordinated debts and bonds payable (Notes 19 and 20)	**45**	66	20	**34**	33	31
Trading and securities gain on AFS investments (Note 8)	**–**	(641)	(5,144)	**–**	(554)	(4,693)
Changes in operating assets and liabilities:						
Decrease (increase) in:						
Investment securities at FVTPL	**5,735**	(7,497)	12,820	**3,617**	(6,327)	8,981
Loans and receivables	**(138,128)**	(213,951)	(182,710)	**(117,786)**	(161,020)	(149,598)
Other assets	**(5,785)**	1,033	2,820	**(4,737)**	938	1,643
Increase (decrease) in:						
Deposit liabilities	**28,791**	138,660	131,332	**12,044**	108,260	99,302
Bills payable - deposit substitutes	**(14,952)**	2,425	(263)	**–**	–	–
Manager's checks and demand drafts outstanding	**(489)**	1,122	1,319	**110**	669	907
Accrued interest and other expenses	**2,646**	(94)	(1,120)	**1,720**	(741)	(1,125)
Other liabilities	**(8,732)**	(5,704)	(3,894)	**(3,187)**	(7,317)	(2,649)
Non-equity non-controlling interest	**(1,255)**	68	(1,975)	**–**	–	–
Net cash used in operations	**(95,498)**	(45,097)	(11,507)	**(91,302)**	(46,245)	(28,659)
Dividends received (Note 11)	**141**	182	151	**23**	19	17
Income taxes paid	**(8,489)**	(7,053)	(5,884)	**(4,886)**	(3,704)	(3,168)
Net cash used in operating activities	**(103,846)**	(51,968)	(17,240)	**(96,165)**	(49,930)	(31,810)
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Investment securities at FVOCI (Note 4)	**(786,157)**	–	–	**(774,480)**	–	–
Investment securities at amortized cost (Note 4)	**(7,017)**	–	–	**(5,037)**	–	–
AFS investments	**–**	(108,623)	(388,626)	**–**	(89,874)	(374,158)
Property and equipment (Note 10)	**(2,889)**	(3,556)	(3,512)	**(1,473)**	(1,826)	(1,640)
Investments in subsidiaries and associates (Note 11)	**–**	(235)	–	**(15,011)**	–	(1,611)
Software costs (Note 14)	**(636)**	(978)	(816)	**(233)**	(144)	(40)
Proceeds from sale of:						
Investment securities at FVOCI (Notes 4 and 11)	**764,214**	–	–	**759,803**	–	–
AFS investments	**–**	77,175	508,014	**–**	67,936	494,106
Held-to-maturity (HTM) investments (Note 8)	**–**	–	4,745	**–**	–	4,745
Property and equipment (Note 10)	**585**	165	331	**278**	85	147
Investments in associates (Note 11)	**–**	190	–	**–**	–	–
Investment properties (Note 12)	**1,896**	3,031	2,275	**626**	1,407	1,083
Proceeds from maturity of:						
Investment securities at amortized cost	**4,077**	–	–	**30**	–	–
HTM investments	**–**	–	1,221	**–**	–	1,221
Return of investment from an associate (Note 11)	**180**	–	–	**180**	–	–
Cash dividends from investees (Note 11)	**462**	288	23	**2,448**	3,655	1,847
Decrease (increase) in interbank loans receivable and SPURA (Note 26)	**1,388**	3,039	(11,192)	**5,984**	(322)	(5,221)
Net cash provided by (used in) investing activities	**(23,897)**	(29,504)	112,463	**(26,885)**	(19,083)	120,479

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017	2016	**2018**	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES (Note 26)						
Settlements of bills payable	**(₱4,472,284)**	(₱2,808,869)	(₱983,550)	**(₱3,445,236)**	(₱2,458,936)	(₱983,551)
Availments of bills payable and SSURA	**4,519,008**	2,872,903	968,398	**3,489,833**	2,496,553	963,776
Proceeds from issuance of:						
Bonds payable (Note 19)	**27,826**	–	–	**27,826**	–	–
Notes payable (Note 21)	**2,600**	–	–	**–**	–	–
Stock rights (Note 23)	**59,110**	–	–	**59,110**	–	–
Maturity of bonds payable (Note 19)	**–**	(8,599)	–	**–**	–	–
Repayments of subordinated debts (Note 20)	**–**	(3,000)	–	**–**	–	–
Cash dividends paid (Note 23)	**(3,700)**	(3,327)	(3,160)	**(3,180)**	(3,180)	(3,180)
Coupon payment of hybrid capital securities (Note 23)	**–**	–	(267)	**–**	–	(267)
Redemption of hybrid capital securities (Note 23)	**–**	–	(6,440)	**–**	–	(6,440)
Proceeds from disposal of Parent Company shares by mutual fund subsidiaries (Note 31)	**10**	455	–	**–**	–	–
Acquisition of Parent Company shares by a mutual fund subsidiary (Note 23)	**(31)**	(16)	(298)	**–**	–	–
Net cash provided by (used in) financing activities	**132,539**	49,547	(25,317)	**128,353**	34,437	(29,662)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**4,796**	(31,925)	69,906	**5,303**	(34,576)	59,007
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**27,631**	26,553	32,536	**24,975**	23,470	28,570
Due from Bangko Sentral ng Pilipinas	**261,959**	238,806	214,704	**224,723**	203,781	185,484
Due from other banks	**31,291**	44,315	36,864	**19,286**	30,101	26,213
Interbank loans receivable and SPURA (Note 26)	**32,736**	75,868	31,532	**19,242**	65,450	23,528
	353,617	385,542	315,636	**288,226**	322,802	263,795
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**33,091**	27,631	26,553	**29,280**	24,975	23,470
Due from Bangko Sentral ng Pilipinas	**240,134**	261,959	238,806	**206,289**	224,723	203,781
Due from other banks	**45,808**	31,291	44,315	**35,218**	19,286	30,101
Interbank loans receivable and SPURA (Note 26)	**39,380**	32,736	75,868	**22,742**	19,242	65,450
	₱358,413	₱353,617	₱385,542	**₱293,529**	₱288,226	₱322,802

OPERATIONAL CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	Years Ended December 31					
	2018	2017	2016	**2018**	2017	2016
Interest paid	**₱25,910**	₱18,347	₱15,569	**₱17,452**	₱11,391	₱9,102
Interest received	**95,315**	79,549	69,370	**61,129**	47,253	42,232

See accompanying Notes to Financial Statements.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Metropolitan Bank & Trust Company (the Parent Company) is a universal bank incorporated in the Philippines on April 6, 1962. The Securities and Exchange Commission (SEC) approved the renewal until April 6, 2057 on November 19, 2007. The Parent Company's shares were listed with the Philippine Stock Exchange, Inc. (PSE) on February 26, 1981, as approved by the SEC in November 1980. It has a universal banking license granted by the Bangko Sentral ng Pilipinas (BSP) on August 21, 1981.

The Parent Company and its subsidiaries (the Group) are engaged in all aspects of banking, financing, leasing, real estate and stock brokering through a network of over 2,000 local and international branches, subsidiaries, representative offices, remittance correspondents and agencies. As a bank, the Parent Company, which is the ultimate parent of the Group, provides services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange, trading and remittances, and trust services. Its principal place of business is at Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila, Philippines.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI)/available-for-sale (AFS) investments that have been measured at fair value.

The financial statements of the Parent Company and Philippine Savings Bank (PSBank) include the accounts maintained in the Regular Banking Unit (RBU) and Foreign Currency Deposit Unit (FCDU). The functional currency of RBU and FCDU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDU accounts and foreign currency-denominated accounts in the RBU are translated into their equivalents in Philippine peso (see accounting policy on Foreign Currency Translation). The financial statements of these units are combined after eliminating inter-unit accounts.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The respective functional currencies of the subsidiaries are presented under Basis of Consolidation. The financial statements are presented in PHP, and all values are rounded to the nearest million pesos (₱000,000), except when otherwise indicated.

Statement of Compliance

The financial statements of the Group and the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards.

Presentation of Financial Statements

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets 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 statement of financial position. Income and expense are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and of its subsidiaries and are prepared for the same reporting period as the Parent Company using consistent accounting policies. The following are the wholly and majority-owned foreign and domestic subsidiaries of the Parent Company in 2018 and 2017 (Note 11):

Subsidiary	Principal Place of Business and Country of Incorporation	Effective Percentage of Ownership	Functional Currency
Financial Markets:			
Domestic:			
Metrobank Card Corporation (A Finance Company and General Insurance Agency) (MCC) (80.00% in 2017)	Philippines	100.00	PHP
First Metro Investment Corporation (FMIC) and Subsidiaries	Philippines	99.25	PHP
PSBank	Philippines	82.68	PHP
ORIX Metro Leasing and Finance Corporation (ORIX Metro) and Subsidiaries	Philippines	59.85	PHP
Foreign:			
Metropolitan Bank (China) Ltd. (MBCL)	China	100.00	Chinese Yuan
Metropolitan Bank (Bahamas) Limited (Metrobank Bahamas)**	The Bahamas	100.00	USD
First Metro International Investment Company Limited (FMIIC) and Subsidiary	Hong Kong	100.00	Hong Kong Dollar (HKD)
Remittances:			
Metro Remittance (Hong Kong) Limited (MRHL)	Hong Kong	100.00	HKD
Metro Remittance (Singapore) Pte. Ltd. (MRSPL)	Singapore	100.00	Singapore Dollar
Metro Remittance (UK) Limited (MR UK)	United Kingdom	100.00	Great Britain Pound
Metro Remittance (USA), Inc. (MR USA)	United States of America (USA)	100.00	USD
Metro Remittance (Japan) Co. Ltd. (MR Japan)	Japan	100.00	Japanese Yen
Metro Remittance (Italia), S.p.A. (MR Italia)*	Italy	100.00	Euro
Real Estate:			
Circa 2000 Homes, Inc. (Circa)*	Philippines	100.00	PHP
Others:			
Philbancor Venture Capital Corporation (PVCC)*	Philippines	60.00	PHP
MBTC Technology, Inc. (MTI)**	Philippines	100.00	PHP

* In process of dissolution
** In process of liquidation

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full at consolidation (Note 31). 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 Company. 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 Company'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 Company.

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company: (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 statement 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 statement of income; and (g) reclassifies the Parent Company's share of components' gains (losses) previously recognized in OCI to profit or loss or surplus, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Entity with Significant Influence over the Group
GT Capital Holdings, Inc. (GT Capital) holds 36.36% and 36.09% interests in the Parent Company as of December 31, 2018 and 2017, respectively (Note 31).

Other Equity Reserves
Other equity reserves represent the charge to equity for an obligation of the Group to purchase its own equity instruments for cash which gives rise to a financial liability even if the obligation to purchase is conditional on the counterparty exercising a right to sell.

Non-controlling Interest
Non-controlling interest represents the portion of profit or loss and the net assets of the funds not held by the Group and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to the Parent Company. Any losses applicable to the non-controlling interests in excess of the non-controlling interests are allocated against the interests of the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Acquisitions of non-controlling interests are accounted for as equity transactions.

Non-equity Non-controlling Interest
The Group has seed capital investments in a number of funds where it is in a position to be able to control those funds. These funds are consolidated.

Non-equity non-controlling interest represents the portion of net assets of the consolidated funds not attributed, directly or indirectly, to the Parent Company and is presented separately in the liability section in the consolidated statement of financial position. This liability is accounted for at FVTPL and measured using net asset value per unit with changes recognized in 'Trading and securities gain (loss) - net' in the consolidated statement of income.

Changes in Accounting Policies and Disclosures
The Group applied, for the first time, the following applicable new and revised accounting standards. Unless otherwise indicated, these new and revised accounting standards have no impact to the Group. Except for these new and amended standards which were adopted as of January 1, 2018, the accounting policies adopted are consistent with those of previous financial year.

Amendments

Philippine Accounting Standards (PAS) 40, *Investment Property*
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. A change in use occurs when the

property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

PAS 28, *Investment in Associate and Joint Venture - Measuring an associate or joint venture at fair value*
The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at FVTPL. Further, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity, when applying the equity method, may elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interest in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
The amendments address concerns arising from implementing PFRS 9 before implementing the new insurance contracts standard (PFRS 17). Entities are allowed to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in OCI, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of PFRS 17 or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

New Standards and Philippine Interpretations

PFRS 9, *Financial Instruments*
PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. It introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group adopted PFRS 9 on January 1, 2018 and the comparative information for 2017 for financial instruments in scope of PFRS 9 was not restated and was reported under PAS 39, thus not comparable with the information presented for 2018. Differences arising from the adoption of PFRS 9 have been recognized directly in 'Surplus', 'Net unrealized loss on investment securities at FVOCI/AFS investments' and 'Non-controlling interest' as of January 1, 2018 and are disclosed under "Transition to PFRS 9" below.

To reflect the differences between PFRS 9 and PAS 39, the Group also adopted the revised PFRS 7, *Financial Instruments: Disclosures*, as at January 1, 2018. Changes include transition disclosures as shown under "Transition to PFRS 9" below and detailed qualitative and quantitative information on impairment calculations such as the assumptions and inputs used as presented under "Significant Accounting Policies" below, reconciliation of gross carrying amounts of financial assets subject to expected credit loss (ECL) as presented in Note 4, and reconciliation from opening to closing ECL allowances as presented in Note 15.

a. Classification and Measurement
The Group classifies debt instruments based on the contractual cash flow characteristics of the assets and the business model for managing those assets. These factors determine whether the financial assets are measured at amortized cost, FVTPL or FVOCI. The accounting for financial liabilities remains largely the same as it was under PAS 39.

b. Impairment
The Group recognizes ECL for all loans and other debt financial assets not classified as FVTPL, together with loan commitments and financial guarantee contracts.

Incurred loss versus ECL methodology
The application of ECL significantly changed the Group's credit loss methodology and models. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The objective is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are measured at amounts equal to either:
(i) 12-month ECL; or
(ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach)

The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. The lifetime ECL are credit losses that result from all possible default events over the expected life of a financial instrument. In comparison, the previous incurred loss model under PAS 39 recognizes lifetime credit losses only when there is objective evidence of impairment while ECL model eliminates the threshold or trigger event required under the incurred loss model, and lifetime ECL are recognized earlier.

c. Hedge accounting
The hedge accounting model under PFRS 9 aims to simplify hedge accounting, align the accounting for hedge relationships more closely with the Group's risk management activities and permit hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks eligible for hedge accounting. The Group has assessed that this adoption does not have a significant impact on the financial statements as the hedging relationships continue to be accounted for under PFRS 9 as cash flow hedges as they were under PAS 39.

d. Transition to PFRS 9
As at January 1, 2018, the change in classification and measurement of financial instruments (specifically, recognition of investment securities at amortized cost) and the shift to ECL impairment model resulted in reversal of 'Net unrealized loss' in OCI of ₱15.4 billion for the Group and the Parent Company, and net decrease in Surplus by ₱4.8 billion for the Group and the Parent Company.

A reconciliation between the carrying amounts under PAS 39 to the balances reported under PFRS 9 as at January 1, 2018 is presented below. The Group's adoption of PFRS 9 has no impact on its financial liabilities.

Consolidated	December 31, 2017 under PAS 39, as previously reported Category	Amount	Reclassification/ Remeasurement Ref	January 1, 2018 under PFRS 9, as restated Category	Amount
Loans and advances to banks					
Cash and other cash items		₱27,631			₱27,631
Due from BSP		261,959			261,959
Due from other banks		31,291	**f/**		31,273
Interbank loans receivable and SPURA		45,475	**f/**		45,450
	L&R	₱366,356		Amortized cost	₱366,313
Investment securities at FVTPL					
Debt		₱29,656		FVTPL	₱26,759
				Amortized cost	2,897
	FVTPL	29,656			29,656
Equity		7,862		FVTPL	7,738
			a/	FVOCI	124
	FVTPL	7,862			7,862
Derivatives	FVTPL	6,369		FVTPL	6,369
		₱43,887			₱43,887
AFS investments					
Debt		₱342,111	**c/ f/**	Amortized cost	₱258,114
				FVOCI	98,203
			b/	FVTPL	1,420
	AFS	342,111			357,737
Equity		1,799	**e/**	FVOCI	1,006
			b/	FVTPL	793
	AFS	1,799			1,799
		₱343,910			₱359,536
Loans and receivables (L&R)					
			f/	Amortized cost	₱1,260,395
			d/	FVTPL	229
	L&R	₱1,265,469			₱1,260,624

Parent Company	December 31, 2017 under PAS 39, as previously reported Category	Amount	Reclassification/ Remeasurement Ref	January 1, 2018 under PFRS 9, as restated Category	Amount
Loans and advances to banks					
Cash and other cash items		₱24,975			₱24,975
Due from BSP		224,723			224,723
Due from other banks		19,286	**j/**		19,268
Interbank loans receivable and SPURA		27,208	**j/**		27,183
	L&R	₱296,192		Amortized cost	₱296,149
Investment securities at FVTPL					
Debt		₱25,977		FVTPL	₱23,080
				Amortized cost	2,897
	FVTPL	25,977			25,977
Derivatives	FVTPL	6,295		FVTPL	6,295
		₱32,272			₱32,272
AFS investments					
Debt		₱270,041	**g/ j/**	Amortized cost	₱204,751
			j/	FVOCI	79,038
	AFS	270,041			283,789
Equity		404	**i/**	FVOCI	349
			h/	FVTPL	55
	AFS	404			404
		₱270,445			₱284,193
Loans and receivables					
			j/	Amortized cost	₱999,370
				FVTPL	24
	L&R	₱1,002,921			₱999,394

The summary of impact on reclassification and remeasurement under PFRS 9 as of January 1, 2018 follows:

	Surplus	Net Unrealized Loss on Investment Securities at FVOCI/AFS Investments	Non-controlling Interest	Total
Consolidated				
a/ Reclassification of net unrealized losses from Surplus	**₱2**	**(₱2)**	**₱–**	**₱–**
b/ Reclassification of net unrealized gains to Surplus				
AFS debt investments	**21**	**(21)**	**–**	**–**
AFS equity investments	**47**	**(47)**	**–**	**–**
c/ Reversal of net unrealized losses	**–**	**15,564**	**197**	**15,761**
d/ Recognition of unrealized gains	**5**	**–**	**–**	**5**
e/ Reversal of allowance on AFS equity investments reclassified to investment securities at FVOCI	**135**	**(135)**	**–**	**–**
f/ Recognition of additional allowance under ECL	**(4,966)**	**–**	**(305)**	**(5,271)**
	(₱4,756)	**₱15,359**	**(₱108)**	**₱10,495**
Parent Company				
g/ Reversal of net unrealized losses	**₱–**	**₱13,890**	**₱–**	**₱13,890**
h/ Reclassification of net unrealized gains on AFS equity investments to Surplus	**22**	**(22)**		**–**
i/ Reversal of allowance on AFS equity investments reclassified to investment securities at FVOCI	**23**	**(23)**	**–**	**–**
j/ Recognition of additional allowance under ECL	**(3,768)**	**–**	**–**	**(3,768)**
	(3,723)	**13,845**	**–**	**10,122**
Share in impact of PFRS 9 adoption by investees	**(1,033)**	**1,514**	**–**	**481**
	(₱4,756)	**₱15,359**	**₱–**	**₱10,603**

The following explains how applying the new classification requirements of PFRS 9 led to changes in classification of certain financial assets of the Group and the Parent Company on January 1, 2018:

- Certain equity investment securities previously classified at FVTPL amounting to ₱124.4 million were reclassified to investment securities at FVOCI as these will be held by the Group for strategic investment.
- Certain debt investment securities of the Group previously classified as AFS investments with carrying value of ₱1.4 billion were classified as investment securities at FVTPL, while certain equity securities previously classified as AFS investments amounting to ₱792.6 million for the Group and ₱55.2 million for the Parent Company were reclassified to investment securities at FVTPL in compliance with the defined business model.
- Certain debt investment securities previously classified as AFS investments with carrying value of ₱242.3 billion for the Group and ₱190.9 billion for the Parent Company were reclassified as at amortized cost as the business model is to collect contractual cash flows until the instruments' corresponding maturities.
- The Group's asset-backed securities and investment in tier 2 notes with total carrying value of ₱223.8 million (of which ₱23.8 pertains to the Parent Company) have been reclassified from loans and receivables to investment securities at FVTPL as the cash flows relating to these instruments do not represent solely payments of principal and interest (SPPI).
- The Group and the Parent Company elected the option to irrevocably designate and present in OCI the changes in fair value of certain equity securities amounting to ₱1.1 billion and ₱348.9 million, respectively, as the Group and the Parent Company consider these to be strategic in nature.

The application of the PFRS 9 classification requirements resulted in adjustments that increased surplus and OCI by ₱210.5 million and ₱15.4 billion, respectively, as of January 1, 2018.

As of December 31, 2018, the fair value of the investment securities at amortized cost which were transferred out of investment securities at FVTPL upon adoption of PFRS 9 amounted to ₱2.6 billion for the Group and the Parent Company. As of the same date, the fair value of the investment securities at amortized cost which were transferred out of AFS investments amounted to ₱216.8 billion for the Group and ₱173.6 billion for the Parent Company. Had these been retained to be measured at fair value, fair value loss amounting to ₱291.2 million would have been recognized in the 2018 net income of the Group and the Parent Company, while fair value loss amounting to ₱21.5 billion and ₱17.3 billion would have been recognized in the 2018 OCI of the Group and the Parent Company, respectively. Interest income recognized by the Group and the Parent Company in 2018 from investment securities at amortized cost that were transferred out of investment securities at FVTPL amounted to ₱109.9 million, with effective interest rates ranging from 2.5% to 4.9%.

As a result of PFRS 9 adoption as at January 1, 2018, additional provisions for credit losses have been recognized on the following accounts, net of deferred tax of ₱513.1 million for the Group, which are charged against the beginning balance of Surplus as follows:

	Consolidated	Parent Company
Financial assets at amortized cost		
Due from other banks	₱18	₱18
Interbank loans receivable and SPURA	25	25
Investment securities at amortized cost	2	2
Loans and receivables	4,259	3,527
Investment securities at FVOCI	140	140
Loan commitments and financial guarantee contracts	522	56
	₱4,966	₱3,768

The following table reconciles the aggregate opening loan loss provision allowances under PAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* (December 31, 2017) to the ECL allowances under PFRS 9 (January 1, 2018).

	Consolidated			**Parent Company**		
	December 31, 2017	**Remeasurement**	**January 1, 2018**	**December 31, 2017**	**Remeasurement**	**January 1, 2018**
Loans and advances to banks						
Due from other banks	**₱–**	**₱18**	**₱18**	**₱–**	**₱18**	**₱18**
Interbank loans receivable and SPURA	**–**	**25**	**25**	**–**	**25**	**25**
	₱–	**₱43**	**₱43**	**₱–**	**₱43**	**₱43**
Investment securities						
AFS investments						
Debt	**₱1**	**(₱1)**	**₱–**	**₱–**	**₱–**	**₱–**
Equity	**294**	**(294)**	**–**	**160**	**(160)**	**–**
	295	**(295)**	**–**	**160**	**(160)**	**–**
Investment securities at FVOCI						
Government	**–**	**107**	**107**	**–**	**107**	**107**
Private	**–**	**33**	**33**	**–**	**33**	**33**
	–	**140**	**140**	**–**	**140**	**140**
Investments securities at amortized cost						
Treasury notes and bonds	**–**	**2**	**2**	**–**	**2**	**2**
	₱295	**(₱153)**	**₱142**	**₱160**	**(₱18)**	**₱142**

(Forward)

	Consolidated			Parent Company		
	December 31, 2017	Remeasurement	January 1, 2018	December 31, 2017	Remeasurement	January 1, 2018
Loans and receivables						
Receivables from customers						
Commercial loans	₱5,529	₱2,063	₱7,592	₱3,723	₱2,720	₱6,443
Auto loans	1,958	1,012	2,970	1	575	576
Residential mortgage loans	881	277	1,158	249	404	653
Trade loans	246	43	289	246	43	289
Others	2,742	1,780	4,522	78	(32)	46
	11,356	5,175	16,531	4,297	3,710	8,007
Other receivables	5,051	(325)	4,726	4,293	(183)	4,110
	₱16,407	₱4,850	₱21,257	₱8,590	₱3,527	₱12,117
Loan commitments and financial guarantees	₱–	₱887	₱887	₱–	₱56	₱56

The application of the PFRS 9 ECL requirements resulted in transition adjustments that increased ECL allowances by ₱5.6 billion for the Group and ₱3.6 billion for the Parent Company.

PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers. Revenue is recognized at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. It affects the Group's credit card business wherein it requires that, where contract has more than one performance obligation, transaction price must be allocated to all the performance obligations. Prior to PFRS 15, card features that provide rewards and credits (e.g. rebates, real-time redemption and credit-back option) are not treated as separate performance obligations.

The Group adopted PFRS 15 using a modified retrospective approach. As at January 1, 2018, the adoption of PFRS 15 resulted in recognition of additional 'Deferred tax asset' of ₱21.4 million and 'Deferred revenue' of ₱71.5 million with a reduction in 'Surplus' of ₱40.0 million and 'Non-controlling interest' of ₱10.0 million for the Group, and a reduction in 'Investments in subsidiaries' and 'Surplus' of ₱40.0 million for the Parent Company.

Philippine Interpretation IFRIC 22, *Foreign Currency Transaction and Advance Consideration*
This clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency and covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

Significant Accounting Policies

Foreign Currency Translation
Transactions and balances
For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso based on the Bankers Association of the Philippines (BAP) closing rate (for 2018) and the Philippine Dealing System (PDS) closing rate (for 2017 and prior years) prevailing at the statement of financial position date and foreign currency-denominated income and expenses, at the prevailing exchange rates as at the date of transaction. Foreign exchange differences arising from revaluation and translation of foreign currency-denominated assets and liabilities are credited to or charged against operations in the year 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 initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

FCDU, foreign branches and subsidiaries
As at the reporting date, the assets and liabilities of foreign branches and subsidiaries and FCDU of the Parent Company and PSBank are translated into the Parent Company's presentation currency (the PHP) at BAP (PDS in 2017 and prior years) closing rate prevailing at the statement of financial position date, and their income and expenses are translated at BAP weighted average rate for 2018 while in 2017 and prior, the basis was the PDS weighted average rate. Exchange differences arising on translation are taken to the statement of comprehensive income under 'Translation adjustment and others'. Upon disposal of a foreign entity or when the Parent Company ceases to have control over the subsidiaries or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statement of income.

Fair Value Measurement
The Group measures certain financial instruments, such as derivatives, at fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 5.

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 (i.e., an exit price). The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability; or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

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

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid - ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

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

For assets and liabilities not listed in an active market, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

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

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

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

For the purpose of fair value disclosures, the 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 above.

Financial Instruments - Initial Recognition

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on trade date basis. Deposits, amounts due to banks and customers and loans are recognized when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments

All financial instruments are initially measured at fair value. Except for financial assets and financial liabilities at FVTPL, the initial measurement of financial instruments includes transaction costs.

'Day 1' difference

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

Financial Assets at FVTPL

Financial assets or financial liabilities held for trading (HFT)

HFT financial assets or financial liabilities are recorded in the statement of financial position at fair value and are classified as investment securities at FVTPL. Changes in fair value relating to the HFT positions are recognized in 'Trading and securities gain (loss) - net'. Interest earned or incurred is recorded in 'Interest income' or 'Interest expense' respectively, while dividend income is recorded in 'Dividends' when the right to receive payment has been established. Included in this classification are debt and equity securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

Derivatives recorded at FVTPL

The Parent Company and some of its subsidiaries are counterparties to derivative contracts, such as currency forwards, currency swaps, interest rate swaps, call options, non-deliverable forwards and other interest rate derivatives. These derivatives are entered into as a service to customers and as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the statement of income and are included in 'Trading and securities gain (loss) - net'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Embedded derivatives
The Group has certain derivatives that are embedded in host financial (such as structured notes and debt instruments) and non-financial (such as lease and service agreements) contracts. These embedded derivatives include interest rate derivatives in debt instruments which include structured notes and foreign currency derivatives in debt instruments and lease agreements.

Under PAS 39, embedded derivatives are bifurcated from their host contracts and carried at fair value with fair value changes being reported through profit or loss, when the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets or liabilities at FVTPL, when their economic risks and characteristics are not clearly and closely related to those of their respective host contracts, and when a separate instrument with the same terms as the embedded derivatives would meet the definition of a derivative. The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group first becomes a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the contractual cash flows.

Under PFRS 9, the Group accounts for derivatives embedded in financial liabilities and non-financial host contracts similar with PAS 39. For financial assets, embedded derivatives are accounted for together with the host contracts and are classified based on the business model and contractual cash flows of the instrument.

Financial Instruments - Classification and Subsequent Measurement
Policies applicable beginning January 1, 2018
Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

As a second step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL.

Investment securities at FVOCI
Investment securities at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of investment securities at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statement of comprehensive income as 'Change in net unrealized loss on investment securities at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVOCI, is reported in the statement of income. Interest earned on holding debt securities at debt securities at FVOCI are reported as 'Interest income' using the effective interest rate (EIR) method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the statement of comprehensive income is recognized as 'Trading and securities gain (loss) - net' in the statement of income. The ECL arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision for credit and impairment losses' in the statement of income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the statement of income as 'Dividends' when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statement of comprehensive income is reclassified to 'Surplus' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

Financial assets at amortized cost
Financial assets at amortized cost are debt financial assets that meet both of the following conditions: (i) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. This accounting policy relates to the statement of financial position captions 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and securities purchased under resale agreements (SPURA)', 'Investment securities at amortized cost' and 'Loans and receivables'.

Loans and receivables include purchases made by MCC's cardholders which are collected on installments and are recorded at the cost of the items purchased plus interest covering the installment period which is initially credited to unearned discount, shown as a deduction from 'Loans and receivables'. This also includes ORIX Metro's lease contracts receivable and notes receivable financed which are stated at the outstanding balance, reduced by unearned lease income and unearned finance income, respectively.

After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the EIR method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income. Gains and losses are recognized in statement of income when these investments are derecognized or impaired, as well as through the amortization process. The ECL are recognized in the statement of income under 'Provision for credit and impairment losses'. The effects of revaluation on foreign currency-denominated investments are recognized in the statement of income.

Policies applicable prior to January 1, 2018
Prior to January 1, 2018, the Group classifies its financial assets in the following categories: financial assets at FVTPL, AFS investments, held-to-maturity (HTM) investments, and loans and receivables, while financial liabilities are classified as financial liabilities at FVTPL and financial liabilities at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

AFS investments
AFS investments include debt and equity instruments. Equity investments classified under AFS investments are those which are neither classified as HFT nor designated at FVTPL. Debt securities are those that do not qualify to be classified as HTM investments or loans and receivables, are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from reported earnings and are included in the statement of comprehensive income as 'Change in net unrealized loss on AFS investments'. When the AFS investments are disposed of, the cumulative gain or loss previously recognized in the statement of comprehensive income is recognized as 'Trading and securities gain (loss) - net' in the statement of income.

Interest earned on holding AFS debt investments are reported as 'Interest income' using the EIR method. Dividends earned on holding AFS equity investments are recognized in the statement of income as 'Dividends' when the right of the payment has been established. The losses arising from impairment of such investments are recognized as 'Provision for credit and impairment losses' in the statement of income.

HTM investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells or reclassifies other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified to AFS investments and the Group would be prohibited from classifying any financial asset under HTM category during the current year and two succeeding years thereafter unless for sales or reclassifications that:

- are so close to maturity or the financial asset's call date (for example, less than three months before maturity) that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- occur after the entity has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or

- are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably anticipated by the entity.

After initial measurement, these investments are subsequently measured at amortized cost using the EIR method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income. Gains and losses are recognized in statement of income when the HTM investments are derecognized or impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statement of income under 'Provision for credit and impairment losses'. The effects of revaluation on foreign currency-denominated HTM investments are recognized in the statement of income.

Loans and receivables
This accounting policy relates to the statement of financial position captions 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and SPURA' and 'Loans and receivables'. These are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'other HFT financial assets', designated as AFS investments, or 'financial assets designated at FVTPL'. After initial measurement, these are subsequently measured at amortized cost using the EIR method, less allowance for credit losses.

Financial Liabilities at Amortized Cost
Issued financial instruments or their components, which are not designated at FVTPL, are classified as liabilities under 'Deposit liabilities', 'Bills payable and securities sold under repurchase agreements (SSURA)', 'Bonds payable', or 'Subordinated debts' or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, bills payable and similar financial liabilities not qualified as and not designated at FVTPL, are subsequently measured at amortized cost using the EIR 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 EIR.

Financial Guarantees and Undrawn Loan Commitments
The Group issues financial guarantees and loan commitments. Financial guarantees are those issued by the Group to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract/agreement. Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. Starting January 1, 2018, these contracts are in the scope of the ECL requirements where the Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized in 'Miscellaneous liabilities' under 'Other liabilities'.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Group could be required to repay ('the guarantee amount'). When the Group's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in case of a written put option to an asset that is measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Group's continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Group's continuing involvement is measured in the same way as that which results from non-cash settled options.

The Group's accounting policy for write-offs and recoveries after write-offs of financial assets under PFRS 9 remains the same as it was under PAS 39. Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery.

Financial liabilities

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

Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as SSURA included in 'Bills payable and SSURA' and is considered as a loan to 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 statement of financial position. The corresponding cash paid including accrued interest, is recognized in the statement of financial position as SPURA, and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the EIR method.

Impairment of Financial Assets
Policies applicable beginning January 1, 2018
The adoption of PFRS 9 has changed the Group's loss impairment method on financial assets by replacing PAS 39's incurred loss approach with a forward-looking ECL approach which covers all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts.

Overview of the ECL principles
The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no SICR of the financial asset since origination. Otherwise if a SICR is observed, then the ECL estimation is extended until the end of the life of the financial asset. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the reporting date. The Lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The major portfolios of financial assets identified upon initial analysis of the Group's credit exposure are loan receivables, treasury accounts, and other receivables. Loan receivables may be availed by specific individuals, corporations or organizations. Hence, these portfolios can be further segmented to commercial and consumer portfolios. After segmentation, financial assets are grouped into Stage 1, Stage 2, and Stage 3 as described below.

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.

Treasury exposures are considered in default upon occurrence of a credit event such as but not limited to bankruptcy of counterparty, restructuring, failure to pay on agreed settlement date, or request for moratorium.

SICR
In order to determine whether an instrument is subject to 12-month or Lifetime ECL, the Group assesses whether there has been a SICR since initial recognition. 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. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses. These may include adverse trends or developments of financial, managerial, economic or political nature, or a significant weakness in collateral. Credit weakness may be manifested by unfavorable record or unsatisfactory characteristics or may only be potential that deserves management's close attention and may lead to significant losses or may result in collection or liquidation of the outstanding loan amount to be highly improbable. For exposures without internal credit grades, if contractual payments are more than a 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. In subsequent reporting periods, if the credit risk of the financial asset improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.

Staging assessment
For non-credit-impaired financial assets:
- Stage 1 is comprised of all non-impaired financial assets which have not experienced a SICR since initial recognition. The Group recognizes a 12-month ECL for Stage 1 financial assets.
- Stage 2 is comprised of all non-impaired financial assets which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 financial assets.

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

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired (POCI) assets. These are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs. POCI assets pertain to loans purchased by the Parent Company from MBCL as discussed in Note 31.

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

ECL parameters and methodologies
ECL is a function of the probability of default (PD), exposure-at-default (EAD), and loss-given default (LGD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgement.

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

EAD consists of the amortized cost and any accrued interest receivable. For off-balance sheet and undrawn committed amounts, EAD includes a credit conversion factor which is an estimate of any further amount to be drawn at the time of default.

LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

The Group applies a simplified ECL approach for its accounts receivables wherein the Group uses a provisioning matrix that considers historical changes in the behavior of the portfolio to predict conditions over the span of a given observation period.

MCC offers credit card facilities, in which MCC has the right to cancel and/or reduce the facilities with one-day notice. MCC does not limit its exposure to credit losses to the contractual notice period, but instead, calculates ECL over a period that reflects MCC's expectations of the customers' behavior, their likelihood of default, and MCC's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and MCC's expectations, the period over which MCC calculates ECL for these products is two years. The interest rate used to discount the ECL for credit cards is based on interest rates derived using the capital asset pricing model. These rates are also used to discount future recoveries over a period of five years as these cover the cost of securing an equivalent fund.

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. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Debt investment securities measured at FVOCI
The ECL for debt securities at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to profit or loss upon derecognition of these financial assets.

Policies applicable prior to January 1, 2018
The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
For financial assets carried at amortized cost such as loans and receivables, due from other banks, interbank loans and SPURA, and HTM investments, the Group first assesses whether objective

evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. For individually assessed financial assets, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment. The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be recognized based on the original EIR of the asset. Financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to 'Recovery on charged-off assets' under 'Miscellaneous income' in the statements of income. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in property prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The Group also uses the Net Flow Rate (NFR) method to determine the credit loss rate of a particular delinquency age bucket based on historical data of flow-through and flow-back of loans across specific delinquency age buckets. The allowance for credit losses is determined based on the results of the net flow to write-off methodology. Net flow tables are derived from monitoring of monthly peso movements between different stage buckets, from 1-day past due to 180-day past due. The net flow to write-off methodology relies on the last 12 months of net flow tables to establish a NFR percentage of accounts receivable that are current or in any state of delinquency (i.e., 30, 60, 90, 120, 150 and 180 day past due) as of reporting date that will eventually result in write-off. The gross provision is then computed based on the outstanding balances of the receivables as of statement of financial position date and the NFRs determined for the current and each delinquency bucket. This gross provision is reduced by the estimated recoveries, which are also based on historical data, to arrive at the required allowance for credit losses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS investments
In case of quoted equity securities classified as 'AFS investments', this would include a significant or prolonged decline in the fair value of the securities below their cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from OCI and recognized in the statement of income. Impairment losses on equity securities are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in OCI. In case of unquoted equity securities classified as 'AFS investments', the amount of the impairment is measured as the difference between their carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

In case of debt instruments classified as 'AFS investments', impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the statement of income. If subsequently, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

Restructured Loans
Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews and monitors restructured loans until derecognition to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for credit and impairment losses' in the statement of income. Beginning January 1, 2018, when the loan has been restructured but not derecognized, the Group also reassesses whether there has been a SICR and considers whether the assets should be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.

Collateral Valuation of Financial Assets
The Group's accounting policy for collateral assigned to it through its lending arrangements under PFRS 9 is the same as it was under PAS 39. Collateral, unless repossessed, is not recorded in the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed every other year. However, some collaterals, for example, cash or securities relating to margining requirements, are valued daily.

Revenue Recognition
Prior to January 1, 2018, under PAS 18, *Revenue*, revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

Upon adoption of PFRS 15 beginning January 1, 2018, revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group concluded that it is acting as a principal in all of its revenue arrangements except for certain brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

Fee and commission income
The Group earns fee and commission income from a diverse range of services it provides to its customers, which are divided into the following two categories:

a. *Fee income earned from services that are provided over a certain period of time*
Fees earned for the provision of services over a period of time are accrued over that period as the customer simultaneously receives and consumes the benefits provided by the Group. Using an output method, revenue is recognized if the Group has a right to invoice the customer for services directly corresponding to performance completed to date. These fees include investment fund fees, custodian fees, fiduciary fees, commission income, asset management fees, income from trust operations, and advisory fees.

b. *Fee income from providing transaction services*
Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as underwriting fees, corporate finance fees and brokerage fees for the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

The Group assessed that there is no difference in accounting for the above fees and commission income under PFRS 15 and PAS 18.

Discounts earned, membership fees and awards revenue on credit cards
The following table provides information about the nature and timing of the satisfaction of performance obligations for the Group's credit card business, including significant payment terms, and the related revenue recognition policies.

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under PFRS 15	Revenue recognition under PAS 18
Discounts earned	Discounts are charges arising from credit availments by the Group's and other credit companies' cardholders when the Group is acting as an acquirer. These discounts are computed based on certain agreed rates. These also include interchange income from transactions processed by other acquirers through VISA and Mastercard and fees from cash advance transactions of cardholders.	Discounts are recognized as revenue upon receipt from member establishments of charges arising from credit availments by the Group's cardholders and other credit companies' cardholders when the Group is acting as an acquirer.	Discounts are recognized as revenue upon receipt from member establishments of charges arising from credit availments by the Group's cardholders and other credit companies' cardholders when the Group is acting as an acquirer.
Membership fees and dues	Membership fees are periodically charged to cardholders upfront.	Membership fees are deferred and recorded under 'Deferred revenue' and recognized on a straight-line basis over the period the fee entitles the cardholders to use the card.	Membership fees are deferred and recorded under 'Deferred revenue' and recognized on a straight-line basis over the period the fee entitles the cardholders to use the card.

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under PFRS 15	Revenue recognition under PAS 18
Awards revenue	The Group operates a loyalty points program, which allows customers to accumulate points when they purchase from member establishments using the issued card of the Group. The points accumulate and do not expire.	The Group allocates a portion of the consideration received from discounts earned and interchange fees from credit cards to the reward points based on the estimated stand-alone selling prices. The amount allocated to the loyalty program is deferred, and is recognized as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote.	A proportion of the revenue from discounts earned and interchange fees from credit cards is allocated to the reward points. The allocated revenue that corresponds to the total fair value of the reward points is determined by applying statistical analysis. The fair value of the points issued is deferred and recorded under 'Deferred revenue' and recognized as revenue when the points are redeemed.

Revenues outside the scope of PFRS 15

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as investment securities at FVOCI/AFS investments, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income'. Loan commitment fees that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR of the loan.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "Impairment of Financial Assets" above), the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis. Under PAS 39, once the recorded value of a financial asset or group of similar financial assets carried at amortized cost has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

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

Recovery on charged-off assets

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

Leasing income - Finance lease

The excess of aggregate lease rentals plus the estimated residual value over the cost of the leased equipment constitutes the unearned lease income. Residual values represent estimated proceeds from the disposal of equipment at the time lease is estimated. The unearned lease income is amortized over the term of the lease, commencing on the month the lease is executed using the EIR method.

Dividend income

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

Trading and securities gain (loss) - net
Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL and gains and losses from disposal of investment securities at FVTPL, debt securities at FVOCI/AFS and HTM investments.

Rental income
Rental income arising on leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the statement of income under 'Leasing'.

Income on direct financing leases and receivables financed
Income on loans and receivables financed with short-term maturities is recorded in 'Interest income' and is recognized using the EIR method. Interest and finance fees on finance leases and loans and receivables financed with long-term maturities and the excess of the aggregate lease rentals plus the estimated terminal value of the leased equipment over its cost are credited to unearned discount and amortized over the term of the note or lease using the EIR method.

Gain on sale of investment in associate
Upon loss of significant influence over an associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Gain on sale of non-current asset held for sale
The gain or loss arising from the sale of non-current asset held for sale is included in profit or loss when the item is derecognized. The gain or loss arising from the derecognition of non-current asset held for sale is determined as the difference between the net disposal proceeds and its carrying amount on the date of the transaction.

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

Property and Equipment
Land is stated at cost less any impairment in value and depreciable properties including buildings, furniture, fixtures and equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization, and any impairment in value. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met but excludes repairs and maintenance costs. Building under construction (BUC) is stated at cost and includes cost of construction and other direct costs. BUC is not depreciated until such time that the relevant asset is completed and put into operational use.

Depreciation is calculated on the straight-line method over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the shorter of the terms of the covering leases and the estimated useful lives of the improvements.

The range of estimated useful lives of property and equipment follows:

Buildings	25 to 50 years
Furniture, fixtures and equipment	2 to 5 years
Leasehold improvements	5 to 20 years

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

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

Investments in Subsidiaries, Associates and a Joint Venture (JV)

Investment in subsidiaries

Subsidiaries pertain to all entities over which the Group has control. Control is achieved when 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. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights.

Investment in associates

Associates pertain to all entities over which the Group and the Parent Company have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associates is accounted for under the equity method of accounting.

Investment in a JV

A JV is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the JV. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investment in a JV is accounted for under the equity method of accounting. The Group's investment in a JV represents the 30% interest of PSBank in Sumisho Motor Finance Corporation (SMFC) (Note 11).

Upon loss of significant influence over the associate or joint control over the JV, the Group and the Parent Company measure and recognize any retained investment at its fair value. Any difference between the carrying amount of the associate or JV upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the statement of income.

Under the equity method, investments in associates and a JV are carried in the statement of financial position at cost plus post-acquisition changes in the Group's and the Parent Company's share of the net assets of the associate or JV less any impairment in value. Post-acquisition changes in the share of net assets of the associate or a JV include the share in the: (a) income or losses; and (b) unrealized gain or loss on investment securities, remeasurement of retirement plans and others. Dividends received are treated as a reduction in the carrying values of the investments. Goodwill relating to the associate and a JV is included in the carrying value of the investment and is not amortized. When the Group and the Parent Company increase its ownership interest in an associate or a JV that continues to be accounted for under the equity method, the cost for the additional interest is added to the existing carrying amount of the associate or JV and the existing interest in the associate or JV is not remeasured. The share in an associate or a JV's post-acquisition profits or losses is recognized in the statement of income as 'Share in net income of subsidiaries, associates and a joint venture' while its share of post-acquisition movements in the associate or JV's equity reserves is recognized directly in the statement of comprehensive income. When the share of losses in an associate or a JV equals or exceeds its interest in the associate or JV, including any other unsecured receivables, the Group and the Parent Company do not recognize further losses, unless it incurred obligations or made payments on behalf of the associate or JV which is recognized as miscellaneous liabilities. Profits and losses resulting from transactions between the Group or the Parent Company and an associate or JV are eliminated to the extent of the Group or the Parent Company's interest in the associate or JV.

Investments in subsidiaries in the separate financial statements are accounted for under the equity method similarly as investments in associates and JV. Equity in other comprehensive income (losses) of subsidiaries and changes therein are included in remeasurement losses on retirement plan, net unrealized loss on investment securities at FVOCI and AFS investments, and translation adjustments and others as appropriate together with the Parent Company in the separate statement of financial position and statement of comprehensive income.

Investment Properties

Investment properties are measured initially 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 such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up. The difference between the fair value of the asset received and the carrying amount of the asset given up is recorded as 'Gain on initial recognition of investment properties' under 'Miscellaneous income'. Foreclosed properties are classified under 'Investment properties' upon: a.) entry of judgment in case of judicial foreclosure; b.) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or c.) notarization of the Deed of Dacion in case of dation in payment (*dacion en pago*). Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation (for depreciable investment properties) and impairment in value.

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

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to operations in the year in which the costs are incurred. Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties based on appraisal reports but not to exceed 50 years for buildings and condominium units.

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

Interest in Joint Operations

The Group is a party to joint operations whereby it contributed parcels of land for development into residential and commercial units. In respect of the Group's interest in the joint operations, the Group recognizes the following: (a) the assets that it controls and the liabilities that it incurs; and (b) the expenses that it incurs and its share of the income that it earns from the sale of units by the joint operations. The assets contributed to the joint operations are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale (Note 14).

Chattel Mortgage Properties
Chattel mortgage properties comprise of repossessed vehicles. Chattel mortgage properties are stated at cost less accumulated depreciation and impairment in value. Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the vehicles. The useful lives of chattel mortgage properties are estimated to be five years.

Subordinated Notes
Subordinated notes issued by Special Purpose Vehicles (SPV) (presented as 'Investment in SPVs' under 'Other assets') are stated at amortized cost reduced by an allowance for credit losses. The allowance for credit losses is determined based on the difference between the outstanding principal amount and the recoverable amount which is the present value of the future cash flow expected to be received as payment for the subordinated notes.

Intangible Assets
Software costs
Software costs (presented under 'Other assets') are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over three to five years on a straight-line basis. Costs associated with maintaining the computer software programs are recognized as expense when incurred. Software costs are carried at cost less accumulated amortization.

Exchange trading right
Exchange trading right (included in 'Miscellaneous assets' presented under 'Other assets') is a result of the PSE conversion plan to preserve access of First Metro Securities Brokerage Corporation (FMSBC), a subsidiary of FMIC, to the trading facilities and continue transacting business in the PSE. The exchange trading right has an indefinite useful life as there is no foreseeable limit to the period over which this asset is expected to generate net cash inflows. It is carried at the amount allocated from the original cost to the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less any allowance for impairment losses. FMSBC does not intend to sell the exchange trading right in the near future.

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. With respect to investments in associates and a JV, goodwill is included in the carrying amounts of the investments. Following initial recognition, goodwill is measured at cost net of impairment losses (see accounting policy on "Impairment of Non-financial Assets").

Customized System Development Cost
Customized system development cost consists of payments for customization of various banking systems. This account will be reclassified to appropriate accounts upon completion and will be depreciated and amortized from the time the asset is ready for its intended use (Note 14).

Impairment of Non-financial Assets
Property and equipment, investments in subsidiaries, associates and a JV, investment properties, chattel mortgage properties, intangible assets with finite useful lives and other assets
At each statement of financial position date, the Group assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual

impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell (FVLCTS) and its value in use (VIU) 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 recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing VIU, 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. An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each statement of financial position 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 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 recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its 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 statement of income. After such a reversal, the depreciation and amortization 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 life.

Intangible assets with indefinite useful lives and customized system development cost not yet available for use
Intangible assets with indefinite useful lives such as exchange trading right and customized system development cost not yet available for use are tested for impairment annually at statement of financial position date either individually or at the cash generating unit level, as appropriate.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit (CGU) (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. The Group uses the higher of FVLCTS and VIU using cash flow projections from financial budgets approved by senior management in determining the recoverable amount.

<u>Leases</u>
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:
(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

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

Residual value of leased assets and deposits on lease contracts
The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

Group as lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to the ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in 'Property and equipment' with the corresponding liability to the lessor included in 'Other liabilities'. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded directly to 'Interest expense'.

Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risk and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term. Contingent rental payables are recognized as expense in the year in which they are incurred.

Group as lessor
Finance leases, where the Group transfers substantially all the risks and benefits incidental to the ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and receivables'. All income resulting from the receivable is included in 'Interest income' in the statement of income.

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

Retirement Cost
The Group has a non-contributory defined benefit retirement plan except for FMIIC and its subsidiary which follow the defined contribution retirement benefit plan and the Mandatory Provident Fund Scheme (MPFS). The retirement cost of the Parent Company and most of its subsidiaries is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current year. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (DBO) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries. Net interest on the net defined benefit liability or asset is the change during the year in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss. Retirement expense is presented under 'Compensation and fringe benefits' in the statement of income. Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the DBO, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a DBO is recognized as a separate asset at fair value when and only when reimbursement is virtually certain. Payments to the defined contribution retirement benefit plans and the MPFS are recognized as expenses when employees have rendered service entitling them to the contributions.

Equity

When the shares are sold at a premium, the difference between the proceeds and par value is credited to 'Capital paid in excess of par value', net of direct costs incurred related to the equity issuance. If 'Capital paid in excess of par value' is not sufficient, the excess is charged against surplus. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of stocks issued.

Surplus represents accumulated earnings of the Group less dividends declared.

Own equity instruments which are reacquired or Parent Company's shares acquired by its subsidiaries (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in 'Capital paid in excess of par value'. Voting rights related to treasury stocks are nullified and no dividends are allocated. When the stocks are retired, the Common stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to capital paid in excess of par value at the time the stocks were issued and to surplus for the remaining balance.

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 presented in the statement of income, 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 Liabilities and Contingent Assets

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

Income Taxes

Current taxes

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

Deferred taxes

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

a. Where the deferred tax liability arises from the initial recognition of goodwill or 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 profit nor taxable profit or loss.
b. In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized except:

a. Where the deferred tax asset relating to the deductible temporary difference 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 profit nor taxable profit or loss.
b. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 statement of financial position date.

Current tax and deferred tax relating to items recognized directly in equity are recognized in OCI and not in the statement of income.

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

Earnings Per Share

Basic earnings per share is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year. The Group does not have dilutive potential common shares.

Dividends on Common Shares

Cash dividends on common shares are recognized as a liability and deducted from the equity when approved by the Board of Directors (BOD) of the Parent Company while stock dividends are deducted from equity when approved by BOD and shareholders of the Parent Company. Dividends declared during the year but are paid or issued after the statement of financial position date are dealt with as a subsequent event.

Debt Issuance Costs

Issuance, underwriting and other related costs incurred in connection with the issuance of debt instruments are deferred and amortized over the terms of the instruments using the EIR method. Unamortized debt issuance costs are included in the related carrying amount of the debt instrument in the statement of financial position.

Capital Securities Issuance Costs

Issuance, underwriting and other related costs incurred in connection with the issuance of the capital securities are treated as a reduction of equity against 'Capital paid in excess of par value'.

Events after the Statement of Financial Position Date

Post year-end events that provide additional information about the Group's position at the statement of financial position date (adjusting event) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6.

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

Standards Issued but not yet Effective

The list below consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial statements.

Effective beginning on or after January 1, 2019
New standard - PFRS 16, *Leases*
Lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

Amendments
Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*
The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or FVOCI. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*
The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

Subject to Board of Accountancy's Approval
Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement*
The measurement requires the current service cost and the net interest for the period after the remeasurement be determined using the assumptions used for the remeasurement if a plan amendment, curtailment or settlement occurs.

Annual Improvements to PFRS 2015 to 2017 Cycle
PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements* - *Previously held interest in a joint operation*
The amendments clarify when an entity remeasures previously held interests in a business that is classified as a joint operation. If the entity obtains control, it remeasures previously held interests in that business. If the entity only obtains joint control, it does not remeasure previously held interests in that business.

PAS 12, *Income Taxes - Income tax consequence of payments on financial instruments classified as equity*
The amendments clarify that the requirements to recognize the income tax consequence of dividends where the transactions or events that generate distributable profits are recognized apply to all income tax consequences of dividends.

PAS 23, *Borrowing Costs - Borrowing costs eligible for capitalization*
The amendments clarify that a specific borrowing that remains outstanding after the related asset is ready for its intended use becomes part of the general borrowings when calculating the capitalization rate on general borrowings.

Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
This addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

Effective beginning on or after January 1, 2020 (subject to Board of Accountancy's Approval)
Amendments to PFRS 3, *Business Combinations - Definition of a Business*
The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business. An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments will apply to future business combinations of the Group.

Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*
The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements. An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021 (subject to Board of Accountancy's Approval)
PFRS 17, *Insurance Contracts*
PFRS 17 provides updated information about the obligation, risks and performance of insurance contracts, increases transparency in financial information reported by insurance companies, and

introduces consistent accounting for all insurance contracts based on a current measurement model. The standard is effective for annual periods beginning on or after January 1, 2021. Early application is permitted but only if the entity also applies PFRS 9 and PFRS 15.

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 the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosures of contingent assets and contingent liabilities. Future events may occur which can cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Judgments

a. *Classification of financial assets*
As discussed in Note 2, beginning January 1, 2018, the Group classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
The Group performs the business model assessment based on observable factors such as:
    - Performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel
    - Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
    - Compensation of business units whether based on the fair value of the assets managed or on the contractual cash flows collected
    - Expected frequency, value and timing of sales

    In performing the SPPI test, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

b. *Consolidation of subsidiaries*
The determination whether the Group has control over an investee company requires significant judgment. The Group considers that the following criteria are all met, including: (a) an investor has the power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's return.

In accordance with PFRS 10, the Group included the accounts of First Metro Save and Learn Balance Fund, Inc. (FMSALBF), First Metro Save and Learn Equity Fund, Inc. (FMSALEF), First Metro Save and Learn Fixed Income Fund (FMSLFIF), First Metro Philippine Equity Traded Fund, Inc. (FMPETF) and First Metro Save and Learn F.O.C.C.U.S. Dynamic Fund, Inc. collectively the "Funds", in its consolidated financial statements. The Group re-assessed the control conclusion for these Funds. Although the ownership is less than half of the voting power of these investees, the Group has control due to its power to direct the relevant activities of the Funds through First Metro Asset Management Inc. (FAMI), a subsidiary of FMIC, which acts as the fund manager of the Funds. Further, the Group has the exposure to variable returns from its investments and its ability to use its power over the Funds to affect their returns.

c. *Existence of significant influence over an associate with less than 20.00% ownership*
As discussed in Note 11, there are instances that an investor exercises significant influence even if its ownership is less than 20.00%. The Group applies significant judgment in assessing whether it holds significant influence over an investee and considers the following:
(a) representation in the board of directors or equivalent governing body of the investee;
(b) participation in policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions between the investor and the investee;
(d) interchange of managerial personnel; (e) joint voting agreement with other investors; or
(f) provision of essential technical information.

d. *Fair value of financial instruments*
Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation 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 judgments may include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives (Note 5).

e. *Leases*
<u>Operating lease</u>
Group as lessor
The Group has entered into commercial property leases on its investment properties portfolio and over various items of furniture, fixtures and equipment. The Group has determined, based on an evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Group as lessee
The Group has entered into lease on premises it uses for its operations. The Group has determined, based on the evaluation of the terms and conditions of the lease agreement (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term and lease term is not for the major part of the asset's economic life), that the lessor retains all the significant risks and rewards of ownership of these properties.

Finance lease
The Group has determined, based on an evaluation of terms and conditions of the lease arrangements (i.e., present value of minimum lease payments amounts to at least substantially all of the fair value of leased asset, lease term is for the major part of the economic useful life of the asset, and lessor's losses associated with the cancellation are borne by the lessee), that it has transferred all significant risks and rewards of ownership of the properties it leases out on finance leases.

f. Contingencies
The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsel handling the Group's defense in this matter and is based upon an analysis of potential results. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to this proceeding (Note 30).

Estimates
a. Credit losses on financial assets
The Group reviews its debt financial assets subject to ECL on a semi-annual basis with updating provisions made during the intervals as necessary based on the continuing analysis and monitoring of individual accounts by credit officers. The measurement of credit losses both under PFRS 9 and PAS 39 across all categories of such financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining credit losses and the assessment of a SICR. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Beginning January 1, 2018
The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include, among others:
- Segmentation of the portfolio, where the appropriate model or ECL approach is used
- Criteria for assessing if there has been a SICR and so allowances for debt financial assets should be measured on a lifetime ECL basis and the qualitative assessment
- Segmentation of debt financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomics scenarios and their probability weightings, to derive the economic inputs into the ECL models

Refer to Note 2 for detailed discussions regarding the abovementioned significant judgments and estimates in relation to ECL estimation.

The gross carrying amounts of financial assets subject to ECL as of December 31, 2018 are disclosed in Note 4, while the related ECL allowances for credit losses are disclosed in Note 15.

In 2018, provision for credit losses on these financial assets amounted to ₱7.7 billion for the Group and ₱807.4 million for the Parent Company (Note 15).

Prior to January 1, 2018
In determining whether credit losses should be recorded in the statement of income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates in the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on historical loss experience adjusted on the basis of current historical data for assets with similar credit risk characteristics or using the NFR method.

The carrying values of loans and receivables and the related allowance for credit losses as of December 31, 2017 are disclosed in Note 9. In 2017 and 2016, provision for credit losses on loans and receivables amounted to ₱8.0 billion and ₱7.3 billion, respectively, for the Group, and ₱1.8 billion and ₱1.2 billion, respectively, for the Parent Company (Note 15).

b. *Impairment of AFS equity securities*
Prior to January 1, 2018, the Group determines that AFS equity securities are impaired when there has been a significant or prolonged decline in the fair value below their cost. This determination of what is significant or prolonged requires judgment. The Group treats ‘significant’ generally as 20.00% or more of the original cost of investment, and ‘prolonged’, greater than 12 months. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

As of December 31, 2017, allowance for impairment losses on AFS equity securities amounted to ₱293.5 million for the Group and ₱159.6 million for the Parent Company. As of December 31, 2017, the carrying value of AFS equity securities (included under ‘AFS investments’) amounted to ₱1.8 billion for the Group and ₱404.0 million for the Parent Company (Notes 8 and 15).

c. *Recognition of deferred income taxes*
Deferred tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The recognized net deferred tax assets and unrecognized deferred tax assets for the Group and the Parent Company are disclosed in Note 28.

d. *Present value of retirement liability*
The cost of defined retirement pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and the long-term nature of these plans, such estimates are subject to significant uncertainty. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the statement of financial position date. The present values of the retirement liability of the Group and the Parent Company are disclosed in Note 27.

e. *Impairment of non-financial assets*
The Group assesses impairment on non-financial assets (property and equipment, investments in subsidiaries, associates and a JV, investment properties, software costs, chattel mortgage properties and other 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: a) significant underperformance relative to expected historical or projected future operating results; b) significant changes in the manner of use of the acquired assets or the strategy for overall business; and c) significant negative industry or economic trends.

The Group uses the higher of FVLCTS and VIU in determining recoverable amount. As of December 31, 2018 and 2017, there has been a significant and prolonged decline in the fair value of an associate. The recoverable amount of the investment in the associate has been determined based on a VIU calculation. Key assumptions in VIU calculation are most sensitive to the following assumptions: (a) production volume; (b) price; (c) exchange rates; (d) capital expenditures and (e) long-term growth rates. Based on the Group’s impairment testing, the investment in associate is determined to be not impaired.

The carrying values of the property and equipment, investments in subsidiaries, associates and a JV, investment properties, software costs, chattel mortgage properties, and other assets of the Group and the Parent Company are disclosed in Notes 10, 11, 12 and 14, respectively.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. The recoverable amount of the CGU is determined based on FVLCTS.

The fair value of the CGU is determined using the discounted cash flow method for unquoted debt financial assets/liabilities at the appropriate market rate, the price-to-earnings (P/E) valuation model (in 2018) and discounted cash flow method (in 2017) for unquoted equity investments, and the appraisal reports for the valuation of real properties. Fair values of listed debt and equity securities are based on their quoted market prices. In applying the discounted cash flow method for equity investments, the Group used weighted average cost of capital or cost of equity, as appropriate, to discount the future cash flows from the business. Average growth rate was derived based on the historical or industry data as applicable. In 2018, the Group applied the P/E valuation model by reference to P/E ratios of listed comparable companies of the CGU’s equity investments. In 2017, the applicable pre-tax discount rates applied to cash flow projections is 7.18% and the growth rate applied to cash flows is 3.00%. Key assumptions in FVLCTS calculation of CGUs are most sensitive to discount rates and growth rates used to project cash flows and the P/E ratios of listed comparable companies of the CGU's equity investments. As of December 31, 2018 and 2017, the Group's goodwill amounted to ₱5.2 billion (Note 11).

4. Financial Risk and Capital Management

Introduction
The Group has exposure to the following risks from its use of financial instruments: (a) credit; (b) liquidity; and (c) market risks.

Risk management framework
The Board of Directors (BOD) has overall responsibility for the oversight of the Parent Company's risk management process. On the other hand, the risk management processes of the subsidiaries are the separate responsibilities of their respective BOD. Supporting the BOD in this function are certain Board-level committees such as Risk Oversight Committee (ROC), Audit Committee (AC) and senior management committees through the Executive Committee, Asset and Liability Committee (ALCO) and Policy Committee, among others.

The ROC, which is composed primarily of independent members of the BOD, is responsible for overseeing the Parent Company's risk infrastructure, the adequacy and relevance of risk policies, and the compliance to defined risk appetite and levels of exposure. The ROC is assisted in this responsibility by the Risk Management Group (RSK). RSK undertakes the implementation and execution of the Parent Company's Risk Management framework which involves the identification, assessment, control, monitoring and reporting of risks.

The Parent Company and its subsidiaries manage their respective financial risks separately. The subsidiaries have their own risk management processes but are structured similar to that of the Parent Company. To a certain extent, the respective risk management programs and objectives are the same across the Group. Risk management policies adopted by the subsidiaries and affiliates are aligned with the Parent Company's risk policies. To further promote compliance with PFRS and Basel III, the Parent Company created a Risk Management Coordinating Council (RMCC) composed of risk officers of the Parent Company and its financial institution subsidiaries.

Credit Risk
Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, related groups of borrowers, for market segmentation, and industry concentrations, and by monitoring exposures in relation to such limits, among others. The same is true for treasury-related activities. Each business unit is responsible for the quality of its credit portfolio and for monitoring and controlling all credit risks in its portfolio. Regular reviews and audits of business units and credit processes are undertaken by Internal Audit Group and RSK, respectively.

Management of credit risk
The Group faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers (e.g., investment securities issued by either sovereign or corporate entities) or enter into either market-traded or over-the-counter derivatives, either through implied or actual contractual agreements (i.e., on- or off-balance sheet exposures). The Parent Company manages its credit risk at various

levels (i.e., strategic level, portfolio level down to individual obligor or transaction) by adopting a credit risk management environment that has the following components:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit/financial assessment, risk grading and reporting and compliance with regulatory requirements;
- Establishment of authorization limits for the approval and renewal of credit facilities;
- Limiting concentrations of exposure to counterparties and industries (for loans), and by issuer (for investment securities);
- Utilizing the Internal Credit Risk Rating System (ICRRS) in order to categorize exposures according to the risk profile. The risk grading system is used for determining impairment provisions against specific credit exposures. The current risk grading framework consists of ten grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation; and
- Monitoring compliance with approved exposure limits.

Borrowers, counterparties or group of related accounts across the Group are aggregated and managed by the Parent Company's Institutional Banking Sector as the "Control Unit". Group Limits for conglomerates are set-up and approved to guide subsidiaries and affiliates of the Group. Consolidated exposures are regularly reported to senior management and the ROC.

Credit risk at initial recognition
The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

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

Maximum exposure to credit risk
An analysis of the maximum credit risk exposure relating to financial assets is shown below:

	Consolidated							
	2018				2017			
	Maximum Exposure to Credit Risk	**Fair Value of Collateral**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Due from other banks	**₱578**	**₱2,203**	**₱578**	**₱–**	₱–	₱–	₱–	₱–
Interbank loans receivable and SPURA	**8,067**	**8,060**	**8,058**	**9**	2,890	1,497	1,497	1,393
Loans and receivables - net								
Receivables from customers								
Commercial loans	**305,371**	**793,563**	**283,893**	**21,478**	355,965	770,343	280,367	75,598
Auto loans	**116,975**	**197,160**	**116,465**	**510**	115,839	205,210	115,243	596
Residential mortgage loans	**106,818**	**202,043**	**96,980**	**9,838**	98,852	201,224	98,691	161
Trade loans	**59,972**	**58,936**	**58,718**	**1,254**	39,946	41,921	38,223	1,723
Others	**674**	**694**	**655**	**19**	688	679	642	46
	589,810	**1,252,396**	**556,711**	**33,099**	611,290	1,219,377	533,166	78,124
Accounts receivable	**–**	**–**	**–**	**–**	1	1	1	–
Accrued interest receivable	**3,424**	**3,416**	**3,416**	**8**	3,112	4,805	2,902	210
Sales contract receivable	**155**	**347**	**122**	**33**	89	364	89	–
	593,389	**1,256,159**	**560,249**	**33,140**	614,492	1,224,547	536,158	78,334
Total	**₱602,034**	**₱1,266,422**	**₱568,885**	**₱33,149**	₱617,382	₱1,226,044	₱537,655	₱79,727

	Parent Company							
	2018				2017			
	Maximum Exposure to Credit Risk	**Fair Value of Collateral**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Due from other banks	**₱–**	**₱–**	**₱–**	**₱–**	₱–	₱–	₱–	₱–
Interbank loans receivable and SPURA	**1,459**	**1,634**	**1,459**	–	1,635	2,013	1,635	–
Loans and receivables - net								
Receivables from customers								
Commercial loans	**269,607**	**753,469**	**254,545**	**15,062**	244,514	655,998	217,393	27,121
Auto loans	**29,109**	**74,249**	**28,646**	**463**	33,524	78,135	32,950	574
Residential mortgage loans	**57,239**	**113,903**	**57,026**	**213**	52,890	111,478	52,729	161
Trade loans	**59,908**	**58,873**	**58,654**	**1,254**	39,895	41,870	38,172	1,723
Others	**659**	**685**	**647**	**12**	673	673	637	36
	416,522	**1,001,179**	**399,518**	**17,004**	371,496	888,154	341,881	29,615
Accrued interest receivable	**1,489**	**1,483**	**1,483**	**6**	1,371	1,161	1,161	210
Sales contract receivable	**116**	**140**	**109**	**7**	16	60	16	–
	418,127	**1,002,802**	**401,110**	**17,017**	372,883	889,375	343,058	29,825
Total	**₱419,586**	**₱1,004,436**	**₱402,569**	**₱17,017**	₱374,518	₱891,388	₱344,693	₱29,825

An analysis of the maximum credit risk exposure relating to financial assets under Stage 3 as of December 31, 2018 is shown below:

	Consolidated				
	Maximum Exposure to Credit Risk	**Fair Value of Collateral**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**	**Expected Credit Loss**
Loans and receivables - net					
Receivables from customers					
Commercial loans	**₱921**	**₱2,907**	**₱886**	**₱35**	**₱2,087**
Auto loans	**2,870**	**5,780**	**2,870**	**–**	**1,148**
Residential mortgage loans	**2,130**	**4,067**	**1,717**	**413**	**252**
Trade loans	**4**	**97**	**4**	**–**	**95**
Others	**1**	**40**	**1**	**–**	**38**
	5,926	**12,891**	**5,478**	**448**	**3,620**
Accrued interest receivable	**61**	**524**	**61**	**–**	**699**
Sales contract receivable	**–**	**62**	**–**	**–**	**27**
Total	**₱5,987**	**₱13,477**	**₱5,539**	**₱448**	**₱4,346**

	Parent Company				
	Maximum Exposure to Credit Risk	**Fair Value of Collateral**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**	**Expected Credit Loss**
Loans and receivables - net					
Receivables from customers					
Commercial loans	**₱791**	**₱2,518**	**₱757**	**₱34**	**₱1,805**
Auto loans	**100**	**463**	**100**	**–**	**82**
Residential mortgage loans	**667**	**1,512**	**667**	**–**	**88**
Trade loans	**4**	**97**	**4**	**–**	**95**
Others	**1**	**40**	**1**	**–**	**38**
	1,563	**4,630**	**1,529**	**34**	**2,108**
Accrued interest receivable	**10**	**10**	**10**	**–**	**333**
Total	**₱1,573**	**₱4,640**	**₱1,539**	**₱34**	**₱2,441**

Collateral on loans and receivables includes real estate and chattel mortgages, guarantees, and other registered securities over assets (Note 9). Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements and certain due from other banks. Collateral usually is not held against investment securities, and no such collateral was held as of December 31, 2018 and 2017. Estimates of fair values of the collateral are based on the value of collateral assessed at the time of borrowing and are regularly updated according to internal lending policies and regulatory guidelines. The Group is not permitted to sell or repledge the collateral in the absence of default by the counterparty.

The maximum exposure to credit risks for the other financial assets including loan commitments and financial guarantees is limited to their carrying values as of December 31, 2018 and 2017.

The following tables show the effect of rights of set-off associated with the recognized financial assets and financial liabilities.

Financial assets recognized by type	Gross Carrying Amounts (before offsetting)	Gross Amounts Offset in accordance with the Offsetting Criteria	Net Amount Presented in Statement of Financial Position	Effect of Remaining Rights of Set-Off (including rights to set-off financial collateral) offsetting criteria: Financial Instruments	Fair Value of Financial Collateral	Net Exposure
Consolidated						
2018						
Derivative assets	**₱178,920**	**₱168,270**	**₱10,650**	**₱1,534**	**₱–**	**₱9,116**
SPURA	**8,067**	**–**	**8,067**	**–**	**8,058**	**9**
	₱186,987	**₱168,270**	**₱18,717**	**₱1,534**	**₱8,058**	**₱9,125**
2017						
Derivative assets	₱164,806	₱158,611	₱6,195	₱919	₱–	₱5,276
SPURA	1,616	–	1,616	–	1,616	–
	₱166,422	₱158,611	₱7,811	₱919	₱1,616	₱5,276
Parent Company						
2018						
Derivative assets	**₱177,295**	**₱166,659**	**₱10,636**	**₱1,534**	**₱–**	**₱9,102**
2017						
Derivative assets	₱162,083	₱155,961	₱6,122	₱919	₱–	₱5,203
Financial liabilities recognized by type						
Consolidated						
2018						
Derivative liabilities	**₱172,755**	**₱166,221**	**₱6,534**	**₱1,534**	**₱–**	**₱5,000**
SSURA	**95,247**	**–**	**95,247**	**–**	**95,247**	**–**
	₱268,002	**₱166,221**	**₱101,781**	**₱1,534**	**₱95,247**	**₱5,000**
2017						
Derivative liabilities	₱161,538	₱156,211	₱5,327	₱919	₱–	₱4,408
SSURA	64,575	–	64,575	–	64,288	287
	₱226,113	₱156,211	₱69,902	₱919	₱64,288	₱4,695
Parent Company						
2018						
Derivative liabilities	**₱154,742**	**₱148,562**	**₱6,180**	**₱1,534**	**₱–**	**₱4,646**
SSURA	**95,247**	**–**	**95,247**	**–**	**95,247**	**–**
	₱249,989	**₱148,562**	**₱101,427**	**₱1,534**	**₱95,247**	**₱4,646**
2017						
Derivative liabilities	₱161,538	₱156,211	₱5,327	₱919	₱–	₱4,408
SSURA	61,249	–	61,249	–	61,249	–
	₱222,787	₱156,211	₱66,576	₱919	₱61,249	₱4,408

Excessive risk concentration

Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics and are affected similarly by changes in economic or other conditions. The Parent Company analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, internal rating buckets, and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and financial investment securities. To mitigate risk concentration, the Parent Company constantly checks for breaches in regulatory and internal limits.

Concentration of risks of financial assets with credit risk exposure

Below is an analysis of concentrations of credit risk at the reporting date based on carrying amount:

	Consolidated				
	Loans and Receivables*	Loans and Advances to Banks**	Investment Securities***	Others****	Total
2018					
Concentration by Industry					
Financial and insurance activities	**₱184,848**	**₱336,673**	**₱80,486**	**₱199,358**	**₱801,365**
Manufacturing	**218,850**	–	**967**	**28,694**	**248,511**
Wholesale and retail trade, repair of motor vehicles, motorcycles	**231,924**	–	–	**8,023**	**239,947**
Real estate activities	**210,582**	–	**1,416**	**912**	**212,910**
Transportation and storage, information and communication	**113,058**	–	**152**	**1,372**	**114,582**
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	**100,346**	–	**4,238**	**3,601**	**108,185**
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	**86,926**	–	–	**257**	**87,183**
Construction	**58,218**	–	–	**488**	**58,706**
Agricultural, forestry and fishing	**34,356**	–	–	**2,810**	**37,166**
Accommodation and food service activities	**32,211**	–	–	**5**	**32,216**
Others*****	**138,767**	–	**288,324**	**25,571**	**452,662**
	1,410,086	**336,673**	**375,583**	**271,091**	**2,393,433**
Less allowance for credit losses	**22,688**	**18**	**48**	**10,598**	**33,352**
	₱1,387,398	**₱336,655**	**₱375,535**	**₱260,493**	**₱2,360,081**
Concentration by Location					
Philippines	**₱1,371,536**	**₱249,078**	**₱323,643**	**₱265,578**	**₱2,209,835**
Asia	**38,166**	**53,007**	**25,362**	**5,298**	**121,833**
USA	**273**	**10,968**	**13,829**	**215**	**25,285**
Europe	**81**	**14,672**	**7,727**	–	**22,480**
Others	**30**	**8,948**	**5,022**	–	**14,000**
	1,410,086	**336,673**	**375,583**	**271,091**	**2,393,433**
Less allowance for credit losses	**22,688**	**18**	**48**	**10,598**	**33,352**
	₱1,387,398	**₱336,655**	**₱375,535**	**₱260,493**	**₱2,360,081**
2017					
Concentration by Industry					
Financial and insurance activities	₱92,645	₱338,725	₱78,354	₱173,921	₱683,645
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	238,644	–	–	198	238,842
Manufacturing	194,439	–	1,013	17,209	212,661
Wholesale and retail trade, repair of motor vehicles, motorcycles	203,582	–	–	24,862	228,444
Real estate activities	205,574	–	1,550	818	207,942
Transportation and storage, information and communication	102,282	–	–	982	103,264
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	89,061	–	4,898	1,259	95,218
Construction	52,411	–	–	15,110	67,521
Accommodation and food service activities	28,645	–	–	49	28,694
Agricultural, forestry and fishing	29,476	–	–	580	30,056
Others*****	40,624	–	256,297	6,018	302,939
	1,277,383	338,725	342,112	241,006	2,199,226
Less allowance for credit losses	16,407	–	1	9,614	26,022
	₱1,260,976	₱338,725	₱342,111	₱231,392	₱2,173,204
Concentration by Location					
Philippines	₱1,247,661	₱265,587	₱291,675	₱238,847	₱2,043,770
Asia	29,583	62,115	26,212	2,068	119,978
USA	50	6,021	12,138	91	18,300
Europe	54	4,740	7,310	–	12,104
Others	35	262	4,777	–	5,074
	1,277,383	338,725	342,112	241,006	2,199,226
Less allowance for credit losses	16,407	–	1	9,614	26,022
	₱1,260,976	₱338,725	₱342,111	₱231,392	₱2,173,204

	Parent Company				
	Loans and Receivables*	Loans and Advances to Banks**	Investment Securities***	Others****	Total
2018					
Concentration by Industry					
Financial and insurance activities	**₱120,484**	**₱266,231**	**₱31,692**	**₱11,000**	**₱429,407**
Manufacturing	**213,184**	**–**	**967**	**28,694**	**242,845**
Wholesale and retail trade, repair of motor vehicles, motorcycles	**215,810**	**–**	**–**	**8,023**	**223,833**
Real estate activities	**164,310**	**–**	**–**	**873**	**165,183**
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	**97,581**	**–**	**3,836**	**3,601**	**105,018**
Transportation and storage, information and communication	**98,907**	**–**	**152**	**1,372**	**100,431**
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	**86,271**	**–**	**–**	**257**	**86,528**
Construction	**44,195**	**–**	**–**	**435**	**44,630**
Agricultural, forestry and fishing	**29,837**	**–**	**–**	**2,810**	**32,647**
Accommodation and food service activities	**31,762**	**–**	**–**	**5**	**31,767**
Others*****	**23,077**	**–**	**267,679**	**24,397**	**315,153**
	1,125,418	**266,231**	**304,326**	**81,467**	**1,777,442**
Less allowance for credit losses	**12,797**	**12**	**48**	**9,685**	**22,542**
	₱1,112,621	**₱266,219**	**₱304,278**	**₱71,782**	**₱1,754,900**
Concentration by Location					
Philippines	**₱1,110,240**	**₱208,586**	**₱258,035**	**₱75,993**	**₱1,652,854**
Asia	**14,810**	**23,471**	**19,773**	**5,261**	**63,315**
USA	**258**	**10,589**	**13,769**	**213**	**24,829**
Europe	**80**	**14,637**	**7,727**	**–**	**22,444**
Others	**30**	**8,948**	**5,022**	**–**	**14,000**
	1,125,418	**266,231**	**304,326**	**81,467**	**1,777,442**
Less allowance for credit losses	**12,797**	**12**	**48**	**9,685**	**22,542**
	₱1,112,621	**₱266,219**	**₱304,278**	**₱71,782**	**₱1,754,900**
2017					
Concentration by Industry					
Financial and insurance activities	₱87,854	₱271,217	₱32,337	₱13,756	₱405,164
Manufacturing	189,967	–	1,013	17,209	208,189
Wholesale and retail trade, repair of motor vehicles, motorcycles	189,915	–	–	24,862	214,777
Real estate activities	162,660	–	–	782	163,442
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	85,673	–	4,445	1,258	91,376
Transportation and storage, information and communication	90,064	–	–	982	91,046
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	86,081	–	–	198	86,279
Construction	40,979	–	–	15,054	56,033
Accommodation and food service activities	28,093	–	–	49	28,142
Agricultural, forestry and fishing	25,486	–	–	580	26,066
Others*****	20,245	–	232,246	4,880	257,371
	1,007,017	271,217	270,041	79,610	1,627,885
Less allowance for credit losses	8,589	–	–	9,614	18,203
	₱998,428	₱271,217	₱270,041	₱69,996	₱1,609,682
Concentration by Location					
Philippines	₱997,421	₱226,512	₱225,410	₱77,486	₱1,526,829
Asia	9,157	34,087	20,595	2,034	65,873
USA	341	5,738	11,948	90	18,117
Europe	62	4,618	7,311	–	11,991
Others	36	262	4,777	–	5,075
	1,007,017	271,217	270,041	79,610	1,627,885
Less allowance for credit losses	8,589	–	–	9,614	18,203
	₱998,428	₱271,217	₱270,041	₱69,996	₱1,609,682

* Excludes statutory receivables which are not considered financial assets.
** Comprised of due from BSP, due from other banks and interbank loans receivable and SPURA.
*** Comprised of debt securities at FVOCI and investment securities at amortized cost (in 2018) and AFS debt investments (in 2017).
**** Comprised of applicable accounts under other assets, financial guarantees and loan commitments and other credit-related liabilities.
***** Includes government-issued debt securities.

Credit quality per class of financial assets
The credit quality of financial assets is assessed and managed using external and internal ratings.

The ICRRS contains the following:

a. Borrower Risk Rating (BRR) - an assessment of the credit worthiness of the borrower (or guarantor) without considering the type or amount of the facility and security arrangements. It is an indicator of the probability that a borrower cannot meet its credit obligations when it falls due. The assessment is described below:

Component	Description	Credit Factor Weight
Financial Condition	Refers to the financial condition of the borrower based on audited financial statements as indicated by certain financial ratios. The Financial Factor Evaluation is conducted manually.	40.00%
Industry Analysis	Refers to the prospects of the industry as well as the company's performance and position in the industry.	30.00%
Management Quality	Refers to the management's ability to run the company successfully.	30.00%

b. Facility Risk Factor (FRF) - determined for each individual facility considering the term of the facility, security arrangement and quality of documentation. This factor can downgrade or upgrade the BRR based on the elements relating to cover (collateral including pledged cash deposits and guarantee), quality of documentation and structure of transactions.

c. Adjusted Borrower Risk Rating - combination of BRR and FRF.

Loans and receivables
The credit quality is generally monitored using the 10-grade ICRRS which is integrated in the credit process. Validation of the individual borrower's risk rating is performed by the Credit Group to maintain accurate and consistent risk ratings across the credit portfolio. The credit quality with the corresponding ICRRS Grade and description of commercial loans follows:

<u>High Grade</u>
1 - Excellent
An excellent rating is given to a borrower with a very low probability of going into default and with high degree of stability, substance and diversity. Borrower has access to raise substantial amounts of funds through public market at any time; very strong debt service capacity and has conservative balance sheet ratios. Track record in profit terms is very good. Borrower exhibits highest quality under virtually all economic conditions.

2 - Strong
This rating is given to borrowers with low probability of going into default in the coming year. Normally has a comfortable degree of stability, substance and diversity. Under normal market conditions, borrower has good access to public markets to raise funds. Have a strong market and financial position with a history of successful performance. Overall debt service capacity is deemed very strong; critical balance sheet ratios are conservative. Concerned multinationals or local corporations are well capitalized.

<u>Standard Grade</u>
3 - Good
This rating is given to smaller corporations with limited access to public capital markets or to alternative financial markets. Access is however limited to favorable economic and/or market conditions. While probability of default is quite low, it bears characteristics of some degree of stability and substance. However, susceptibility to cyclical changes and more concentration of

business risk, by product or market, may be present. Typical is the combination of comfortable asset protection and an acceptable balance sheet structure. Debt service capacity is strong.

4 - Satisfactory
A 'satisfactory' rating is given to a borrower where clear risk elements exist and probability of default is somewhat greater. Volatility of earnings and overall performance: normally has limited access to public markets. Borrower should be able to withstand normal business cycles, but any prolonged unfavorable economic period would create deterioration beyond acceptable levels. Combination of reasonable sound asset and cash flow protection: debt service capacity is adequate. Reported profits in the past year and is expected to report a profit in the current year.

5 - Acceptable
An 'acceptable' rating is given to a borrower whose risk elements are sufficiently pronounced although borrower should still be able to withstand normal business cycles. Any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels. Risk is still acceptable as there is sufficient cash flow either historically or expected for the future; new business or projected finance transaction; an existing borrower where the nature of the exposure represents a higher risk because of extraordinary developments but for which a decreasing risk within an acceptable period can be expected.

<u>Substandard Grade</u>
6 - Watchlist
This rating is given to a borrower that belongs to an unfavorable industry or has company-specific risk factors which represent a concern. Operating performance and financial strength may be marginal and it is uncertain if borrower can attract alternative course of finance. Borrower finds it hard to cope with any significant economic downturn and a default in such a case is more than a possibility. Borrower which incurs net losses and has salient financial weaknesses, reflected on statements specifically in profitability. Credit exposure is not at risk of loss at the moment but performance of the borrower has weakened and unless present trends are reversed, could lead to losses.

7 - Especially Mentioned
This rating is given to a borrower that exhibits potential weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus, increase credit risk to the Group.

<u>Impaired</u>
8 - Substandard
These are loans or portions, thereof which appear to involve a substantial and unreasonable degree of risk to the Group because of unfavorable record or unsatisfactory characteristics. There exists the possibility of future losses to the Group unless given closer supervision. Borrower has well-defined weaknesses or weaknesses that jeopardize loan liquidation. Such well-defined weaknesses may include adverse trends or development of financial, managerial, economic or political nature, or a significant weakness in collateral.

9 - Doubtful
This rating is given to a nonperforming borrower whose loans or portions thereof have the weaknesses inherent in those classified as Substandard, with the added characteristics that existing facts, conditions, and values make collection or liquidation in full highly improbable and in which substantial loss is probable.

10 - Loss
This rating is given to a borrower whose loans or portions thereof are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value. The amount of loss is difficult to measure and it is not practical or desirable to defer writing off these basically worthless assets even though partial recovery may be obtained in the future.

The credit quality of consumer loan applicants are currently evaluated using PD models. For booked consumer loans, the description of credit quality is as follows:

High Grade
Good credit rating
This rating is given to a good repeat client with very satisfactory track record of its loan repayment (paid at least 50.00%) and whose account did not turn past due during the entire term of the loan.

Standard Grade
Good
A good rating is given to accounts which did not turn past due for 90 days and over.

Limited
This rating is given to borrowers who have average track record on loan repayment (paid less than 50.00%) and whose account did not turn past due for 90 days and over.

Substandard Grade
Poor
A poor rating is given to accounts who reached 90 days past due regardless of the number of times and the number of months past due.

Poor litigation
This rating is given to accounts that were past due for 180 days and over and are currently being handled by lawyers.

Impaired
Poor repossessed
This rating is given to accounts whose collaterals were repossessed.

Poor written-off
This rating is given to accounts that were recommended for write-off.

Investment securities
In ensuring quality investment portfolio, the Group uses the credit risk rating from the published data providers like Moody's, Standard & Poor's (S&P) or other reputable rating agencies. Presented here is Moody's rating - equivalent S&P rating and other rating agencies applies:

Credit Quality					**External Rating**				
High grade	Aaa	Aa1	Aa2	A1	A2	A3	Baa1	Baa2	Baa3
Standard grade	Ba1	Ba2	Ba3	B1	B2				
Substandard grade	B3	Caa1	Caa2	Caa3	Ca	C			
Impaired	D								

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to those rated by external rating agencies as 'Investment grade' (i.e., those under High grade in the table above).

The following tables show the credit quality of loans and advances to banks and investment securities, gross of allowance for credit losses, as of December 31, 2018. All loans and advances to banks and investment securities are classified as Stage 1 in 2018.

	Consolidated	Parent Company
Due from BSP		
High grade	₱240,134	₱206,289
Due from other banks		
High grade	44,707	35,137
Standard grade	697	50
Unrated	404	31
	45,808	35,218
Interbank loans receivable and SPURA		
High grade	48,757	22,750
Unrated	1,974	1,974
	50,731	24,724
Total loans and advances to banks		
High grade	333,598	264,176
Standard grade	697	50
Unrated	2,378	2,005
	₱336,673	₱266,231
Debt securities at FVOCI		
Private		
High grade	₱41,872	₱32,576
Standard grade	258	258
Unrated	239	239
	42,369	33,073
Treasury notes and bonds		
High grade	40,786	37,377
Government		
High grade	26,226	20,443
Standard grade	778	778
	27,004	21,221
Total debt securities at FVOCI		
High grade	108,884	90,396
Standard grade	1,036	1,036
Unrated	239	239
	110,159	91,671
Investment securities at amortized cost		
Treasury notes and bonds		
High grade	237,476	204,176
Government		
High grade	21,859	8,479
Private		
High grade	5,298	–
Standard grade	742	–
	6,040	–
Treasury bills		
High grade	49	–
Total investment securities at amortized cost		
High grade	264,682	212,655
Standard grade	742	–
	265,424	212,655
Total debt investment securities		
High grade	373,566	303,051
Standard grade	1,778	1,036
Unrated	239	239
	₱375,583	₱304,326

For loans and advances to other banks, availments of interbank loans and SPURA amounted to ₱33.0 billion for the Group and ₱24.7 billion for the Parent Company, and maturities amounted to ₱27.7 billion for the Group and ₱27.2 billion for the Parent Company. Net increase (decrease) in due from BSP and due from other banks amounted to (₱21.8 billion) and ₱14.5 billion, respectively, for the Group, and (₱18.4 billion) and ₱15.9 billion, respectively, for the Parent Company.

For debt investment securities at FVOCI, purchases amounted to ₱786.2 billion for the Group and ₱774.5 billion for the Parent Company. Disposals/maturities amounted to ₱764.2 billion for the Group and ₱759.8 billion for the Parent Company. Other movements, which include amortization of premiums/discounts, mark-to-market and foreign exchange revaluations, resulted in a decrease in carrying value of ₱10.1 billion for the Group and ₱2.2 billion for the Parent Company.

For investment securities at amortized cost, purchases amounted to ₱7.0 billion for the Group and ₱5.0 billion for the Parent Company. Maturities amounted to ₱4.1 billion for the Group and ₱29.6 million for the Parent Company. Other movements, which include amortization of premiums/discounts, mark-to-market and foreign exchange revaluations, resulted in an increase in carrying value of ₱1.5 billion for the Group and a decrease in carrying value of ₱2.9 million for the Parent Company.

The credit quality of receivables from customers, net of unearned discount and capitalized interest, as of December 31, 2018 follow:

	Consolidated					
	Stage 1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
Commercial loans						
High grade	₱255,970	₱10,916	₱–	₱–	₱–	₱266,886
Standard grade	565,642	29,719	–	792	–	596,153
Sub-standard grade	104,141	1	7,290	198	3,793	115,423
Past due but not impaired	–	–	–	111	–	111
Non-performing individually impaired	–	–	230	–	7,114	7,344
	925,753	40,636	7,520	1,101	10,907	985,917
Auto loans						
High grade	4,014	67,561	1	8,103	–	79,679
Standard grade	25,120	34	313	5,892	–	31,359
Sub-standard grade	16	6	1	1,557	13	1,593
Past due but not impaired	–	–	–	3,301	–	3,301
Non-performing individually impaired	–	–	34	–	4,006	4,040
	29,150	67,601	349	18,853	4,019	119,972
Residential mortgage loans						
High grade	1,802	39,422	–	6,181	–	47,405
Standard grade	52,429	33	1,462	785	–	54,709
Sub-standard grade	1,009	–	183	70	310	1,572
Past due but not impaired	–	–	–	1,855	–	1,855
Non-performing individually impaired	–	–	142	–	2,264	2,406
	55,240	39,455	1,787	8,891	2,574	107,947
Trade loans						
High grade	6,664	–	–	–	–	6,664
Standard grade	53,566	–	–	–	–	53,566
Sub-standard grade	2,521	–	276	–	–	2,797
Non-performing individually impaired	–	–	–	–	99	99
	62,751	–	276	–	99	63,126
Other loans						
High grade	12,194	859	–	345	–	13,398
Standard grade	68,816	22,916	–	1,434	–	93,166
Sub-standard grade	–	6	–	420	–	426
Past due but not impaired	–	–	–	86	–	86
Non-performing individually impaired	–	–	2,077	–	2,106	4,183
	81,010	23,781	2,077	2,285	2,106	111,259
Total receivables from customers						
High grade	280,644	118,758	1	14,629	–	414,032
Standard grade	765,573	52,702	1,775	8,903	–	828,953
Sub-standard grade	107,687	13	7,750	2,245	4,116	121,811
Past due but not impaired	–	–	–	5,353	–	5,353
Non-performing individually impaired	–	–	2,483	–	15,589	18,072
	₱1,153,904	₱171,473	₱12,009	₱31,130	₱19,705	₱1,388,221

	Parent Company						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Commercial loans							
High grade	**₱255,970**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱255,970**
Standard grade	**569,963**	**–**	**–**	**–**	**–**	**–**	**569,963**
Sub-standard grade	**104,141**	**–**	**7,290**	**–**	**3,793**	**–**	**115,224**
Non-performing individually impaired	**–**	**–**	**57**	**–**	**3,127**	**3,309**	**6,493**
	930,074	**–**	**7,347**	**–**	**6,920**	**3,309**	**947,650**
Auto loans							
High grade	**4,014**	**–**	**1**	**–**	**–**	**–**	**4,015**
Standard grade	**25,120**	**–**	**313**	**–**	**–**	**–**	**25,433**
Sub-standard grade	**16**	**–**	**2**	**–**	**12**	**–**	**30**
Non-performing individually impaired	**–**	**–**	**34**	**–**	**169**	**–**	**203**
	29,150	**–**	**350**	**–**	**181**	**–**	**29,681**
Residential mortgage loans							
High grade	**1,802**	**–**	**–**	**–**	**–**	**–**	**1,802**
Standard grade	**52,428**	**–**	**1,462**	**–**	**–**	**–**	**53,890**
Sub-standard grade	**1,009**	**–**	**183**	**–**	**311**	**–**	**1,503**
Non-performing individually impaired	**–**	**–**	**142**	**–**	**637**	**–**	**779**
	55,239	**–**	**1,787**	**–**	**948**	**–**	**57,974**
Trade loans							
High grade	**6,664**	**–**	**–**	**–**	**–**	**–**	**6,664**
Standard grade	**53,502**	**–**	**–**	**–**	**–**	**–**	**53,502**
Sub-standard grade	**2,521**	**–**	**276**	**–**	**–**	**–**	**2,797**
Non-performing individually impaired	**–**	**–**	**–**	**–**	**99**	**–**	**99**
	62,687	**–**	**276**	**–**	**99**	**–**	**63,062**
Other loans							
High grade	**12,194**	**–**	**–**	**–**	**–**	**–**	**12,194**
Standard grade	**336**	**–**	**–**	**–**	**–**	**–**	**336**
Non-performing individually impaired	**–**	**–**	**–**	**–**	**41**	**–**	**41**
	12,530	**–**	**–**	**–**	**41**	**–**	**12,571**
Total receivables from customers							
High grade	**280,644**	**–**	**1**	**–**	**–**	**–**	**280,645**
Standard grade	**701,349**	**–**	**1,775**	**–**	**–**	**–**	**703,124**
Sub-standard grade	**107,687**	**–**	**7,751**	**–**	**4,116**	**–**	**119,554**
Non-performing individually impaired	**–**	**–**	**233**	**–**	**4,073**	**3,309**	**7,615**
	₱1,089,680	**₱–**	**₱9,760**	**₱–**	**₱8,189**	**₱3,309**	**₱1,110,938**

Movements during 2018 for receivables from customers follows:

	Consolidated					
	Stage1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
Commercial loans						
Balance at January 1, 2018	**₱847,899**	**₱47,240**	**₱9,214**	**₱997**	**₱5,820**	**₱911,170**
New assets originated or purchased	**465,911**	**12,730**	**–**	**–**	**–**	**478,641**
Assets derecognized or repaid	**(386,216)**	**(18,853)**	**(3,696)**	**(258)**	**(420)**	**(409,443)**
Amounts written off	**–**	**–**	**(1)**	**–**	**(78)**	**(79)**
Transfers to/(from) Stage 1	**(7,170)**	**(482)**	**–**	**–**	**–**	**(7,652)**
Transfers to/(from) Stage 2	**–**	**–**	**1,897**	**362**	**–**	**2,259**
Transfers to/(from) Stage 3	**–**	**–**	**–**	**–**	**5,393**	**5,393**
Others	**5,329**	**1**	**106**	**–**	**192**	**5,628**
Balance at December 31, 2018	**925,753**	**40,636**	**7,520**	**1,101**	**10,907**	**985,917**
Auto loans						
Balance at January 1, 2018	**32,153**	**66,459**	**1,578**	**14,490**	**3,485**	**118,165**
New assets originated or purchased	**10,921**	**35,206**	**–**	**–**	**–**	**46,127**
Assets derecognized or repaid	**(14,699)**	**(18,665)**	**(335)**	**(7,651)**	**(2,511)**	**(43,861)**
Amounts written off	**–**	**–**	**–**	**(12)**	**(447)**	**(459)**
Transfers to/(from) Stage 1	**775**	**(15,399)**	**–**	**–**	**–**	**(14,624)**
Transfers to/(from) Stage 2	**–**	**–**	**(894)**	**12,026**	**–**	**11,132**
Transfers to/(from) Stage 3	**–**	**–**	**–**	**–**	**3,492**	**3,492**
Balance at December 31, 2018	**29,150**	**67,601**	**349**	**18,853**	**4,019**	**119,972**
Residential mortgage loans						
Balance at January 1, 2018	**46,939**	**36,429**	**5,519**	**8,662**	**2,187**	**99,736**
New assets originated or purchased	**16,378**	**10,240**	**–**	**–**	**–**	**26,618**
Assets derecognized or repaid	**(10,493)**	**(4,398)**	**(752)**	**(2,016)**	**(748)**	**(18,407)**
Transfers to/(from) Stage 1	**2,416**	**(2,816)**	**–**	**–**	**–**	**(400)**
Transfers to/(from) Stage 2	**–**	**–**	**(2,980)**	**2,245**	**–**	**(735)**
Transfers to/(from) Stage 3	**–**	**–**	**–**	**–**	**1,135**	**1,135**
Balance at December 31, 2018	**55,240**	**39,455**	**1,787**	**8,891**	**2,574**	**107,947**

(Forward)

	Consolidated					
	Stage1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
Trade loans						
Balance at January 1, 2018	₱40,624	₱–	₱395	₱–	₱101	₱41,120
New assets originated or purchased	62,840	–	–	–	–	62,840
Assets derecognized or repaid	(41,071)	–	(253)	–	(20)	(41,344)
Transfers to/(from) Stage 1	(151)	–	–	–	–	(151)
Transfers to/(from) Stage 2	–	–	134	–	–	134
Transfers to/(from) Stage 3	–	–	–	–	17	17
Others	509	–	–	–	1	510
Balance at December 31, 2018	62,751	–	276	–	99	63,126
Other loans						
Balance at January 1, 2018	71,885	10,018	2,022	2,007	1,753	87,685
New assets originated or purchased	24,527	26,264	–	–	–	50,791
Assets derecognized or repaid	(8,954)	(11,673)	(59)	(609)	(242)	(21,537)
Amounts written off	(1)	(2)	–	(66)	(5,617)	(5,686)
Transfers to/(from) Stage 1	(6,453)	(826)	–	–	–	(7,279)
Transfers to/(from) Stage 2	–	–	114	953	–	1,067
Transfers to/(from) Stage 3	–	–	–	–	6,212	6,212
Others	6	–	–	–	–	6
Balance at December 31, 2018	81,010	23,781	2,077	2,285	2,106	111,259
Total receivables from customers						
Balance at January 1, 2018	1,039,500	160,146	18,728	26,156	13,346	1,257,876
New assets originated or purchased	580,577	84,440	–	–	–	665,017
Assets derecognized or repaid	(461,433)	(53,589)	(5,095)	(10,534)	(3,941)	(534,592)
Amounts written off	(1)	(2)	(1)	(78)	(6,142)	(6,224)
Transfers to/(from) Stage 1	(10,583)	(19,523)	–	–	–	(30,106)
Transfers to/(from) Stage 2	–	–	(1,729)	15,586	–	13,857
Transfers to/(from) Stage 3	–	–	–	–	16,249	16,249
Others	5,844	1	106	–	193	6,144
Balance at December 31, 2018	₱1,153,904	₱171,473	₱12,009	₱31,130	₱19,705	₱1,388,221

	Parent Company						
	Stage1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Commercial loans							
Balance at January 1, 2018	₱839,156	₱–	₱9,092	₱–	₱1,880	₱3,383	₱853,511
New assets originated or purchased	474,250	–	–	–	–	–	474,250
Assets derecognized or repaid	(381,738)	–	(3,661)	–	(265)	(74)	(385,738)
Transfers to/(from) Stage 1	(6,923)	–	–	–	–	–	(6,923)
Transfers to/(from) Stage 2	–	–	1,810	–	–	–	1,810
Transfers to/(from) Stage 3	–	–	–	–	5,113	–	5,113
Others	5,329	–	106	–	192	–	5,627
Balance at December 31, 2018	930,074	–	7,347	–	6,920	3,309	947,650
Auto loans							
Balance at January 1, 2018	32,153	–	1,579	–	151	–	33,883
New assets originated or purchased	10,921	–	–	–	–	–	10,921
Assets derecognized or repaid	(14,698)	–	(335)	–	(90)	–	(15,123)
Transfers to/(from) Stage 1	774	–	–	–	–	–	774
Transfers to/(from) Stage 2	–	–	(894)	–	–	–	(894)
Transfers to/(from) Stage 3	–	–	–	–	120	–	120
Balance at December 31, 2018	29,150	–	350	–	181	–	29,681
Residential mortgage loans							
Balance at January 1, 2018	46,938	–	5,519	–	684	–	53,141
New assets originated or purchased	16,379	–	–	–	–	–	16,379
Assets derecognized or repaid	(10,492)	–	(752)	–	(302)	–	(11,546)
Transfers to/(from) Stage 1	2,414	–	–	–	–	–	2,414
Transfers to/(from) Stage 2	–	–	(2,980)	–	–	–	(2,980)
Transfers to/(from) Stage 3	–	–	–	–	566	–	566
Balance at December 31, 2018	55,239	–	1,787	–	948	–	57,974
Trade loans							
Balance at January 1, 2018	40,574	–	395	–	101	–	41,070
New assets originated or purchased	62,826	–	–	–	–	–	62,826
Assets derecognized or repaid	(41,071)	–	(253)	–	(20)	–	(41,344)
Transfers to/(from) Stage 1	(151)	–	–	–	–	–	(151)
Transfers to/(from) Stage 2	–	–	134	–	–	–	134
Transfers to/(from) Stage 3	–	–	–	–	17	–	17
Others	509	–	–	–	1	–	510
Balance at December 31, 2018	62,687	–	276	–	99	–	63,062
Other loans							
Balance at January 1, 2018	12,793	–	–	–	42	–	12,835
New assets originated or purchased	8,118	–	–	–	–	–	8,118
Assets derecognized or repaid	(8,387)	–	–	–	(1)	–	(8,388)
Others	6	–	–	–	–	–	6
Balance at December 31, 2018	12,530	–	–	–	41	–	12,571

(Forward)

	Parent Company						
	Stage1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Total receivables from customers							
Balance at January 1, 2018	₱971,614	₱–	₱16,585	₱–	₱2,858	₱3,383	₱994,440
New assets originated or purchased	572,494	–	–	–	–	–	572,494
Assets derecognized or repaid	(456,386)	–	(5,001)	–	(678)	(74)	(462,139)
Transfers to/(from) Stage 1	(3,886)	–	–	–	–	–	(3,886)
Transfers to/(from) Stage 2	–	–	(1,930)	–	–	–	(1,930)
Transfers to/(from) Stage 3	–	–	–	–	5,816	–	5,816
Others	5,844	–	106	–	193	–	6,143
Balance at December 31, 2018	₱1,089,680	₱–	₱9,760	₱–	₱8,189	₱3,309	₱1,110,938

The credit quality of other receivables, gross of allowance for credit losses, as of December 31, 2018 follows:

	Consolidated					
	Stage1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
Unquoted debt securities						
Standard grade	₱632	₱–	₱–	₱–	₱–	₱632
Non-performing individually impaired	–	–	–	–	386	386
	632	–	–	–	386	1,018
Accrued interest receivable						
High grade	4,305	1,758	–	120	–	6,183
Standard grade	2,783	4	6	99	–	2,892
Sub-standard grade	488	–	23	26	2	539
Unrated	21	1	–	–	–	22
Past due but not impaired	3	–	–	95	–	98
Non-performing individually impaired	–	–	1	–	932	933
	7,600	1,763	30	340	934	10,667
Sales contract receivables						
High grade	–	45	–	–	–	45
Unrated	–	116	–	–	–	116
Non-performing individually impaired	–	–	–	–	29	29
	–	161	–	–	29	190
Other receivables						
High grade	2	1	–	–	–	3
Standard grade	–	282	–	–	–	282
Unrated	36	12	–	–	–	48
Non-performing individually impaired	–	–	–	–	2	2
	38	295	–	–	2	335
Total other receivables						
High grade	4,307	1,804	–	120	–	6,231
Standard grade	3,415	286	6	99	–	3,806
Sub-standard grade	488	–	23	26	2	539
Unrated	57	129	–	–	–	186
Past due but not impaired	3	–	–	95	–	98
Non-performing individually impaired	–	–	1	–	1,349	1,350
	₱8,270	₱2,219	₱30	₱340	₱1,351	₱12,210

	Parent Company					
	Stage1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
Unquoted debt securities						
Non-performing individually impaired	₱–	₱–	₱–	₱–	₱386	₱386
Accrued interest receivable						
High grade	4,188	–	–	–	–	4,188
Standard grade	2,737	–	6	–	–	2,743
Sub-standard grade	487	–	23	–	2	512
Unrated	20	1	–	–	–	21
Past due but not impaired	3	–	–	–	–	3
Non-performing individually impaired	–	–	1	–	519	520
	7,435	1	30	–	521	7,987
Sales contract receivables						
Unrated	–	117	–	–	–	117
Non-performing individually impaired	–	–	–	–	2	2
	–	117	–	–	2	119
Other receivables						
Unrated	–	11	–	–	–	11
Non-performing individually impaired	–	–	–	–	2	2
	–	11	–	–	2	13

(Forward)

	Parent Company					
	Stage1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
Total other receivables						
High grade	₱4,188	₱–	₱–	₱–	₱–	₱4,188
Standard grade	2,737	–	6	–	–	2,743
Sub-standard grade	487	–	23	–	2	512
Unrated	20	129	–	–	–	149
Past due but not impaired	3	–	–	–	–	3
Non-performing individually impaired	–	–	1	–	909	910
	₱7,435	₱129	₱30	₱–	₱911	₱8,505

* Excludes statutory receivable which are not considered financial assets.

Movements during 2018 for other receivables follow:

	Consolidated					
	Stage1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
Balance at January 1, 2018	₱6,957	₱1,942	₱145	₱307	₱878	₱10,229
New assets originated or purchased	3,107	704	–	–	–	3,811
Assets derecognized or repaid	(1,252)	(253)	(55)	(50)	(218)	(1,828)
Transfers to/(from) Stage 1	(542)	(174)	–	–	–	(716)
Transfers to/(from) Stage 2	–	–	(60)	83	–	23
Transfers to/(from) Stage 3	–	–	–	–	693	693
Others	–	–	–	–	(2)	(2)
Balance at December 31, 2018	₱8,270	₱2,219	₱30	₱340	₱1,351	₱12,210

	Parent Company					
	Stage1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
Balance at January 1, 2018	₱5,979	₱25	₱145	₱–	₱726	₱6,875
New assets originated or purchased	2,748	113	–	–	–	2,861
Assets derecognized or repaid	(1,108)	(9)	(55)	–	(57)	(1,229)
Transfers to/(from) Stage 1	(184)	–	–	–	–	(184)
Transfers to/(from) Stage 2	–	–	(60)	–	–	(60)
Transfers to/(from) Stage 3	–	–	–	–	244	244
Others	–	–	–	–	(2)	(2)
Balance at December 31, 2018	₱7,435	₱129	₱30	₱–	₱911	₱8,505

The credit risk exposure on the accounts receivable (excluding statutory receivables which are not considered financial assets) of the Group and the Parent Company based on their aging as of December 31, 2018 follows:

	Age of accounts receivables				
	Up to 1 month	> 1 to 2 months	> 2 to 3 months	More than 3 months	Total gross carrying amount
Consolidated	₱5,256	₱126	₱55	₱4,218	₱9,655
Parent Company	₱2,359	₱57	₱18	₱3,541	₱5,975

The credit quality of loan commitments and financial guarantees as of December 31, 2018 follows:

	Consolidated					
	Stage1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
High grade	₱71	₱–	₱–	₱–	₱–	₱71
Standard grade	188,211	–	–	–	–	188,211
Unrated	69,513	–	84	–	–	69,597
	₱257,795	₱–	₱84	₱–	₱–	₱257,879

	Parent Company					
	Stage1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
Unrated	₱69,513	₱–	₱84	₱–	₱–	₱69,597

Movements during 2018 for loan commitments and financial guarantees follow:

	Consolidated					
	Stage1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
Balance at January 1, 2018	**₱228,559**	**₱–**	**₱302**	**₱–**	**₱–**	**₱228,861**
New assets originated or purchased	**50,093**	–	–	–	–	**50,093**
Assets derecognized or repaid	**(20,980)**	–	**(95)**	–	–	**(21,075)**
Transfers to/(from) Stage 1	**123**	–	–	–	–	**123**
Transfers to/(from) Stage 2	–	–	**(123)**	–	–	**(123)**
Balance at December 31, 2018	**₱257,795**	**₱–**	**₱84**	**₱–**	**₱–**	**₱257,879**

	Parent Company					
	Stage1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
Balance at January 1, 2018	**₱68,419**	**₱–**	**₱302**	**₱–**	**₱–**	**₱68,721**
New assets originated or purchased	**21,939**	–	–	–	–	**21,939**
Assets derecognized or repaid	**(20,968)**	–	**(95)**	–	–	**(21,063)**
Transfers to/(from) Stage 1	**123**	–	–	–	–	**123**
Transfers to/(from) Stage 2	–	–	**(123)**	–	–	**(123)**
Balance at December 31, 2018	**₱69,513**	**₱–**	**₱84**	**₱–**	**₱–**	**₱69,597**

The following tables show the credit quality of financial assets as of December 31, 2017:

	Loans and Receivables	Loans and Advances to Banks*	Investment Securities**	Others***	Total
Consolidated					
Neither past due nor impaired	₱1,243,084	₱338,725	₱342,111	₱231,392	₱2,155,312
Past due but not individually impaired	19,963	–	–	–	19,963
Impaired	14,336	–	1	9,614	23,951
Gross	1,277,383	338,725	342,112	241,006	2,199,226
Less allowance for credit losses	16,407	–	1	9,614	26,022
Net	₱1,260,976	₱338,725	₱342,111	₱231,392	₱2,173,204
Parent Company					
Neither past due nor impaired	₱996,138	₱271,217	₱270,041	₱69,996	₱1,607,392
Past due but not individually impaired	553	–	–	–	553
Impaired	10,326	–	–	9,614	19,940
Gross	1,007,017	271,217	270,041	79,610	1,627,885
Less allowance for credit losses	8,589	–	–	9,614	18,203
Net	₱998,428	₱271,217	₱270,041	₱69,996	₱1,609,682

* Comprised of due from BSP, due from other banks and interbank loans receivable and SPURA.
** Comprised of AFS debt investments.
***Comprised of applicable accounts under other assets, financial guarantees and loan commitments and other credit-related liabilities.

The table below shows the credit quality per class of financial assets that are neither past due nor individually impaired (gross of allowance for credit losses) as of December 31, 2017:

	Consolidated				
	High Grade	Standard Grade	Substandard Grade	Unrated	Total
Loans and advances to banks					
Due from BSP	₱261,959	₱–	₱–	₱–	₱261,959
Due from other banks	27,892	2,111	–	1,288	31,291
Interbank loans receivable and SPURA	41,965	1,842	–	1,668	45,475
	331,816	3,953	–	2,956	338,725
AFS investments					
Debt securities					
Government	33,859	1,455	–	3,498	38,812
Private	50,980	2,720	–	53	53,753
Treasury bills	115	–	–	–	115
Treasury notes and bonds	249,380	–	–	51	249,431
	334,334	4,175	–	3,602	342,111

(Forward)

	Consolidated				
	High Grade	Standard Grade	Substandard Grade	Unrated	Total
Loans and receivables					
Receivables from customers					
Commercial loans	₱275,149	₱524,599	₱106,762	₱–	₱906,510
Auto loans	73,895	30,551	43	–	104,489
Residential mortgage loans	41,600	50,450	1,169	–	93,219
Trade loans	5,932	33,203	1,873	–	41,008
Others	72,853	10,577	119	330	83,879
	469,429	649,380	109,966	330	1,229,105
Unquoted debt securities	121	713	–	32	866
Accrued interest receivable	4,985	2,455	318	126	7,884
Accounts receivable	1,998	208	107	2,536	4,849
Sales contract receivable	87	–	–	16	103
Other receivables	4	1	–	272	277
	476,624	652,757	110,391	3,312	1,243,084
Others	5	26	–	231,361	231,392
	₱1,142,779	₱660,911	₱110,391	₱241,231	₱2,155,312

	Parent Company				
	High Grade	Standard Grade	Substandard Grade	Unrated	Total
Loans and advances to banks					
Due from BSP	₱224,723	₱–	₱–	₱–	₱224,723
Due from other banks	19,237	30	–	19	19,286
Interbank loans receivable and SPURA	25,539	–	–	1,669	27,208
	269,499	30	–	1,688	271,217
AFS investments					
Debt securities					
Government	16,310	776	–	3,497	20,583
Private	35,519	494	–	52	36,065
Treasury notes and bonds	213,393	–	–	–	213,393
	265,222	1,270	–	3,549	270,041
Loans and receivables					
Receivables from customers					
Commercial loans	261,376	479,810	106,545	–	847,731
Auto loans	3,387	30,327	23	–	33,737
Residential mortgage loans	1,799	49,758	1,038	–	52,595
Trade loans	5,932	33,153	1,873	–	40,958
Others	12,324	407	62	–	12,793
	284,818	593,455	109,541	–	987,814
Unquoted debt securities	–	–	–	26	26
Accrued interest receivable	3,722	1,731	313	126	5,892
Accounts receivable	–	–	–	2,382	2,382
Sales contract receivable	–	–	–	16	16
Other receivables	–	–	–	8	8
	288,540	595,186	109,854	2,558	996,138
Others	–	–	–	69,996	69,996
	₱823,261	₱596,486	₱109,854	₱77,791	₱1,607,392

Breakdown of restructured receivables from customers by class are shown below:

	Consolidated		**Parent Company**	
	2018	2017	**2018**	2017
Commercial loans	**₱1,798**	₱2,897	**₱1,793**	₱2,869
Auto loans	**25**	32	**–**	–
Residential mortgage loans	**123**	153	**23**	23
Others	**164**	195	**–**	–
	₱2,110	₱3,277	**₱1,816**	₱2,892

As of December 31, 2018, an analysis by past due status of receivables from customers wherein the SICR is based only on the past due information is as follows:

	Consolidated					
	Number of days past due					
	Within 30 days	**31-60 days**	**61-90 days**	**91-180 days**	**Over 180 days**	**Total**
Auto loans	**₱61**	**₱14**	**₱10**	**₱34**	**₱1,464**	**₱1,583**
Residential mortgage loans	**266**	**88**	**43**	**120**	**838**	**1,355**
	₱327	**₱102**	**₱53**	**₱154**	**₱2,302**	**₱2,938**

	Parent Company					
	Number of days past due					
	Within 30 days	**31-60 days**	**61-90 days**	**91-180 days**	**Over 180 days**	**Total**
Auto loans	**₱54**	**₱12**	**₱9**	**₱26**	**₱103**	**₱204**
Residential mortgage loans	**265**	**87**	**43**	**119**	**436**	**950**
	₱319	**₱99**	**₱52**	**₱145**	**₱539**	**₱1,154**

Aging analysis of past due but not individually impaired loans and receivables as of December 31, 2017 is shown below:

	Consolidated					
	Number of days past due					
	Within 30 days	31-60 days	61-90 days	91-180 days	Over 180 days	Total
Receivables from customers						
Commercial loans	₱139	₱12	₱22	₱34	₱134	₱341
Auto loans	5,461	2,435	1,176	1,293	1,394	11,759
Residential mortgage loans	2,891	1,010	344	306	657	5,208
Trade loans	–	–	–	–	7	7
Others	125	840	649	45	326	1,985
Receivables from customers - net of unearned discounts and capitalized interest	8,616	4,297	2,191	1,678	2,518	19,300
Accrued interest receivable	107	58	34	42	59	300
Accounts receivable	5	8	10	312	7	342
Sales contract receivable	3	4	–	3	11	21
	₱8,731	₱4,367	₱2,235	₱2,035	₱2,595	₱19,963

	Parent Company					
	Number of days past due					
	Within 30 days	31-60 days	61-90 days	91-180 days	Over 180 days	Total
Receivables from customers						
Commercial loans	₱–	₱–	₱7	₱28	₱126	₱161
Auto loans	–	–	–	1	145	146
Residential mortgage loans	–	–	–	2	232	234
Trade loans	–	–	–	–	7	7
Receivables from customers - net of unearned discounts and capitalized interest	–	–	7	31	510	548
Accrued interest receivable	–	–	–	–	4	4
Sales contract receivable	–	–	–	–	1	1
	₱–	₱–	₱7	₱31	₱515	₱553

Liquidity Risk
Liquidity risk is the current and prospective risk to earnings or capital arising from the inability to meet obligations when they come due. This may be caused by the inability to liquidate assets or to obtain funding to meet liquidity needs.

The Group manages its liquidity risk by holding adequate stock of high quality liquid assets, analyzing net funding requirements over time, diversification of funding sources and contingency planning.

To measure the prospective liquidity needs, the Group uses Maximum Cumulative Outflow (MCO), a liquidity gap tool to project short-term as well as long-term cash flow expectations on a business-as-usual condition.

The MCO is generated by distributing the cash flows of the Group's assets, liabilities and off-balance sheet items to time bands based cash flow expectations such as contractual maturity, nature of the account, behavioral patterns, projections on business strategies, and/or optionality of certain products. The incorporation of behavioral cash flow assumptions and business projections or targets results in a dynamic gap report which realistically captures the behavior of the products and creates a forward-looking cash flow projection.

Cash flows from assets are considered as cash inflows, while cash flows from liabilities are considered cash outflows. The net cash flows are determined for each given time period. If the inflows exceed the outflows, the Group is said to have a positive liquidity gap or excess funds for the given time bucket. Conversely, if the outflows exceed the inflows, the Group is said to have a negative liquidity gap or funding need for the given time bucket

The MCO is monitored regularly to ensure that it remains within the set limits. The Parent Company generates and monitors daily its MCO. The subsidiaries generate at least monthly their respective MCO reports. The liquidity profile of the Group is reported monthly to the Parent Company's ROC.

To supplement the business-as-usual scenario parameters reflected in the MCO report, the Group also conducts liquidity stress testing to determine the impact of extreme factors, scenarios and/or events to the Group's liquidity profile. Liquidity stress testing is performed quarterly.

Financial assets
Analysis of debt securities into maturity groupings is based on the expected date on which these assets will be realized. For other financial assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date the assets will be realized.

Financial liabilities
The maturity groupings are based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay.

The table below summarizes the maturity profile of financial instruments and gross-settled derivatives based on contractual undiscounted cash flows.

	Consolidated						
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
2018							
Financial Assets							
Cash and other cash items	₱33,091	₱–	₱–	₱–	₱–	₱–	₱33,091
Due from BSP	240,134	–	–	–	–	–	240,134
Due from other banks	40,058	3,728	2,036	–	–	–	45,822
Interbank loans receivable and SPURA	2,200	27,992	13,294	3,749	3,521	–	50,756
Investment securities at FVTPL							
HFT investments	–	9,508	20,036	–	–	39	29,583
Derivative assets							
Trading:							
Receive	4	34,677	27,348	13,324	3,734	–	79,087
Pay	–	(59,215)	(24,785)	(12,371)	(5,417)	–	(101,788)
	4	(24,538)	2,563	953	(1,683)	–	(22,701)
Investment securities at FVOCI	–	309	1,314	5,405	15,132	109,071	131,231
Investment securities at amortized cost	29	40	253	929	3,773	366,156	371,180
Loans and receivables							
Receivables from customers	49,067	242,271	173,781	125,761	89,350	984,476	1,664,706
Unquoted debt securities	–	9	–	9	18	1,306	1,342
Accrued interest receivable	8,546	1,319	358	377	67	–	10,667
Accounts receivable	8,515	564	24	5	56	491	9,655
Sales contract receivable	8	1	13	14	26	143	205
Other receivables	15	320	–	–	–	–	335
Other assets							
Residual value of leased assets	28	40	61	67	158	776	1,130
Returned checks and other cash items	417	–	–	–	–	–	417
Miscellaneous	11	2	2	5	6	191	217
	₱382,123	₱261,565	₱213,735	₱137,274	₱110,424	₱1,462,649	₱2,567,770
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱355,473	₱–	₱–	₱–	₱–	₱–	₱355,473
Savings	609,471	–	–	–	–	–	609,471
Time	–	328,841	133,644	38,455	28,169	20,887	549,996
Long-term negotiable certificates of deposit (LTNCD)	–	34	104	375	750	49,814	51,077
	964,944	328,875	133,748	38,830	28,919	70,701	1,566,017
Bills payable and SSURA	1,155	87,961	65,458	35,957	24,933	52,487	267,951
Manager's checks and demand drafts outstanding	7,565	–	–	–	–	–	7,565
Accrued interest payable	329	1,141	2,154	240	90	334	4,288
Accrued other expenses	2,592	848	325	195	–	2	3,962
Bonds payable	–	67	265	501	3,964	30,002	34,799
Subordinated debts	–	–	301	16,360	290	12,008	28,959
Non-equity non-controlling interest	6,747	–	–	–	–	–	6,747
Other liabilities							
Bills purchased - contra	12,171	–	–	–	–	–	12,171
Accounts payable	3,101	10,446	–	2,082	–	–	15,629
Marginal deposits	82	–	4,150	–	–	–	4,232
Outstanding acceptances	–	898	419	225	251	–	1,793
Deposits on lease contracts	–	46	93	81	320	1,103	1,643
Notes payable	–	16	31	47	96	2,699	2,889
Dividends payable	–	90	–	–	–	–	90
Miscellaneous	8	–	–	–	–	–	8
	998,694	430,388	206,944	94,518	58,863	169,336	1,958,743
Derivative liabilities*							
Trading:							
Pay	–	73,574	40,125	66,613	5,474	7,402	193,188
Receive	–	(36,064)	(30,290)	(15,322)	(4,895)	(7,277)	(93,848)
	–	37,510	9,835	51,291	579	125	99,340
Loan commitments and financial guarantees	199,507	7,373	19,844	10,917	14,763	5,475	257,879
	₱1,198,201	₱475,271	₱236,623	₱156,726	₱74,205	₱174,936	₱2,315,962

	Consolidated						
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
2017							
Financial Assets							
Cash and other cash items	₱27,631	₱–	₱–	₱–	₱–	₱–	₱27,631
Due from BSP	261,959	–	–	–	–	–	261,959
Due from other banks	27,691	1,793	1,643	160	12	–	31,299
Interbank loans receivable and SPURA	800	27,897	9,992	3,624	2,759	427	45,499
Investment securities at FVTPL							
HFT investments	306	10,779	25,356	–	384	–	36,825
Derivative assets*							
Trading:							
Receive	–	29,365	27,836	9,286	3,167	2,793	72,447
Pay	–	(28,687)	(21,755)	(8,921)	(2,944)	(2,760)	(65,067)
	–	678	6,081	365	223	33	7,380
AFS investments	–	1,842	8,467	8,134	6,196	436,881	461,520
Loans and receivables							
Receivables from customers	40,003	192,955	180,877	120,582	82,487	885,197	1,502,101
Unquoted debt securities	–	9	126	40	27	1,524	1,726
Accrued interest receivable	6,693	245	20	33	75	1,730	8,796
Accounts receivable	6,827	981	17	9	1,198	22	9,054
Sales contract receivable	10	2	3	5	11	131	162
Other receivables	147	131	–	–	–	–	278
Other assets							
Residual value of leased assets	36	30	54	80	137	717	1,054
Returned checks and other cash items	10	–	285	–	–	–	295
Miscellaneous	191	–	–	–	–	5	196
	₱372,304	₱237,342	₱232,921	₱133,032	₱93,509	₱1,326,667	₱2,395,775
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱344,708	₱–	₱–	₱–	₱–	₱–	₱344,708
Savings	605,508	–	–	–	–	–	605,508
Time	–	253,185	172,830	43,711	52,555	29,931	552,212
LTNCD	–	30	104	258	517	33,575	34,484
	950,216	253,215	172,934	43,969	53,072	63,506	1,536,912
Bills payable and SSURA	–	131,248	29,844	11,775	24,294	33,617	230,778
Manager's checks and demand drafts outstanding	8,054	–	–	–	–	–	8,054
Accrued interest payable	275	580	887	103	75	146	2,066
Accrued other expenses	3,445	238	1	1	–	–	3,685
Bonds payable	–	–	–	–	–	3,043	3,043
Subordinated debts	–	–	301	360	1,675	27,732	30,068
Non-equity non-controlling interest	8,002	–	–	–	–	–	8,002
Other liabilities							
Bills purchased - contra	12,333	–	–	–	–	–	12,333
Accounts payable	6,625	9,124	–	–	330	4	16,083
Marginal deposits	–	–	3,229	–	–	–	3,229
Outstanding acceptances	–	980	347	138	265	11	1,741
Deposits on lease contracts	3	38	74	94	273	990	1,472
Dividends payable	91	–	–	–	–	–	91
Miscellaneous	7	7,400	–	–	7,401	–	14,808
	989,051	402,823	207,617	56,440	87,385	129,049	1,872,365
Derivative liabilities*							
Trading:							
Pay	–	52,874	26,252	9,196	3,132	105	91,559
Receive	–	(51,556)	(25,614)	(9,049)	(2,970)	(35)	(89,224)
	–	1,318	638	147	162	70	2,335
Loan commitments and financial guarantees	168,041	7,518	18,323	13,721	15,397	5,859	228,859
	₱1,157,092	₱411,659	₱226,578	₱70,308	₱102,944	₱134,978	₱2,103,559

	Parent Company						
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
2018							
Financial Assets							
Cash and other cash items	₱29,280	₱–	₱–	₱–	₱–	₱–	₱29,280
Due from BSP	206,289	–	–	–	–	–	206,289
Due from other banks	29,607	3,701	1,923	–	–	–	35,231
Interbank loans receivable and SPURA	–	18,046	6,106	–	601	–	24,753
Investment securities at FVTPL							
HFT investments	–	–	20,036	–	–	38	20,074
Derivative assets							
Trading:							
Receive	–	34,674	27,341	13,324	3,734	–	79,073
Pay	–	(59,215)	(24,785)	(12,371)	(5,417)	–	(101,788)
	–	(24,541)	2,556	953	(1,683)	–	(22,715)
Investment securities at FVOCI	–	240	866	4,788	10,751	91,191	107,836
Investment securities at amortized cost	–	–	57	–	423	298,611	299,091
Loans and receivables							
Receivables from customers	6,227	236,314	159,325	107,788	43,325	732,624	1,285,603
Unquoted debt securities	–	–	–	–	–	595	595
Accrued interest receivable	7,987	–	–	–	–	–	7,987
Accounts receivable	5,975	–	–	–	–	–	5,975
Sales contract receivable	4	1	13	13	25	77	133
Other receivables	13	–	–	–	–	–	13
Other assets							
Returned checks and other cash items	397	–	–	–	–	–	397
	₱285,779	₱233,761	₱190,882	₱113,542	₱53,442	₱1,123,136	₱2,000,542
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱322,371	₱–	₱–	₱–	₱–	₱–	₱322,371
Savings	577,815	–	–	–	–	–	577,815
Time	–	255,265	98,486	24,356	12,121	1,563	391,791
LTNCD	–	34	104	375	750	39,946	41,209
	900,186	255,299	98,590	24,731	12,871	41,509	1,333,186
Bills payable and SSURA	–	58,122	42,463	26,629	5,396	21,201	153,811
Manager's checks and demand drafts outstanding	5,950	–	–	–	–	–	5,950
Accrued interest payable	–	807	1,149	238	88	93	2,375
Accrued other expenses	1,881	–	–	–	–	–	1,881
Bonds payable	–	–	265	501	1,001	30,002	31,769
Subordinated debts	–	–	241	16,300	171	6,756	23,468
Other liabilities							
Bills purchased - contra	12,158	–	–	–	–	–	12,158
Accounts payable	–	7,104	–	–	–	–	7,104
Outstanding acceptances	–	898	419	225	251	–	1,793
Marginal deposits	–	–	166	–	–	–	166
	920,175	322,230	143,293	68,624	19,778	99,561	1,573,661
Derivative liabilities*							
Trading:							
Pay	–	73,574	40,122	66,613	5,474	–	185,783
Receive	–	(36,064)	(30,290)	(15,322)	(4,895)	–	(86,571)
	–	37,510	9,832	51,291	579	–	99,212
Loan commitments and financial guarantees	11,296	7,373	19,791	10,900	14,762	5,475	69,597
	₱931,471	₱367,113	₱172,916	₱130,815	₱35,119	₱105,036	₱1,742,470

	Parent Company						
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
2017							
Financial Assets							
Cash and other cash items	₱24,975	₱–	₱–	₱–	₱–	₱–	₱24,975
Due from BSP	224,723	–	–	–	–	–	224,723
Due from other banks	14,602	3,048	1,643	–	–	–	19,293
Interbank loans receivable and SPURA	–	18,250	3,371	3,624	1,990	–	27,235
Investment securities at FVTPL							
HFT investments	–	–	25,271	–	–	–	25,271
Derivative assets*							
Trading:							
Receive	–	29,365	25,113	9,286	3,167	2,793	69,724
Pay	–	(28,687)	(24,405)	(8,921)	(2,944)	(2,760)	(67,717)
	–	678	708	365	223	33	2,007
AFS investments	–	600	5,580	3,669	4,191	348,263	362,303
Loans and receivables							
Receivables from customers	3,287	186,045	168,660	101,479	42,025	642,687	1,144,183
Unquoted debt securities	–	–	–	–	–	685	685
Accrued interest receivable	6,458	–	–	–	–	–	6,458
Accounts receivable	5,677	–	–	–	–	–	5,677
Sales contract receivable	4	1	2	3	5	7	22
Other receivables	9	–	–	–	–	–	9
Other assets							
Returned checks and other cash items	–	–	284	–	–	–	284
	₱279,735	₱208,622	₱205,519	₱109,140	₱48,434	₱991,675	₱1,843,125
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱314,542	₱–	₱–	₱–	₱–	₱–	₱314,542
Savings	576,807	–	–	–	–	–	576,807
Time	–	238,319	122,331	22,678	10,861	2,605	396,794
LTNCD	–	30	104	258	517	30,200	31,109
	891,349	238,349	122,435	22,936	11,378	32,805	1,319,252
Bills payable and SSURA	–	82,065	7,009	–	5,089	13,617	107,780
Manager's checks and demand drafts outstanding	5,840	–	–	–	–	–	5,840
Accrued interest payable	–	309	330	76	64	144	923
Accrued other expenses	1,778	–	–	–	–	–	1,778
Subordinated debts	–	–	241	300	386	23,742	24,669
Other liabilities							
Bills purchased - contra	12,323	–	–	–	–	–	12,323
Accounts payable	–	7,488	–	–	–	–	7,488
Outstanding acceptances	–	980	347	138	265	11	1,741
Marginal deposits	–	–	682	–	–	–	682
Miscellaneous	–	7,400	–	–	–	–	7,400
	911,290	336,591	131,044	23,450	17,182	70,319	1,489,876
Derivative liabilities*							
Trading:							
Pay	–	52,874	26,252	9,196	3,132	105	91,559
Receive	–	(51,556)	(25,614)	(9,049)	(2,970)	(35)	(89,224)
	–	1,318	638	147	162	70	2,335
Loan commitments and financial guarantees	7,984	7,518	18,316	13,704	15,340	5,859	68,721
	₱919,274	₱345,427	₱149,998	₱37,301	₱32,684	₱76,248	₱1,560,932

*Does not include derivatives embedded in financial and non-financial contracts.

Market Risk

Market risk is the possibility of loss to future earnings, fair values, or future cash flows that may result 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 exchange rates, and other market factors. Market risk originates from holdings in foreign currencies, debt securities, and derivatives transactions. It is managed by segregating the balance sheet into a trading book and a banking book. ALCO, chaired by the President, is the senior review and decision-making body for the management of all related market risks. A set of risk limits is enforced to properly monitor and manage market risks. The risk limits are approved by the BOD. RSK serves under the ROC and performs daily market risk analyses to ensure compliance with the Parent Company's policies. The Treasury Group manages asset/liability risks arising from both banking book and trading operations in financial markets.

As part of group supervision, the Parent Company regularly coordinates with subsidiaries to monitor their compliance to their respective risk tolerances and ensure consistency of risk management practices. Risk aggregation and consolidation of exposures provide senior management with a group-wide market risk profile perspective such as Group Trading Value-at-Risk (VaR) and Earnings-at-Risk (EaR).

To the extent possible, the risk management framework used in monitoring and controlling market risk of the Parent Company, are aligned across the Group. While the Parent Company sets the said framework, each institution has its own risk management unit responsible in monitoring the market risk exposure of their institution.

Market risk - trading book
In measuring the potential loss in its trading portfolio, the Parent Company uses VaR. VaR is an estimate of the potential decline in the value of a portfolio, under normal market conditions, for a given "confidence level" over a specified holding period. The Parent Company measures and monitors the Trading Book VaR daily and this value is compared against the set VaR limit. Meanwhile, the Group VaR is monitored and reported monthly.

VaR methodology assumptions and parameters
Historical Simulation (HS) is used to compute the VaR. This method assumes that market rates volatility in the future will follow the same movement that occurred within the 260-day historical period. In calculating VaR, a 99.00% confidence level and a one-day holding period are assumed. This means that, statistically, within a one-day horizon, the trading losses will exceed VaR in 1 out of 100 trading days.

Like any other model, the HS method has its own limitations. To wit, it cannot predict volatility levels which did not happen in the specified historical period. The validity of the VaR model is verified through a daily backtesting analysis, which examines how frequently both actual and hypothetical daily losses exceed VaR. The result of the daily backtesting analysis is reported to the ALCO and ROC monthly.

A summary of the VaR levels of the trading portfolio of the Parent Company appears below:

	Rates and FX	Fixed Income	FX Options
As of December 31, 2018			
December 28	**₱47.91**	**₱34.15**	**₱2.58**
Average	**71.66**	**77.34**	**13.52**
Highest	**250.69**	**214.96**	**37.96**
Lowest	**23.21**	**28.84**	**1.88**
As of December 31, 2017			
December 29	96.03	128.98	12.68
Average	147.86	216.65	6.19
Highest	468.60	431.25	20.99
Lowest	50.06	83.28	0.44

Rates and Foreign Exchange (FX) VaR is the correlated VaR of the following products: FX spot, outright forward, non-deliverable forwards, FX swaps, interest rate swaps, and cross currency swaps. The Fixed Income VaR is the correlated VaR of these products: peso and foreign currency bonds, bond forwards and credit default swaps (CDS).

Each subsidiary performs daily mark-to-market valuation and VaR calculations for their trading book exposures. Risk exposures are bounded by a system of risk limits and monitoring tools to effectively manage these risks.

The table below summarizes the VaR levels of FMIC and PSBank:

	FMIC			PSBank		
		Bonds		Bonds		
	EQUITIES	PHP	USD	PHP	USD	FX
As of December 31, 2018						
December 28	**₱–**	**₱7.58**	**₱–**	**₱0.00**	**₱–**	**₱0.86**
Average	**8.32**	**11.90**	**0.34**	**0.50**	**0.86**	**0.92**
Highest	**24.61**	**37.26**	**4.06**	**12.17**	**12.14**	**3.64**
Lowest	**1.45**	**4.40**	**1.31**	**0.00**	**–**	**0.12**
As of December 31, 2017						
December 29	23.75	0.56	7.29	8.64	–	1.14
Average	23.79	5.36	3.43	9.33	9.11	0.88
Highest	97.03	13.32	7.91	30.31	39.34	1.30
Lowest	5.66	0.06	0.36	0.00	0.47	0.18

The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures and by doing stress testing analysis. These processes address potential product concentration risks, monitor portfolio vulnerability and give the management an early advice if an actual loss goes beyond what is deemed to be tolerable to the bank, even before the VaR limit is hit.

Stress testing is performed by the Parent Company on a quarterly basis and the results are reported to the ALCO and, subsequently, to the ROC and BOD. On a Group-wide perspective, stress testing is done, at least, on an annual basis. The results are reported by the Parent Company's Risk Management Group to the BOD through ROC. Furthermore, the results and contagion effects relevant to the specific institution will be reported by the institutions Risk Management Unit to their respective Senior Management and Board-level ROC.

Market risk - banking book
The Parent Company and its subsidiaries have in place their risk management system and processes to quantify and manage their respective market risks in the banking book.

The Group assesses interest rate risk in the banking book using measurement tools such as Interest Rate Repricing Gap, EaR, Delta Economic Value of Equity (ΔEVE), and Sensitivity Analysis.

Interest Rate Repricing Gap is a tool that distributes rate-sensitive assets and liabilities into pre-defined tenor buckets according to time remaining to their maturity (if fixed rate) or repricing (if floating rate). Items lacking definitive repricing schedule (e.g., current and savings account) and items with actual maturities that could vary from contractual maturities (e.g., securities with embedded options) are assigned to repricing tenor buckets based on analysis of historical patterns, past experience and/or expert judgment.

EaR measures the possible decline in the Group's net interest income as a result of adverse interest rate movements, given the current repricing profile. It is a tool used to evaluate the sensitivity of the accrual portfolio to changes in interest rates in the adverse direction over the next twelve (12) months.

EaR methodology assumptions and parameters
The Parent Company and its Subsidiaries calculate EaR using HS approach, with one-year horizon and using five years data. EaR is then derived as the 99th percentile biggest drop in net interest income. This methodology was implemented starting 2018, thus resulting to significant changes in the EaR figures below.

The table below shows the EaR profile of the Parent Company and certain subsidiaries as of December 31, 2018 and 2017:

	Parent Company	FMIC	PSBank	MCC	ORIX Metro	Total
2018	**(₱1,407.13)**	**(₱166.00)**	**(₱1,121.72)**	**(₱197.34)**	**(₱18.12)**	**(₱2,910.31)**
2017	(7,196.49)	(410.00)	(781.20)	(82.19)	(2.38)	(8,472.26)

The Parent Company generates and monitors daily its EaR exposure. The subsidiaries generate at least monthly their respective EaR reports.

In addition to EaR, starting 2018, the Parent Company uses ΔEVE to measure changes in the net present value of its banking book at different interest rates shocks and stress scenarios. It reflects changes in the economic value of equity over the remaining life of the assets and liabilities, i.e. run-off assumption. ΔEVE is calculated by slotting the notional repricing cash flows arising from rate-sensitive assets and liabilities into pre-defined tenor buckets. The present value of the net repricing cash flows is then calculated using various interest rate scenarios prescribed by Basel and internally developed by the Parent Company. As of December 31, 2018, the ΔEVE of the Parent Company amounted to (₱17.4 billion).

Aside from the EaR and ΔEVE, the Parent Company and its subsidiaries perform regular sensitivity and stress testing analysis on their banking books to further broaden their forward-looking analysis. This way, management can craft strategies to address and/or arrest probable risks, if necessary.

Foreign currency risk
Foreign exchange risk is the probability of loss to earnings or capital arising from changes in foreign exchange rates. Foreign currency liabilities generally consist of foreign currency deposits in the Group’s FCDU account. Foreign currency deposits are generally used to fund the Group’s foreign currency-denominated loan and investment portfolio in the FCDU. Banks are required by the BSP to match the foreign currency liabilities with the foreign currency assets held in FCDUs. In addition, the BSP requires a 30.00% liquidity reserve on all foreign currency liabilities held in the FCDU. Outside the FCDU, the Group has additional foreign currency assets and liabilities in its foreign branch network. The Group’s policy is to maintain foreign currency exposure within acceptable limits and within existing regulatory guidelines.

The following table sets forth, for the year indicated, the impact of reasonably possible changes in the USD exchange rate and other currencies per Philippine peso on pre-tax income and equity:

	Consolidated						**Parent Company**					
	2018			2017			**2018**			2017		
Currency	**Change in currency rate in %**	**Effect on profit before tax**	**Effect on equity**	Change in currency rate in %	Effect on profit before tax	Effect on equity	**Change in currency rate in %**	**Effect on profit before tax**	**Effect on equity**	Change in currency rate in %	Effect on profit before tax	Effect on equity
USD	+1.00%	**(121.52)**	**1.89**	+1.00%	37.13	7.51	+1.00%	**(34.54)**	**0.09**	+1.00%	36.43	0.44
EUR	+1.00%	**24.26**	**0.00**	+1.00%	31.31	0.00	+1.00%	**23.40**	**0.00**	+1.00%	29.11	0.00
JPY	+1.00%	**(18.51)**	**0.00**	+1.00%	(11.53)	0.00	+1.00%	**(18.51)**	**0.00**	+1.00%	(11.53)	0.00
GBP	+1.00%	**22.25**	**0.00**	+1.00%	18.46	0.00	+1.00%	**22.25**	**0.00**	+1.00%	18.46	0.00
Others	+1.00%	**11.41**	**0.00**	+1.00%	(1.83)	0.00	+1.00%	**11.41**	**0.00**	+1.00%	(1.83)	0.00

	Consolidated						Parent Company					
	2018			2017			**2018**			2017		
Currency	**Change in currency rate in %**	**Effect on profit before tax**	**Effect on equity**	Change in currency rate in %	Effect on profit before tax	Effect on equity	**Change in currency rate in %**	**Effect on profit before tax**	**Effect on equity**	Change in currency rate in %	Effect on profit before tax	Effect on equity
USD	-1.00%	**121.52**	**(1.89)**	-1.00%	(37.13)	(7.51)	-1.00%	**34.54**	**(0.09)**	-1.00%	(36.43)	(0.44)
EUR	-1.00%	**(22.53)**	**0.00**	-1.00%	(31.31)	0.00	-1.00%	**(23.40)**	**0.00**	-1.00%	(29.11)	0.00
JPY	-1.00%	**18.51**	**0.00**	-1.00%	11.53	0.00	-1.00%	**18.51**	**0.00**	-1.00%	11.53	0.00
GBP	-1.00%	**(22.25)**	**0.00**	-1.00%	(18.46)	0.00	-1.00%	**(22.25)**	**0.00**	-1.00%	(18.46)	0.00
Others	-1.00%	**(11.41)**	**0.00**	-1.00%	1.83	0.00	-1.00%	**(11.41)**	**0.00**	-1.00%	1.83	0.00

Information relating to Parent Company's currency derivatives is included in Note 8. As of December 31, 2018 and 2017, the Parent Company has outstanding foreign currency spot transactions (in equivalent peso amounts) of ₱7.6 billion and ₱4.5 billion, respectively (sold), and ₱8.8 billion and ₱10.8 billion, respectively (bought).

The impact on the Parent Company's equity already excludes the impact on transactions affecting the profit and loss.

Capital Management

The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous year.

BSP Reporting

Regulatory Qualifying Capital

Under existing BSP regulations, the determination of the compliance with regulatory requirements and ratios is based on the amount of the "unimpaired capital" (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies that differ from PFRS in some respects.

The Group complied with BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%; capital conservation buffer of 2.50% comprised of CET1 capital and Total Capital Adequacy Ratio (CAR) of 10.00%. These ratios shall be maintained at all times. Further, BSP Circular No. 856 covers the implementing guidelines on the framework for dealing with domestic systemically important banks (DSIBs) in accordance with the Basel III standards. Banks identified as DSIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer. Compliance with this requirement was phased-in starting January 1, 2017, with full compliance on January 1, 2019.

The details of CAR, as reported to the BSP, as of December 31, 2018 and 2017 follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Tier 1 capital	**₱278,930**	₱207,096	**₱281,282**	₱196,170
CET1 Capital	**278,930**	207,096	**281,282**	196,170
Less: Required deductions	**31,156**	26,824	**106,847**	69,006
Net Tier 1 Capital	**247,774**	180,272	**174,435**	127,164
Tier 2 capital	**41,177**	39,013	**32,649**	31,449
Total Qualifying Capital	**₱288,951**	₱219,285	**₱207,084**	₱158,613
Credit Risk-Weighted Assets	**₱1,469,970**	₱1,299,292	**₱1,160,414**	₱1,014,289
Market Risk-Weighted Assets	**57,101**	65,540	**46,045**	52,410
Operational Risk-Weighted Assets	**174,345**	163,790	**102,152**	107,484
Total Risk-Weighted Assets	**1,701,416**	1,528,622	**1,308,611**	1,174,183
CET1 Ratio*	**14.56%**	11.79%	**13.33%**	10.83%
Tier 1 capital ratio	**14.56%**	11.79%	**13.33%**	10.83%
Total capital ratio	**16.98%**	14.35%	**15.82%**	13.51%

** of which capital conservation buffer in 2018 and 2017 is 8.56% and 5.79%, respectively, for the Group and 7.33% and 4.83%, respectively, for the Parent Company*

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations.

Under Basel III, the regulatory qualifying capital of the Parent Company consists of CET1 capital, which comprises paid-up common stock, additional paid-in capital, retained earnings including current year profit, retained earnings reserves, OCI and non-controlling interest less required regulatory deductions. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes unsecured subordinated debts and general loan loss provision.

RWA consist of total assets excluding cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP. Operational RWA are computed using the Basic Indicator Approach. As of December 31, 2018, as discussed in Note 30, this includes the additional operational risk as required by the MB which shall be subject to its periodic review.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

The Internal Capital Adequacy Assessment Process (ICAAP) supplements the BSP's risk-based capital adequacy framework. In compliance with this, the Group has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget; as well as regulatory edicts.

Leverage Ratio

On June 9, 2015, the BSP issued Circular No. 881 covering the implementing guidelines on the Leverage Ratio framework designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018 per BSP Circular No. 990 issued on January 22, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

Liquidity Coverage Ratio (LCR)
On March 10, 2016, the BSP issued Circular No. 905 which provides the implementing guidelines on LCR and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows which should not be lower than 100.00%. Compliance with the LCR minimum requirement commenced on January 1, 2018 with the prescribed minimum ratio of 90.00% for 2018 and 100.00% effective January 1, 2019.

5. **Fair Value Measurement**

Financial Instruments
The methods and assumptions used by the Group and the Parent Company in estimating the fair values of financial assets and financial liabilities are:

Cash and other cash items, due from BSP and other banks and interbank loans receivable and SPURA
Carrying amounts approximate fair values in view of the relatively short-term maturities of these instruments.

Trading and investment securities
Fair values of debt and equity securities are generally based on quoted market prices. Where the debt securities are not quoted or the market prices are not readily available, the Group and the Parent Company obtained valuations from independent parties offering pricing services, used adjusted quoted market prices of comparable investments, or applied discounted cash flow methodologies. In 2017, unquoted equity securities are carried at cost less allowance for impairment losses due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value. In 2018, remeasurement of such unquoted equity securities to their fair values is not material to the financial statements.

Derivative instruments
Fair values are estimated based on quoted market prices, prices provided by independent parties, or prices derived using acceptable valuation models. The models utilize published underlying rates (e.g. interest rates, FX rates, CDS rates, FX volatilities and spot and forward FX rates) and are implemented through validated calculation engines.

Loans and receivables
Fair values of the Group's loans and receivables are estimated using the discounted cash flow methodology, using current incremental lending rates for similar types of loans. Where the instrument reprices on a quarterly basis or has a relatively short maturity, the carrying amounts approximate fair values.

Liabilities
Fair values are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued, if any. The carrying amount of demand and savings deposit liabilities and other short-term liabilities approximate fair value considering that these are either due and demandable or with short-term maturities.

Non-Financial Assets

Investment properties

Fair value of investment properties is determined based on valuations performed by independent and in-house appraisers using valuation technique with significant inputs that are not based on observable market data (Level 3). The valuation of investment properties was based on the Sales Comparison Approach and considered recent sales similar or substitute properties in the same areas where the investment properties are located, taking into account the economic conditions prevailing at the time of the valuation. Other factors considered were the location and shape of the properties, environmental issues, development controls such as the height restrictions, building coverage and floor area ratio restrictions, among others. The fair value of investment properties is based on its highest and best use, which is their current use.

The following tables summarize the carrying amounts and fair values of assets and liabilities, analyzed among those whose fair value is based on:

- Quoted market prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

	2018				
	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
HFT investments					
Debt securities					
Private	₱9,257	₱9,257	₱–	₱–	₱9,257
Government	6,247	6,247	–	–	6,247
Treasury notes and bonds	4,285	4,285	–	–	4,285
Treasury bills	2,642	2,642	–	–	2,642
BSP	2	2	–	–	2
	22,433	22,433	–	–	22,433
Equity securities	6,605	6,605	–	–	6,605
Derivative assets					
Cross currency swaps	8,222	–	8,222	–	8,222
Currency forwards	1,223	–	1,223	–	1,223
Interest rate swaps	1,205	–	1,205	–	1,205
Put option	1	–	1	–	1
	10,651	–	10,651	–	10,651
	39,689	29,038	10,651	–	39,689
Investment securities at FVOCI					
Debt securities					
Private	42,369	36,498	5,871	–	42,369
Treasury notes and bonds	40,786	40,786	–	–	40,786
Government	27,004	26,610	394	–	27,004
	110,159	103,894	6,265	–	110,159
Equity securities	1,129	945	184	–	1,129
	111,288	104,839	6,449	–	111,288
	₱150,977	₱133,877	₱17,100	₱–	₱150,977
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	₱237,464	₱202,537	₱–	₱–	₱202,537
Government	21,823	20,700	–	–	20,700
Private	6,040	5,654	–	–	5,654
Treasury bills	49	49	–	–	49
	265,376	228,940	–	–	228,940
Loans and receivables - net					
Receivables from customers					
Commercial loans	977,404	–	–	975,343	975,343
Auto loans	117,309	–	–	138,227	138,227

(Forward)

	2018				
	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Residential mortgage loans	**₱107,079**	**₱–**	**₱–**	**₱128,752**	**₱128,752**
Trade loans	**62,786**	**–**	**–**	**62,786**	**62,786**
Others	**106,014**	**–**	**–**	**106,910**	**106,910**
	1,370,592	**–**	**–**	**1,412,018**	**1,412,018**
Unquoted debt securities	**632**	**–**	**–**	**635**	**635**
Sales contract receivable	**156**	**–**	**–**	**196**	**196**
	1,371,380	**–**	**–**	**1,412,849**	**1,412,849**
Other assets					
Residual value of leased assets	**1,130**	**–**	**–**	**1,006**	**1,006**
Miscellaneous	**207**	**–**	**–**	**315**	**315**
	1,337	**–**	**–**	**1,321**	**1,321**
	1,638,093	**228,940**	**–**	**1,414,170**	**1,643,110**
Non-Financial Assets					
Investment properties	**7,500**	**–**	**–**	**14,224**	**14,224**
	₱1,645,593	**₱228,940**	**₱–**	**₱1,428,394**	**₱1,657,334**
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross currency swaps	**₱3,857**	**₱–**	**₱3,857**	**₱–**	**₱3,857**
Currency forwards	**1,388**	**–**	**1,388**	**–**	**1,388**
Interest rate swaps	**1,290**	**–**	**1,290**	**–**	**1,290**
Put option	**2**	**–**	**2**	**–**	**2**
Non-equity non-controlling interest	**6,747**	**–**	**6,747**	**–**	**6,747**
	₱13,284	**₱–**	**₱13,284**	**₱–**	**₱13,284**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	**₱548,019**	**₱–**	**₱–**	**₱548,837**	**₱548,837**
LTNCD	**43,790**	**40,354**	**–**	**–**	**40,354**
	591,809	**40,354**	**–**	**548,837**	**589,191**
Bills payable and SSURA	**259,607**	**–**	**–**	**273,567**	**273,567**
Bonds payable	**30,743**	**28,023**	**–**	**2,944**	**30,967**
Subordinated debts	**26,618**	**22,047**	**–**	**3,356**	**25,403**
Other liabilities					
Notes payable	**2,600**	**–**	**–**	**2,575**	**2,575**
Deposits on lease contracts	**1,643**	**–**	**–**	**1,376**	**1,376**
	₱913,020	**₱90,424**	**₱–**	**₱832,655**	**₱923,079**

	2018				
	Parent Company				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
HFT investments					
Debt securities					
Private	**₱8,571**	**₱8,571**	**₱–**	**₱–**	**₱8,571**
Government	**6,063**	**6,063**	**–**	**–**	**6,063**
Treasury notes and bonds	**3,394**	**3,394**	**–**	**–**	**3,394**
Treasury bills	**1,460**	**1,460**	**–**	**–**	**1,460**
BSP	**2**	**2**	**–**	**–**	**2**
	19,490	**19,490**	**–**	**–**	**19,490**
Equity securities	**38**	**38**	**–**	**–**	**38**
Derivative assets					
Cross currency swaps	**8,222**	**–**	**8,222**	**–**	**8,222**
Currency forwards	**1,210**	**–**	**1,210**	**–**	**1,210**
Interest rate swaps	**1,205**	**–**	**1,205**	**–**	**1,205**
Put option	**1**	**–**	**1**	**–**	**1**
	10,638	**–**	**10,638**	**–**	**10,638**
	30,166	**19,528**	**10,638**	**–**	**30,166**
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	**37,377**	**37,377**	**–**	**–**	**37,377**
Private	**33,073**	**32,499**	**574**	**–**	**33,073**
Government	**21,221**	**21,058**	**163**	**–**	**21,221**
	91,671	**90,934**	**737**	**–**	**91,671**

(Forward)

	2018				
	Parent Company				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Equity securities	**₱473**	**₱412**	**₱61**	**₱–**	**₱473**
	92,144	**91,346**	**798**	**–**	**92,144**
	₱122,310	**₱110,874**	**₱11,436**	**₱–**	**₱122,310**
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	**₱204,164**	**₱173,943**	**₱–**	**₱–**	**₱173,943**
Government	**8,443**	**8,162**	**–**	**–**	**8,162**
	212,607	**182,105**	**–**	**–**	**182,105**
Loans and receivables - net					
Receivables from customers					
Commercial loans	**940,127**	**–**	**–**	**922,105**	**922,105**
Auto loans	**29,444**	**–**	**–**	**29,522**	**29,522**
Residential mortgage loans	**57,500**	**–**	**–**	**57,860**	**57,860**
Trade loans	**62,722**	**–**	**–**	**62,722**	**62,722**
Others	**12,530**	**–**	**–**	**12,530**	**12,530**
	1,102,323	**–**	**–**	**1,084,739**	**1,084,739**
Sales contract receivable	**118**	**–**	**–**	**118**	**118**
	1,102,441	**–**	**–**	**1,084,857**	**1,084,857**
	1,315,048	**182,105**	**–**	**1,084,857**	**1,266,962**
Non-Financial Assets					
Investment properties	**2,825**	**–**	**–**	**6,194**	**6,194**
	₱1,317,873	**₱182,105**	**₱–**	**₱1,091,051**	**₱1,273,156**
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross currency swaps	**₱3,505**	**₱–**	**₱3,505**	**₱–**	**₱3,505**
Currency forwards	**1,385**	**–**	**1,385**	**–**	**1,385**
Interest rate swaps	**1,290**	**–**	**1,290**	**–**	**1,290**
Put option	**2**	**–**	**2**	**–**	**2**
	₱6,182	**₱–**	**₱6,182**	**₱–**	**₱6,182**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	**₱390,475**	**₱–**	**₱–**	**₱390,475**	**₱390,475**
LTNCD	**35,330**	**32,661**	**–**	**–**	**32,661**
	425,805	**32,661**	**–**	**390,475**	**423,136**
Bills payable and SSURA	**151,079**	**–**	**–**	**150,852**	**150,852**
Bonds payable	**27,826**	**28,023**	**–**	**–**	**28,023**
Subordinated debts	**22,471**	**22,047**	**–**	**–**	**22,047**
	₱627,181	**₱82,731**	**₱–**	**₱541,327**	**₱624,058**

	2017				
	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
Debt securities					
Treasury notes and bonds	₱13,383	₱13,383	₱–	₱–	₱13,383
Private	9,560	8,884	676	–	9,560
Government	5,310	5,310	–	–	5,310
Treasury bills	1,401	1,401	–	–	1,401
BSP	2	2	–	–	2
	29,656	28,980	676	–	29,656
Equity securities					
Quoted	7,862	7,862	–	–	7,862
Derivative assets					
Cross currency swaps	3,889	–	3,889	–	3,889
Currency forwards	1,671	–	1,671	–	1,671
Interest rate swaps	635	–	635	–	635
Put option	161	–	161	–	161
Call option	12	–	12	–	12
Embedded derivatives in non-financial contract	1	–	1	–	1
	6,369	–	6,369	–	6,369
	43,887	36,842	7,045	–	43,887

(Forward)

	2017				
	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
AFS investments					
Debt securities					
Treasury notes and bonds	₱249,431	₱249,431	₱–	₱–	₱249,431
Private	53,753	47,641	6,113	–	53,754
Government	38,812	34,659	4,153	–	38,812
Treasury bills	115	115	–	–	115
BSP	–	–	–	–	–
	342,111	331,846	10,266	–	342,112
Equity securities					
Quoted	1,625	1,625	–	–	1,625
	343,736	333,471	10,266	–	343,737
	₱387,623	₱370,313	₱17,311	₱–	₱387,624
Assets for which Fair Values are Disclosed					
Financial Assets					
Loans and receivables - net					
Receivables from customers					
Commercial loans	₱905,640	₱–	₱–	₱894,297	₱894,297
Residential mortgage loans	98,855	–	–	99,183	99,183
Auto loans	116,207	–	–	140,184	140,184
Trade loans	40,874	–	–	40,874	40,874
Others	84,943	–	–	84,486	84,486
	1,246,519	–	–	1,259,024	1,259,024
Unquoted debt securities	866	–	–	915	915
Sales contract receivable	91	–	–	125	125
	1,247,476	–	–	1,260,064	1,260,064
Other assets					
Residual value of leased assets	1,054	–	–	997	997
Miscellaneous	180	–	–	289	289
	1,234	–	–	1,286	1,286
	1,248,710	–	–	1,261,350	1,261,350
Non-Financial Assets					
Investment properties	7,717	–	–	12,185	12,185
	₱1,256,427	₱–	₱–	₱1,273,535	₱1,273,535
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Currency forwards	₱2,067	₱–	₱2,067	₱–	₱2,067
Cross currency swaps	2,759	–	2,759	–	2,759
Interest rate swaps	501	–	501	–	501
Call option	24	–	24	–	24
Put option	1	–	1	–	1
Non-equity non-controlling interest	8,002	–	8,002	–	8,002
	₱13,354	₱–	₱13,354	₱–	₱13,354
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱547,721	₱–	₱–	₱547,991	₱547,991
LTNCD	30,025	28,740	–	–	28,740
	577,746	28,740	–	547,991	576,731
Bills payable and SSURA	227,835	–	–	227,276	227,276
Bonds payable	2,910	–	–	2,992	2,992
Subordinated debts	26,580	22,254	–	3,557	25,811
Other liabilities					
Deposits on lease contracts	1,472	–	–	1,302	1,302
	₱836,543	₱50,994	₱–	₱783,118	₱834,112

	2017				
	Parent Company				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
HFT investments					
Debt securities					
Treasury notes and bonds	₱10,881	₱10,881	₱–	₱–	₱10,881
Private	8,698	8,698	–	–	8,698
Government	5,240	5,240	–	–	5,240
Treasury bills	1,156	1,156	–	–	1,156
BSP	2	2	–	–	2
	25,977	25,977	–	–	25,977
Derivative assets					
Cross currency swaps	3,889	–	3,889	–	3,889
Currency forwards	1,597	–	1,597	–	1,597
Interest rate swaps	635	–	635	–	635
Put option	161	–	161	–	161
Call option	12	–	12	–	12
Embedded derivatives in non-financial contract	1	–	1	–	1
	6,295	–	6,295	–	6,295
	32,272	25,977	6,295	–	32,272
AFS investments					
Debt securities					
Government	20,583	16,932	3,651	–	20,583
Private	36,065	35,515	550	–	36,065
Treasury notes and bonds	213,393	213,393	–	–	213,393
	270,041	265,840	4,201		270,041
Equity securities				–	
Quoted	343	343	–	–	343
	270,384	266,183	4,201	–	270,384
	₱302,656	₱292,160	₱10,496	₱–	₱302,656
Assets for which Fair Values are Disclosed					
Financial Assets					
Loans and receivables - net					
Receivables from customers					
Commercial loans	₱849,789	₱–	₱–	₱836,175	₱836,175
Residential mortgage loans	52,893	–	–	53,339	53,339
Auto loans	33,882	–	–	34,247	34,247
Trade loans	40,824	–	–	40,824	40,824
Others	12,757	–	–	12,757	12,757
	990,145	–	–	977,342	977,342
Unquoted debt securities	26	–	–	26	26
Sales contract receivable	18	–	–	18	18
	990,189	–	–	977,386	977,386
Non-Financial Assets					
Investment properties	3,013	–	–	6,235	6,235
	₱993,202	₱–	₱–	₱983,621	₱983,621
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross currency swaps	₱2,759	₱–	₱2,759	₱–	₱2,759
Currency forwards	2,067	–	2,067	–	2,067
Interest rate swaps	501	–	501	–	501
Call option	24	–	24	–	24
Put option	1	–	1	–	1
	₱5,352	₱–	₱5,352	₱–	₱5,352
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱395,948	₱–	₱–	₱395,948	₱395,948
LTNCD	26,650	25,608	–	–	25,608
	422,598	25,608	–	395,948	421,556
Bills payable and SSURA	106,482	–	–	106,534	106,534
Subordinated debts	22,437	22,254	–	–	22,254
	₱551,517	₱47,862	₱–	₱502,482	₱550,344

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models. Instruments included in Level 3 include those for which there is currently no active market. There were no transfers between levels of the fair value hierarchy in 2018 and 2017.

6. **Segment Information**

The Group's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served with segment representing a strategic business unit. Operating segments are reported in accordance with internal reporting to the Senior Management who is responsible for allocating resources to the segments and assessing its performance.

The Group's business segments follow:

- Consumer Banking - principally providing consumer type loans and support for effective sourcing and generation of consumer business;
- Corporate Banking - principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;
- Investment Banking - principally arranging structured financing, and providing services relating to privatizations, initial public offerings, mergers and acquisitions; and providing advisory services primarily aimed to create wealth to individuals and institutions;
- Treasury - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and corporate banking;
- Branch Banking - principally handling branch deposits and providing loans and other loan related businesses for domestic middle market clients; and
- Others - principally handling other services including but not limited to remittances, leasing, account financing, and other support services. Other operations of the Group comprise the operations and financial control groups.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross income and expense. The Group has no significant customers which contributes 10.00% or more of the consolidated revenue net of interest expense. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on a pool rate which approximates the cost of funds.

The following table presents revenue and income information of operating segments presented in accordance with PFRS and segment assets and liabilities:

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
2018							
Results of Operations							
Net interest income (expense)							
Third party	**₱17,881**	**₱40,602**	**₱–**	**₱9,444**	**(₱1,997)**	**₱2,892**	**₱68,822**
Intersegment	**(476)**	**(30,190)**	**–**	**1,761**	**27,639**	**1,266**	**–**
Net interest income after intersegment transactions	**17,405**	**10,412**	**–**	**11,205**	**25,642**	**4,158**	**68,822**
Non-interest income	**6,892**	**1,078**	**347**	**1,748**	**4,771**	**8,074**	**22,910**
Revenue - net of interest expense	**24,297**	**11,490**	**347**	**12,953**	**30,413**	**12,232**	**91,732**
Non-interest expense	**14,523**	**4,877**	**26**	**2,418**	**23,203**	**16,379**	**61,426**
Income (loss) before share in net income of subsidiaries, associates and a JV	**9,774**	**6,613**	**321**	**10,535**	**7,210**	**(4,147)**	**30,306**
Share in net income of subsidiaries, associates and a JV	**–**	**77**	**–**	**–**	**–**	**797**	**874**
Provision for income tax	**(2,212)**	**(455)**	**–**	**(2,637)**	**(88)**	**(2,353)**	**(7,745)**
Non-controlling interest in net income of consolidated subsidiaries	**–**	**–**	**–**	**–**	**–**	**(1,427)**	**(1,427)**
Net income (loss)	**₱7,562**	**₱6,235**	**₱321**	**₱7,898**	**₱7,122**	**(₱7,130)**	**₱22,008**
Statement of Financial Position							
Total assets	**₱221,884**	**₱1,043,630**	**₱–**	**₱464,751**	**₱153,913**	**₱359,515**	**₱2,243,693**
Total liabilities	**₱75,848**	**₱999,803**	**₱–**	**₱488,041**	**₱259,621**	**₱129,676**	**₱1,952,989**
Other Segment Information							
Capital expenditures	**₱488**	**₱62**	**₱–**	**₱108**	**₱60**	**₱2,807**	**₱3,525**
Depreciation and amortization	**₱586**	**₱130**	**₱–**	**₱28**	**₱1,557**	**₱1,783**	**₱4,084**
Provision for credit and impairment losses	**₱6,607**	**₱669**	**₱–**	**₱126**	**₱172**	**₱196**	**₱7,770**
2017							
Results of Operations							
Net interest income (expense)							
Third party	₱15,528	₱29,594	₱–	₱10,900	₱2,491	₱2,893	₱61,406
Intersegment	(267)	(11,914)	–	(1,240)	16,036	(2,615)	–
Net interest income after intersegment transactions	15,261	17,680	–	9,660	18,527	278	61,406
Non-interest income	6,827	871	307	2,252	3,935	7,955	22,147
Revenue - net of interest expense	22,088	18,551	307	11,912	22,462	8,233	83,553
Non-interest expense	12,784	5,521	28	1,587	20,818	14,244	54,982
Income (loss) before share in net income of subsidiaries, associates and a JV	9,304	13,030	279	10,325	1,644	(6,011)	28,571
Share in net income of subsidiaries, associates and a JV	–	72	–	–	–	617	689
Provision for income tax	(2,192)	(306)	–	(2,686)	(6)	(2,800)	(7,990)
Non-controlling interest in net income of consolidated subsidiaries	–	–	–	–	–	(3,047)	(3,047)
Net income (loss)	₱7,112	₱12,796	₱279	₱7,639	₱1,638	(₱11,241)	₱18,223
Statement of Financial Position							
Total assets	₱199,070	₱948,654	₱–	₱428,021	₱146,941	₱357,606	₱2,080,292
Total liabilities	₱73,918	₱915,469	₱–	₱462,108	₱241,208	₱183,499	₱1,876,202
Other Segment Information							
Capital expenditures	₱884	₱91	₱–	₱130	₱110	₱3,319	₱4,534
Depreciation and amortization	₱583	₱137	₱–	₱19	₱1,271	₱2,008	₱4,018
Provision for credit and impairment losses	₱5,667	₱1,882	₱–	(₱426)	₱202	₱182	₱7,507
2016							
Results of Operations							
Net interest income (expense)							
Third party	₱14,020	₱22,689	₱–	₱12,342	₱1,726	₱2,169	₱52,946
Intersegment	(254)	(8,977)	–	(4,109)	15,123	(1,783)	–
Net interest income after intersegment transactions	13,766	13,712	–	8,233	16,849	386	52,946
Non-interest income	5,660	630	643	6,806	3,532	8,395	25,666
Revenue - net of interest expense	19,426	14,342	643	15,039	20,381	8,781	78,612
Non-interest expense	13,576	2,980	44	1,748	18,581	15,006	51,935
Income (loss) before share in net income of subsidiaries, associates and a JV	5,850	11,362	599	13,291	1,800	(6,225)	26,677
Share in net income of subsidiaries, associates and a JV	–	30	–	–	–	231	261
Provision for income tax	(1,358)	(303)	–	(2,903)	(40)	(2,018)	(6,622)
Non-controlling interest in net income of consolidated subsidiaries	–	–	–	–	–	(2,230)	(2,230)
Net income (loss)	₱4,492	₱11,089	₱599	₱10,388	₱1,760	(₱10,242)	₱18,086

(Forward)

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
Statement of Financial Position							
Total assets	₱166,374	₱788,813	₱–	₱466,711	₱144,026	₱310,085	₱1,876,009
Total liabilities	₱63,000	₱760,320	₱–	₱480,348	₱227,514	₱139,274	₱1,670,456
Other Segment Information							
Capital expenditures	₱1,000	₱58	₱–	₱130	₱95	₱3,045	₱4,328
Depreciation and amortization	₱499	₱170	₱–	₱12	₱1,249	₱1,834	₱3,764
Provision for credit and impairment losses	₱7,009	(₱233)	₱–	₱–	(₱603)	₱1,169	₱7,342

Non-interest income consists of service charges, fees and commissions, profit from assets sold, trading and securities gain (loss) - net, foreign exchange gain (loss) - net, income from trust operations, leasing, dividends and miscellaneous income. Non-interest expense consists of compensation and fringe benefits, taxes and licenses, provision for credit and impairment losses, depreciation and amortization, occupancy and equipment-related costs, amortization of software costs, and miscellaneous expenses.

Geographical Information

The Group operates in four geographic markets: Philippines, Asia other than Philippines, USA and Europe (Note 2).

The following tables show the distribution of Group's external net operating income and non-current assets allocated based on the location of the customers and assets, respectively, for the years ended December 31:

	Philippines	Asia (Other than Philippines)	USA	Europe	Total
2018					
Interest income	**₱94,670**	**₱2,461**	**₱55**	**₱–**	**₱97,186**
Interest expense	**27,269**	**1,075**	**20**	**–**	**28,364**
Net interest income	**67,401**	**1,386**	**35**	**–**	**68,822**
Non-interest income	**21,189**	**1,065**	**602**	**54**	**22,910**
Provision for credit and impairment losses	**7,576**	**194**	**–**	**–**	**7,770**
Total external net operating income	**₱81,014**	**₱2,257**	**₱637**	**₱54**	**₱83,962**
Non-current assets	**₱31,635**	**₱653**	**₱15**	**₱5**	**₱32,308**
2017					
Interest income	₱78,302	₱1,980	₱40	₱–	₱80,322
Interest expense	18,079	827	10	–	18,916
Net interest income	60,223	1,153	30	–	61,406
Non-interest income	20,768	819	505	55	22,147
Provision for credit and impairment losses	7,388	119	–	–	7,507
Total external net operating income	₱73,603	₱1,853	₱535	₱55	₱76,046
Non-current assets	₱32,233	₱652	₱10	₱5	₱32,900
2016					
Interest income	₱66,653	₱1,490	₱38	₱–	₱68,181
Interest expense	14,463	766	6	–	15,235
Net interest income	52,190	724	32	–	52,946
Non-interest income	23,908	1,012	669	77	25,666
Provision for credit and impairment losses	7,257	85	–	–	7,342
Total external net operating income	₱68,841	₱1,651	₱701	₱77	₱71,270
Non-current assets	₱32,543	₱603	₱13	₱5	₱33,164

Non-current assets consist of property and equipment, investment properties, chattel properties acquired in foreclosure, software costs and assets held under joint operations.

7. Interbank Loans Receivable and Securities Purchased Under Resale Agreements

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Interbank loans receivable (Note 31)	**₱42,664**	₱43,859	**₱24,724**	₱27,208
SPURA	**8,067**	1,616	**–**	–
	50,731	45,475	**24,724**	27,208
Less allowance for credit losses (Note 15)	**12**	–	**12**	–
	₱50,719	₱45,475	**₱24,712**	₱27,208

The outstanding balance of SPURA represents overnight placements with the BSP where the underlying securities cannot be sold or repledged to parties other than the BSP.

In 2018, 2017 and 2016, the interest rates of the interbank loans receivables ranging from 0.00% to 5.40%, 0.00% to 5.90%, and 0.00% to 3.50%, respectively, for the Group and 0.00% to 3.54%, 0.00% to 3.50%, and 0.00% to 2.90%, respectively, for the Parent Company.

8. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Investment securities at:				
FVTPL	**₱39,689**	₱43,887	**₱30,166**	₱32,272
FVOCI (Note 29)	**111,288**	–	**92,144**	–
Amortized cost (Note 29)	**265,376**	–	**212,607**	–
AFS investments (Note 29)	**–**	343,910	**–**	270,445
	₱416,353	₱387,797	**₱334,917**	₱302,717

Investment securities at FVTPL consist of the following:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
HFT investments				
Debt securities				
Private	**₱9,257**	₱9,560	**₱8,571**	₱8,698
Government	**6,247**	5,310	**6,063**	5,240
Treasury notes and bonds	**4,285**	13,383	**3,394**	10,881
Treasury bills	**2,642**	1,401	**1,460**	1,156
BSP	**2**	2	**2**	2
	22,433	29,656	**19,490**	25,977
Equity securities	**6,605**	7,862	**38**	–
	29,038	37,518	**19,528**	25,977
Derivative assets	**10,651**	6,369	**10,638**	6,295
	₱39,689	₱43,887	**₱30,166**	₱32,272

The following are the fair values of the Parent Company's derivative financial instruments recorded as 'Derivative assets/liabilities', together with the notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2018 and 2017 and are not indicative of either market risk or credit risk.

	Derivative Assets	Derivative Liabilities	Notional Amount	Average Forward Rate (in every USD 1)
December 31, 2018				
Freestanding derivatives:				
Currency forwards				
BOUGHT:				
USD	**₱68**	**₱1,152**	**USD 1,774**	**₱53.1275**
CNY	**–**	**28**	**CNY 515**	**CNY 0.1463**
EUR	**–**	**1**	**EUR 1**	**EUR 1.1746**
THB	**0**	**–**	**THB 5**	**THB 0.0307**
TWD	**4**	**7**	**TWD 67**	**TWD 436.96**
SOLD:				
USD	**1,009**	**133**	**USD 1,357**	**₱53.5023**
CNY	**110**	**11**	**CNY 871**	**CNY 0.1475**
JPY	**2**	**47**	**JPY 6,779**	**JPY 0.0195**
EUR	**6**	**–**	**EUR 2**	**EUR 49.1943**
MXN	**–**	**0**	**MXN 1**	**MXN 0.0487**
THB	**0**	**1**	**THB 60**	**THB 0.0306**
CHF	**–**	**3**	**CHF 7**	**CHF 1.0057**
AUD	**10**	**0**	**AUD 16**	**AUD 0.7168**
HKD	**1**	**0**	**HKD 40**	**HKD 0.1280**
SGD	**–**	**2**	**SGD 18**	**SGD 0.7292**
TRY	**–**	**0**	**TRY 1**	**TRY 0.1699**
DKK	**–**	**0**	**DKK 2**	**DKK 0.1530**
Interest rate swaps - PHP	**320**	**667**	**₱27,375**	
Interest rate swaps - FX	**885**	**623**	**USD 1,936**	
Cross currency swaps - PHP	**159**	**3,396**	**₱46,245**	
Cross currency swaps - FX	**7,577**	**109**	**USD 1,458**	
Cross currency swaps - EUR	**486**	**0**	**EUR 57**	
Cross currency swaps - JPY	**0**	**–**	**JPY 10**	
Credit default swaps - USD	**0**	**–**	**USD 1**	
Over-the-counter FX options	**1**	**2**	**USD 41**	
	₱10,638	**₱6,182**		
December 31, 2017				
Freestanding derivatives:				
Currency forwards				
BOUGHT:				
USD	₱107	₱1,885	USD 2,257	₱50.8007
CNY	0	0	CNY 20	CNY 0.1530
EUR	27	–	EUR 32	EUR 1.1832
GBP	10	–	GBP 22	GBP 1.3408
THB	0	–	THB 28	THB 0.0304
KRW	6	–	KRW 5,468	KRW 0.0009
TWD	–	38	TWD 2,513	TWD 0.0334
JPY	0	54	JPY 11,178	JPY 0.0090
SGD	0	–	SGD 1	SGD 0.7471
NZD	1	–	NZD 1	NZD 0.7471
SOLD:				
USD	1,358	28	USD 1,705	₱50.9803
CNY	0	27	CNY 360	CNY 0.1518
CAD	–	1	CAD 2	CAD 0.7901
JPY	85	7	JPY 15,575	JPY 0.0090
EUR	1	4	EUR 3	EUR 1.2045
MXN	–	0	MXN 1	MXN 0.0504
THB	1	0	THB 81	THB 0.0307
KRW	–	6	KRW 5,454	KRW 0.0009
CHF	–	3	CHF 6	CHF 1.0128
AUD	–	13	AUD 21	AUD 0.7679
HKD	0	–	HKD 43	HKD 0.1280
NZD	–	0	NZD 1	NZD 0.7090
SGD	–	1	SGD 10	SGD 0.7451
Put option purchased warrants	158	–	USD 645	
Interest rate swaps - PHP	98	196	₱35,583	
Interest rate swaps - FX	538	305	USD 1,895	
Cross currency swaps - PHP	244	2,605	₱34,058	
Cross currency swaps - FX	3,501	154	USD 1,014	
Cross currency swaps - EUR	144	–	EUR 46	
Over-the-counter FX options	15	25	USD 171	
Embedded derivatives in non-financial contract*	1	–	USD 0	
	₱6,295	₱5,352		

*Non-financial host contracts include foreign currency derivatives with average notional amounts of USD1,579 per month as of December 31, 2017.

As of December 31, 2018 and 2017, the Group's derivative assets include currency forwards entered into by the subsidiaries amounting to ₱13.0 million and ₱74.0 million, respectively. As of December 31, 2018, the Group's derivative liabilities include cross currency swaps entered into by the subsidiaries amounting to ₱354.4 million.

Investment securities at FVOCI as of December 31, 2018 consist of the following:

	Consolidated	**Parent Company**
Debt securities		
Private	**₱42,369**	**₱33,073**
Treasury notes and bonds (Note 17)	**40,786**	**37,377**
Government (Note 17)	**27,004**	**21,221**
	110,159	**91,671**
Equity securities	**1,129**	**473**
	₱111,288	**₱92,144**

The equity securities are irrevocably designated at FVOCI. In 2018, as part of risk management, the Group disposed equity securities at FVOCI with total carrying value of ₱771.4 million and with dividends of ₱14.9 million, and recognized loss of ₱121.8 million charged against 'Surplus'. Outstanding equity securities at FVOCI as of December 31, 2018 generated dividends in 2018 amounting to ₱126.5 million for the Group and ₱23.1 million for the Parent Company.

As of December 31, 2018, the ECL on debt securities at FVOCI (included in 'Net unrealized loss on investment securities at FVOCI') amounted to ₱247.7 million for the Group and ₱244.3 million for the Parent Company (Note 15).

AFS investments as of December 31, 2017 consist of the following:

	Consolidated	Parent Company
Debt securities		
Treasury notes and bonds (Note 17)	₱249,431	₱213,393
Private	53,754	36,065
Government (Notes 17, 19 and 31)	38,812	20,583
Treasury bills	115	–
	342,112	270,041
Equity securities		
Quoted	1,707	423
Unquoted	386	141
	2,093	564
	344,205	270,605
Less allowance for impairment losses (Note 15)	295	160
	₱343,910	₱270,445

As of December 31, 2018 and 2017, investments include floating and fixed rate private notes with total carrying value of USD10.9 million (with peso equivalent of ₱573.9 million classified as 'Investment securities at FVOCI' and ₱550.2 million classified as 'AFS investments', respectively) which are pledged by the Parent Company's New York Branch in compliance with the regulatory requirements of the Federal Deposit Insurance Corporation and the Office of the Controller of the Currency in New York.

Investments also include US Treasury notes with carrying value of USD1.0 million (with peso equivalent of ₱52.6 million classified as 'Investment securities at FVOCI' and ₱51.0 million classified as 'AFS investments' as of December 31, 2018 and 2017, respectively) which are pledged by MR USA to the State Treasury Office pursuant to the California Financial Code and in accordance with the requirements of the California Department of Business Oversight relative to its license as a transmitter of money.

The movements in net unrealized losses, including share in net unrealized losses of subsidiaries (Note 11), presented under 'Equity' in the statements of financial position are as follows:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Balance at beginning of the year, as previously reported	**₱16,019**	₱10,247	**₱15,804**	₱10,115
Effect of PFRS 9 adoption (Note 2)	**(15,556)**	–	**(15,359)**	–
Balance at beginning of the year, as restated	**463**	10,247	**445**	10,115
Unrealized loss recognized in OCI	**2,469**	5,126	**2,294**	5,130
Amounts realized in surplus	**(123)**	–	**(122)**	–
Amounts realized in profit or loss	**(115)**	641	**(24)**	554
	2,694	16,014	**2,593**	15,799
Tax (Note 28)	**440**	5	**401**	5
Balance at end of the year	**₱3,134***	₱16,019*	**₱2,994**	₱15,804

* Includes share of non-controlling interest amounting to ₱139.4 million and ₱214.6 million as of December 31, 2018 and 2017, respectively.

Investment securities at amortized cost as of December 31, 2018 consist of the following:

	Consolidated	Parent Company
Treasury notes and bonds (Note 17)	**₱237,476**	**₱204,176**
Government (Notes 17 and 19)	**21,859**	**8,479**
Private	**6,040**	**–**
Treasury bills	**49**	**–**
	265,424	**212,655**
Less allowance for credit losses (Note 15)	**48**	**48**
	₱265,376	**₱212,607**

In 2016, the Parent Company partially disposed and reclassified the remaining HTM investments to AFS investments in accordance with the tainting rule under PAS 39. Total trading gains on disposal of certain HTM investments including portion of the reclassified portfolio amounted to USD86.7 million (peso equivalent of ₱4.1 billion) and included under 'Trading and securities gain (loss) - net' in 2016. Further, the entire HTM investments portfolio of the subsidiaries was reclassified to AFS investments and carried at fair value. As of December 31, 2017, the market value of the remaining reclassified investments amounted to ₱167.7 billion, respectively, for the Group, and ₱133.1 billion, respectively, for the Parent Company, with net unrealized loss amounting to ₱11.3 billion, respectively, for the Group, and ₱9.9 billion, respectively, for the Parent Company included in 'Net unrealized loss on AFS investments'.

Interest income on investment securities at FVOCI/AFS investments and at amortized cost consists of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Investment securities at amortized cost	**₱11,147**	₱–	₱–	**₱8,916**	₱–	₱–
Investment securities at FVOCI	**3,463**	–	–	**2,676**	–	–
AFS investments	**–**	13,480	6,875	**–**	10,655	5,634
HTM investments	**–**	–	7,386	**–**	–	6,258
	₱14,610	₱13,480	₱14,261	**₱11,592**	₱10,655	₱11,892

In 2018, 2017 and 2016, foreign currency-denominated trading and investment securities bear nominal annual interest rates ranging from 0.10% to 11.63%, 0.10% to 11.63% and 0.29% to 11.63%, respectively, for the Group and the Parent Company while peso-denominated trading and investment securities bear nominal annual interest rates ranging from 2.13% to 18.25%, 1.63% to 15.00% and 1.63% to 14.38%, respectively, for the Group and from 3.25% to 18.25%, 1.63% to 15.00% and 1.63% to 13.75%, respectively, for the Parent Company.

Trading and securities gain (loss) - net consists of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Investment securities at FVTPL, excluding derivatives	**(₱1,668)**	₱1,915	(₱718)	**(₱570)**	₱73	(₱260)
Derivative assets/liabilities - net	**3,639**	(1,706)	682	**3,635**	(1,706)	707
Debt securities at FVOCI	**(115)**	–	–	**(24)**	–	–
AFS investments	–	641	5,144	–	554	4,693
HTM investments	–	–	1,014	–	–	1,014
	1,856	850	6,122	**₱3,041**	(₱1,079)	₱6,154
Income (loss) attributable to non-equity non-controlling interests (Note 21)	**685**	(1,252)	441			
	₱2,541	(₱402)	₱6,563			

Trading gains (losses) on debt securities at FVOCI and AFS investments represent realized gains/losses previously reported in OCI.

9. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Receivables from customers (Note 31)				
Commercial loans	**₱987,186**	₱914,367	**₱947,916**	₱853,729
Auto loans	**119,972**	118,166	**29,681**	33,883
Residential mortgage loans	**107,947**	99,738	**57,974**	53,144
Trade loans	**63,126**	41,120	**63,062**	41,070
Others	**114,849**	88,724	**12,571**	12,834
	1,393,080	1,262,115	**1,111,204**	994,660
Less unearned discounts and capitalized interest	**4,859**	4,239	**266**	219
	1,388,221	1,257,876	**1,110,938**	994,441
Unquoted debt securities				
Private	**1,018**	1,250	**386**	409
Government	–	2	–	3
	1,018	1,252	**386**	412
Accounts receivable (Notes 30 and 31)	**13,291**	13,547	**9,611**	10,170
Accrued interest receivable (Note 31)	**10,667**	8,796	**7,987**	6,458
Sales contract receivable	**190**	127	**119**	20
Other receivables (Note 31)	**335**	278	**13**	9
	1,413,722	1,281,876	**1,129,054**	1,011,510
Less allowance for credit losses (Note 15)	**22,688**	16,407	**12,797**	8,589
	₱1,391,034	₱1,265,469	**₱1,116,257**	₱1,002,921

Receivables from customers consist of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Loans and discounts	**₱1,319,442**	₱1,209,737	**₱1,037,424**	₱942,165
Less unearned discounts and capitalized interest	**4,859**	4,239	**266**	219
	1,314,583	1,205,498	**1,037,158**	941,946
Customers' liabilities under letters of credit (LC)/trust receipts	**61,590**	40,048	**61,526**	39,998
Bills purchased (Note 21)	**12,048**	12,330	**12,254**	12,497
	₱1,388,221	₱1,257,876	**₱1,110,938**	₱994,441

Receivables from customers - others of the Group include credit card receivables, notes receivables financed and lease contract receivables amounting to ₱70.5 billion, ₱6.8 billion and ₱6.1 billion, respectively, as of December 31, 2018 and ₱60.8 billion, ₱6.0 billion and ₱5.8 billion, respectively, as of December 31, 2017 (Note 13).

Other receivables of the Group include dividends receivable of ₱4.4 million as of December 31, 2017.

Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Receivables from customers	**₱60,071**	₱47,403	₱38,417	**₱44,980**	₱34,014	₱26,507
Receivables from cardholders	**13,527**	11,550	9,339	–	–	–
Lease contract receivables	**4,162**	3,299	2,493	–	–	–
Customers' liabilities under LC/trust receipts	**1,711**	979	769	**1,711**	979	769
Restructured loans	**69**	77	115	**60**	66	81
Unquoted debt securities and others	**119**	83	133	**109**	13	29
	₱79,659	₱63,391	₱51,266	**₱46,860**	₱35,072	₱27,386

As of December 31, 2018 and 2017, 83.21% and 83.15%, respectively, of the total receivables from customers of the Group, respectively, and 99.91% (for both years) of the total receivables from customers of the Parent Company are subject to periodic interest repricing. In 2018 and 2017, the remaining peso receivables from customers earn annual fixed interest rates ranging from 4.70% to 42.00% and from 3.00% to 42.00%, while foreign currency-denominated receivables from customers earn annual fixed interest rates ranging from 2.10% to 36.00% and from 2.05% to 36.00%, respectively.

BSP Reporting

The following table shows information relating to receivables from customers by collateral, gross of unearned discounts and capitalized interest:

	Consolidated				Parent Company			
	2018		2017		**2018**		2017	
	Amount	**%**	Amount	%	**Amount**	**%**	Amount	%
Secured by:								
Other securities	**₱286,705**	**20.58**	₱242,383	19.21	**₱286,693**	**25.80**	₱242,384	24.37
Chattel	**157,259**	**11.29**	150,451	11.92	**28,801**	**2.59**	32,841	3.30
Real estate	**110,901**	**7.96**	99,636	7.89	**74,860**	**6.74**	67,301	6.77
Deposit hold-out	**19,096**	**1.37**	25,294	2.00	**18,181**	**1.64**	24,513	2.46
Equity securities	**18,525**	**1.33**	18,146	1.44	**5,161**	**0.46**	5,033	0.51
Others	**18,420**	**1.32**	8,696	0.69	**6,450**	**0.58**	537	0.05
	610,906	**43.85**	544,606	43.15	**420,146**	**37.81**	372,609	37.46
Unsecured	**782,174**	**56.15**	717,509	56.85	**691,058**	**62.19**	622,051	62.54
	₱1,393,080	**100.00**	₱1,262,115	100.00	**₱1,111,204**	**100.00**	₱994,660	100.00

Information on the concentration of credit as to industry of receivables from customers, gross of unearned discount and capitalized interest, follows:

	Consolidated				Parent Company			
	2018		2017		**2018**		2017	
	Amount	**%**	Amount	%	**Amount**	**%**	Amount	%
Wholesale and retail trade, repair of motor vehicles, motorcycles	**₱242,426**	**17.40**	₱214,041	16.96	**₱215,353**	**19.38**	₱189,444	19.05
Manufacturing	**215,125**	**15.44**	193,693	15.35	**212,451**	**19.12**	189,255	19.03
Real estate activities	**209,610**	**15.05**	204,870	16.23	**163,386**	**14.70**	162,037	16.29
Activities of households as employers and undifferentiated goods and services - producing activities of households for own use	**153,597**	**11.03**	233,184	18.48	**82,678**	**7.44**	82,763	8.32
Financial and insurance activities	**106,338**	**7.63**	87,879	6.96	**117,435**	**10.57**	84,874	8.53
Transportation and storage, information and communication	**106,139**	**7.62**	96,988	7.68	**98,405**	**8.86**	89,510	9.00
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	**98,857**	**7.10**	87,674	6.95	**96,149**	**8.65**	84,509	8.50
Construction	**58,405**	**4.19**	53,200	4.21	**44,100**	**3.97**	40,937	4.11
Agricultural, forestry and fishing	**34,714**	**2.49**	30,122	2.39	**29,688**	**2.67**	25,439	2.56
Accommodation and food service activities	**32,005**	**2.30**	28,399	2.25	**31,657**	**2.85**	28,030	2.82
Others	**135,864**	**9.75**	32,065	2.54	**19,902**	**1.79**	17,862	1.79
	₱1,393,080	**100.00**	₱1,262,115	100.00	**₱1,111,204**	**100.00**	₱994,660	100.00

The BSP considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio except for thrift banks.

Non-performing loans (NPLs) included in the total loan portfolio of the Group and the Parent Company, as reported to the BSP, are presented below:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Gross NPLs	**₱16,866**	₱12,716	**₱8,041**	₱6,020
Less allowance for credit losses	**8,530**	8,641	**6,026**	4,643
Net carrying amount	**₱8,336**	₱4,075	**₱2,015**	₱1,377

Under banking regulations, loan accounts shall be considered non-performing, even without any missed contractual payments, 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 to 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.

10. Property and Equipment

The composition of and movements in this account follow:

	Consolidated					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	BUC	Total
2018						
Cost						
Balance at beginning of year	**₱5,908**	**₱9,647**	**₱20,817**	**₱4,309**	**₱4,846**	**₱45,527**
Additions	–	**20**	**1,862**	**147**	**860**	**2,889**
Disposals	**(84)**	–	**(5,166)**	**(11)**	–	**(5,261)**
Reclassification/others	–	**5,285**	**29**	**143**	**(5,445)**	**12**
Balance at end of year	**5,824**	**14,952**	**17,542**	**4,588**	**261**	**43,167**
Accumulated depreciation and amortization						
Balance at beginning of year	–	**5,264**	**14,867**	**3,010**	–	**23,141**
Depreciation and amortization	–	**530**	**2,244**	**383**	–	**3,157**
Disposals	–	–	**(5,082)**	**(11)**	–	**(5,093)**
Reclassification/others	–	**26**	**10**	**(36)**	–	–
Balance at end of year	–	**5,820**	**12,039**	**3,346**	–	**21,205**
Allowance for impairment losses						
Balance at beginning of year	–	**24**	–	–	–	**24**
Reclassification/others	–	**(16)**	–	–	–	**(16)**
Balance at end of year	–	**8**	–	–	–	**8**
Net book value at end of year	**₱5,824**	**₱9,124**	**₱5,503**	**₱1,242**	**₱261**	**₱21,954**
2017						
Cost						
Balance at beginning of year	₱5,888	₱9,031	₱19,527	₱4,030	₱4,809	₱43,285
Additions	20	40	2,677	126	693	3,556
Disposals	–	–	(1,326)	–	–	(1,326)
Reclassification/others	–	576	(61)	153	(656)	12
Balance at end of year	5,908	9,647	20,817	4,309	4,846	45,527
Accumulated depreciation and amortization						
Balance at beginning of year	–	4,771	13,847	2,646	–	21,264
Depreciation and amortization	–	469	2,305	395	–	3,169
Disposals	–	–	(1,165)	–	–	(1,165)
Reclassification/others	–	24	(120)	(31)	–	(127)
Balance at end of year	–	5,264	14,867	3,010	–	23,141
Allowance for impairment losses (Note 15)	–	24	–	–	–	24
Net book value at end of year	₱5,908	₱4,359	₱5,950	₱1,299	₱4,846	₱22,362

	Parent Company					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	BUC	Total
2018						
Cost						
Balance at beginning of year	**₱4,465**	**₱7,955**	**₱10,855**	**₱2,627**	**₱4,846**	**₱30,748**
Additions	–	–	**609**	**4**	**860**	**1,473**
Disposals	**(84)**	–	**(4,162)**	**(1)**	–	**(4,247)**
Reclassification/others	–	**5,283**	**32**	**146**	**(5,445)**	**16**
Balance at end of year	**4,381**	**13,238**	**7,334**	**2,776**	**261**	**27,990**
Accumulated depreciation and amortization						
Balance at beginning of year	–	**4,579**	**8,662**	**1,726**	–	**14,967**
Depreciation and amortization	–	**470**	**813**	**223**	–	**1,506**
Disposals	–	–	**(4,126)**	**(1)**	–	**(4,127)**
Reclassification/others	–	**23**	**18**	**(37)**	–	**4**
Balance at end of year	–	**5,072**	**5,367**	**1,911**	–	**12,350**
Allowance for impairment losses						
Balance at beginning of year	–	**24**	–	–	–	**24**
Reclassification/others	–	**(16)**	–	–	–	**(16)**
Balance at end of year	–	**8**	–	–	–	**8**
Net book value at end of year	**₱4,381**	**₱8,158**	**₱1,967**	**₱865**	**₱261**	**₱15,632**
2017						
Cost						
Balance at beginning of year	₱4,445	₱7,395	₱10,323	₱2,450	₱4,809	₱29,422
Additions	20	26	1,085	2	693	1,826
Disposals	–	–	(472)	–	–	(472)
Reclassification/others	–	534	(81)	175	(656)	(28)
Balance at end of year	4,465	7,955	10,855	2,627	4,846	30,748

(Forward)

	Parent Company					
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	BUC	Total
Accumulated depreciation and amortization						
Balance at beginning of year	₱–	₱4,171	₱8,228	₱1,493	₱–	₱13,892
Depreciation and amortization	–	412	871	244	–	1,527
Disposals	–	–	(447)	–	–	(447)
Reclassification/others	–	(4)	10	(11)	–	(5)
Balance at end of year	–	4,579	8,662	1,726	–	14,967
Allowance for impairment losses (Note 15)	–	24	–	–	–	24
Net book value at end of year	₱4,465	₱3,352	₱2,193	₱901	₱4,846	₱15,757

BUC pertains to bank premises yet to be completed and used by the Parent Company. As of December 31, 2017, this includes cost of properties amounting to ₱4.5 billion, consisting of commercial and office spaces located at Bonifacio Global City, Taguig City, purchased from Bonifacio Landmark Realty and Development Corp., a jointly controlled entity of GT Capital through Federal Land, Inc. (FLI), a related party, which was completed in 2018.

As of December 31, 2018 and 2017, the cost of fully depreciated property and equipment still in use amounted to ₱4.7 billion and ₱8.0 billion, respectively, for the Group and ₱2.2 billion and ₱5.7 billion, respectively, for the Parent Company.

11. Investments in Subsidiaries, Associates and a Joint Venture

Investments in subsidiaries consist of:

	2018	2017
Acquisition cost		
MCC	**₱15,149**	₱7,614
FMIC	**11,751**	11,751
MBCL	**10,079**	10,079
PSBank	**5,237**	5,237
Circa	**837**	837
ORIX Metro	**265**	265
MR USA	**365**	289
MTI	**200**	200
MR Japan	**102**	102
MR Italia	**66**	66
MR UK	**31**	31
MRHL	**26**	26
MRSPL	**17**	17
FMIIC	**12**	12
Metrobank Bahamas	**8**	8
PVCC	**5**	5
	44,150	36,539
Accumulated equity in net income		
Balance at beginning of year, as previously reported	**32,039**	28,731
Effects of PFRS 9 and 15 adoption	**(1,072)**	–
Balance at beginning of year, as restated	**30,967**	28,731
Share in net income	**7,928**	6,957
Share in realized loss on sale of equity securities at FVOCI	**(122)**	–
Dividends	**(2,438)**	(3,649)
Balance at end of year	**36,335**	32,039

(Forward)

	2018	2017
Equity in net unrealized loss on investment securities at FVOCI	**(₱1,074)**	₱–
Equity in net unrealized loss on AFS investments	**–**	(1,764)
Equity in net unrealized gain on remeasurement of retirement plan and translation adjustment and others	**1,777**	1,517
Excess of share in net losses of subsidiaries over cost included in 'Miscellaneous liabilities' (Note 21)	**100**	121
Carrying value		
MCC	**26,166**	15,533
FMIC	**17,732**	18,409
MBCL	**12,488**	12,221
PSBank	**20,467**	18,172
Circa	**241**	187
ORIX Metro	**3,294**	2,832
MR USA	**122**	55
MTI	**14**	14
MR Japan	**73**	63
MR Italia	**–**	–
MR UK	**52**	53
MRHL	**156**	159
MRSPL	**158**	162
FMIIC	**240**	232
Metrobank Bahamas	**80**	355
PVCC	**5**	5
	₱81,288	₱68,452

The following subsidiaries have material non-controlling interests as of December 31, 2018 and 2017:

	Country of Incorporation and Principal Place of Business	Principal Activities	Effective Ownership of Non-Controlling Interest 2018	2017
ORIX Metro	Philippines	Leasing, Financing	**40.15%**	40.15%
PSBank	Philippines	Banking	**17.32%**	17.32%
MCC	Philippines	Credit Card Services	**–**	20.00%*

*net of 20.00% interest acquired by the Group in December 2017.

The following table presents financial information of subsidiaries with material non-controlling interests as of December 31, 2018 and 2017.

	2018		2017		
	PSBank	**ORIX Metro**	PSBank	MCC	ORIX Metro
Statement of Financial Position					
Total assets	**₱237,894**	**₱55,627**	₱223,324	₱75,414	₱47,757
Total liabilities	**213,597**	**47,392**	200,931	61,770	40,676
Non-controlling interest	**4,240**	**3,319**	3,772	2,729	2,853
Statement of Income					
Gross income	**19,241**	**7,095**	17,354	17,019	5,723
Operating income	**14,199**	**5,121**	13,889	15,369	4,763
Net income	**2,652**	**1,230**	2,654	5,108	1,279
Net income attributable to non-controlling interest	**459**	**738**	460	2,043	767
Total comprehensive income	**2,271**	**1,304**	2,209	1,260	5,156
Statement of Cash Flows					
Net cash provided by (used in) operating activities	**223**	**(16,755)**	16,776	3,539	(6,428)
Net cash provided by (used in) investing activities	**287**	**(960)**	(6,123)	72	(1,128)
Net cash provided by (used in) financing activities	**787**	**16,894**	(11,298)	(171)	9,271
Net increase (decrease) in cash and cash equivalents	**1,297**	**(821)**	(645)	3,440	1,715
Cash and cash equivalents at beginning of year	**21,213**	**7,100**	21,858	9,617	5,385
Cash and cash equivalents at end of year	**22,510**	**6,279**	21,213	13,057	7,100

Investment in MCC
On October 18, 2017, the Parent Company's BOD approved and the Parent Company has entered into an agreement with its JV partner ANZ Funds Pty. Ltd. (ANZ) to:
a. purchase 20% of MCC for a consideration of ₱7.4 billion upon the approval of the BSP of the transaction, and
b. grant ANZ the option to sell the remaining 20% of MCC to the Parent Company at the same consideration of ₱7.4 billion ("Put Option") which can be exercised at any time within the period beginning July 10, 2018 until September 2018 ("Option Exercise Period"). If in the ordinary course of business, MCC pays dividend to the stockholders during the Option Exercise Period, ANZ will exercise the Put Option by serving an exercise notice ("Exercise Notice") to the Parent Company within ten (10) banking days of receiving that dividend ("Dividend Exercise Period"). If ANZ fails to serve an Exercise Notice by the end of the Dividend Exercise Period, the Put Option is deemed exercised by ANZ on the end of the Dividend Exercise Period.

On December 28, 2017, the BSP approved the acquisition of 40% of MCC. With this BSP approval, the purchase of the 20% stake in MCC is deemed completed for accounting purposes in the financial statements as of December 31, 2017. In the parent company financial statements as of December 31, 2017, the Parent Company recognized the increase in its investment in MCC for ₱7.4 billion and the related liability (Note 21). This 20% acquisition was completed on January 8, 2018 ("first tranche"). In the 2017 parent company financial statements, the Put Option on the remaining 20% interest in MCC is a derivative with changes in value being recognized in profit or loss. As of December 31, 2017, the fair value of the Put Option is not material to the financial statements. In the 2017 consolidated financial statements, the Put Option on the 20% remaining interest in MCC is an obligation for the Group to purchase their own equity instruments for cash which gives rise to a financial liability and is reclassified from equity even if the obligation to acquire is conditional on ANZ exercising a right to sell. As of December 31, 2017, the Group recognized the consideration for the remaining 20% interest in MCC amounting to ₱7.4 billion as a liability and charged it to 'Other equity reserves' under 'Equity' in the consolidated financial statements. The acquisition of the remaining 20% interest in MCC was completed on September 4, 2018 ("second tranche"). In the consolidated financial statements, the Group recognized equity reserves (included in 'Translation adjustment and others') for the difference between the acquisition price and the acquired non-controlling interest amounting to ₱4.7 billion (for the first tranche) and ₱5.1 billion (for the second tranche).

Investment in MR USA
On August 17, 2017, the New York State Department of Financial Services has approved the merger of MR USA and Metro Remittance Center, Inc. (MRCI) with MR USA being the surviving entity. On December 22, 2017, MR USA and MRCI have executed a Certificate of Merger and an Agreement and Plan of Merger. Said certification and agreement were filed with the Secretary of State's Offices in Delaware and California on December 22 and December 27, 2017, respectively. Both offices have accepted and annotated such certification/agreement of merger.

Investment in Metrobank Bahamas
On April 17, 2018, Metrobank Bahamas has advised The Central Bank of The Bahamas (CBTB) of its intention to discontinue its operations effective June 30, 2018. On October 11 and October 12, 2018, it has surrendered its securities and banking licenses, respectively, to CBTB and has been placed into a voluntary liquidation.

As of December 31, 2018 and 2017, carrying amount of goodwill of the Group amounted to ₱5.2 billion, of which ₱5.0 billion pertains to the goodwill arising from the acquisition of the then Solidbank Corporation which was merged with FMIC.

Investments in associates and a JV consist of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Acquisition cost:				
Lepanto Consolidated Mining Company (LCMC) (13.35% effectively owned)	**₱2,527**	₱2,527		
SMFC (24.80% effectively owned)*	**610**	610		
Northpine Land, Inc. (NLI) (20.00% owned)	**232**	232	**₱232**	₱232
Taal Land Inc. (TLI) (35.00% owned)	**178**	178	**178**	178
Cathay International Resources Corporation (CIRC) (32.49% effectively owned)	**175**	175		
Philippine AXA Life Insurance Corporation (PALIC) (27.96% owned)	**172**	172		
SMBC Metro Investment Corporation (SMBC Metro) (30.00% owned)	**180**	180	**180**	180
Others	**33**	33		
	4,107	4,107	**590**	590
Accumulated equity in net income:				
Balance at beginning of year	**1,710**	1,309	**130**	98
Share in net income	**874**	689	**39**	38
Dividends	**(462)**	(288)	**(10)**	(6)
Balance at end of year	**2,122**	1,710	**159**	130
Equity in other comprehensive income (losses)	**(27)**	22	**–**	(1)
Return of investment - SMBC Metro	**(180)**	–	**(180)**	–
Allowance for impairment losses (Note 15)	**(75)**	(75)	**(75)**	(75)
Carrying value				
LCMC	**2,107**	2,246		
SMFC	**685**	608		
NLI	**429**	402	**429**	402
TLI	**16**	16	**16**	16
CIRC	**199**	208		
PALIC	**2,419**	2,026		
SMBC Metro	**49**	226	**49**	226
Others	**43**	32		
	₱5,947	₱5,764	**₱494**	₱644

* Represents investment in a JV of the Group and effective ownership interest of the Parent Company through PSBank.

Investment of FMIC in LCMC
FMIC has the ability to exercise significant influence through a 5-year agreement with Philex Mining Corporation to jointly vote their 18.6% ownership. On July 17, 2017, the BOD of LCMC approved to offer its stockholders the pre-emptive right to subscribe to one share for every 4.685 shares held. FMIC fully subscribed to such stock rights offer and still maintained its 14.33% ownership in LCMC.

As of December 31, 2018 and 2017, LCMC-A shares are trading at ₱0.112 per share and ₱0.151 per share, respectively, while LCMC-B shares are trading at ₱0.115 per share and ₱0.153 per share, respectively. As of December 31, 2018 and 2017, there has been a significant decline in the fair value of the shares compared to the acquisition cost. Based on management's assessment, the investment in LCMC is not impaired (Note 3).

Investment of PSBank in SMFC
In August 2017, PSBank sold its 10% ownership in SMFC to GT Capital for ₱189.96 million or ₱94.98 per share as approved by its BOD on July 27, 2017. The amount was based on an independent valuation report which was subjected to a third party fairness opinion. After the sale, PSBank maintains a 30% ownership in SMFC (Note 31).

Investment in SMBC Metro
On October 7, 2016, the BOD and stockholders of SMBC Metro in separate meetings approved the shortening of its corporate term until December 31, 2017 through an amendment of its AOI. On the same date, the BOD approved the closing of its business operations effective December 31, 2016. The amended AOI of SMBC Metro and its application for withdrawal of its secondary license as an Investment House was approved by the SEC on November 25, 2016 and January 31, 2017, respectively. On March 2, 2018, the Board of Liquidating Trustees of SMBC Metro declared the

liquidation of its entire paid-up capital to its stockholders on record as of December 31, 2017 due to the expiration of its corporate term on the same date. On March 28, 2018, the Parent Company received a total amount of ₱180.0 million representing partial liquidation.

The following tables present financial information of significant associates and a JV:

	Statements of Financial Position		Statements of Income and Other Comprehensive Income				
	Total Assets	Total Liabilities	Gross Income	Operating Income (Loss)	Net Income (Loss)	OCI	Total Comprehensive Income
December 31, 2018							
PALIC	**₱126,794**	**₱117,559**	**₱14,120**	**₱4,310**	**₱3,084**	**₱–**	**₱3,084**
LCMC	**9,754**	**3,067**	**2,093**	**(702)**	**(687)**	**–**	**(687)**
NLI	**3,538**	**1,510**	**482**	**197**	**186**	**–**	**186**
SMFC	**5,054**	**2,749**	**1,267**	**390**	**262**	**6**	**268**
CIRC	**2,290**	**1,426**	**324**	**143**	**6**	**–**	**6**
SMBC Metro	**82**	**0**	**4**	**1**	**1**	**–**	**1**
TLI	**49**	**–**	**1**	**0**	**1**	**–**	**1**
December 31, 2017							
PALIC	₱122,855	₱115,579	₱14,639	₱3,204	₱2,434	₱–	₱2,434
LCMC	9,932	3,648	1,378	(646)	(645)	–	(645)
NLI	3,170	1,271	429	132	155	3	158
SMFC	3,534	1,510	829	243	205	1	206
CIRC	2,274	1,669	336	145	(0)	–	(0)
SMBC Metro	677	–	42	–	20	(14)	6
TLI	49	–	1	1	1	–	1

Major assets of significant associates and a JV include the following:

	2018	2017
PALIC		
Cash and cash equivalents	**₱4,392**	₱4,617
Loans and receivables - net	**912**	966
Investment securities at FVTPL	**1,454**	1,383
Investment securities at FVOCI	**12,744**	–
AFS investments	**–**	11,693
Investment in unit-linked funds	**56**	62
Property and equipment	**726**	522
LCMC		
Inventories	**415**	453
Investments and advances	**997**	961
Mine exploration cost	**9**	249
Property, plant and equipment - net	**6,879**	6,522
NLI		
Cash and cash equivalents	**241**	160
Real estate properties	**1,933**	1,819
Receivables - net	**1,151**	959
SMFC		
Cash and cash equivalents	**109**	97
Receivables - net	**4,776**	3,305
CIRC		
Cash and cash equivalents	**162**	121
Receivables - net	**441**	358
Property, plant and equipment - net	**1,370**	1,360
Condominium units for sale/inventories	**213**	326
SMBC Metro		
Cash and cash equivalents	**77**	502
AFS investments	**1**	1
Receivables - net	–	168
TLI		
Cash and cash equivalents	**49**	49

Dividends declared by investee companies of the Parent Company follow:

Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
2018					
Subsidiaries					
Cash Dividend					
PSBank	January 18, 2018	₱0.75	₱180	February 2, 2018	February 19, 2018
PSBank	April 23, 2018	0.75	180	May 9, 2018	May 23, 2018
PSBank	July 20, 2018	0.75	180	August 6, 2018	August 20, 2018
PSBank	October 15, 2018	0.75	180	October 30, 2018	November 14, 2018
MCC	June 29, 2018	1.98	1,975	August 26, 2018	August 29, 2018
Metrobank Bahamas	July 16, 2018	USD 0.30	USD 1.5	July 16, 2018	December 4, 2018
Stock Dividend					
ORIX Metro	October 24, 2018	₱100.00	₱647	November 29, 2018	November 29, 2018
Associates					
Cash Dividend					
NLI	March 21, 2018	₱4.35	₱53	December 31, 2017	April 5, 2018
2017					
Subsidiaries					
Cash Dividend					
FMIC	May 25, 2017	₱7.65	₱2,850	June 9, 2017	June 23, 2017
PSBank	January 24, 2017	0.75	180	February 10, 2017	February 24, 2017
PSBank	April 24, 2017	0.75	180	May 10, 2017	May 24, 2017
PSBank	July 27, 2017	0.75	180	August 11, 2017	August 29, 2017
PSBank	October 26, 2017	0.75	180	November 14, 2017	November 24, 2017
Metrobank Bahamas	October 26, 2017	USD 0.30	USD 1.5	October 31, 2017	December 21, 2017
MRSPL	December 21, 2017	SGD 8.00	SGD 4	December 21, 2017	December 21, 2017
Stock Dividend					
ORIX Metro	October 25, 2017	₱100.00	₱719	October 25, 2017	January 31, 2018
Associates					
Cash Dividend					
NLI	March 16, 2017	₱2.85	₱33	December 31, 2016	March 21, 2017

Dividends declared by significant investee companies of FMIC follow:

Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
2018					
Subsidiaries					
Cash Dividend					
FAMI	December 12, 2018	₱18.00	₱27	December 14, 2018	December 21, 2018
FMSBC	February 1, 2018	29.59	50	February 15, 2018	March 15, 2018
Associates					
Cash Dividend					
PALIC	November 26, 2018	159.50	1,595	November 23, 2018	December 18, 2018
Stock Dividend					
ORIX Metro	October 24, 2018	100.00	647	October 24, 2018	January 31, 2019
2017					
Subsidiaries					
Cash Dividend					
FAMI	August 18, 2017	27.59	30	August 31, 2017	September 15, 2017
Stock Dividend					
FAMI	August 18, 2017	100.00	41	August 31, 2017	November 20, 2017
Associates					
Cash Dividend					
PALIC	November 24, 2017	100.00	1,000	November 24, 2017	December 15, 2017
Stock Dividend					
ORIX Metro	October 25, 2017	100.00	719	October 25, 2017	January 31, 2018

12. **Investment Properties**

This account consists of foreclosed real estate properties and investments in real estate:

	Consolidated					
	2018			2017		
	Land	Buildings and Improvements	Total	Land	Buildings and Improvements	Total
Cost						
Balance at beginning of year	**₱5,997**	**₱4,577**	**₱10,574**	₱6,712	₱5,059	₱11,771
Additions	**327**	**660**	**987**	360	767	1,127
Disposals	**(685)**	**(683)**	**(1,368)**	(1,357)	(975)	(2,332)
Reclassification/others	**(258)**	**282**	**24**	282	(274)	8
Balance at end of year	**5,381**	**4,836**	**10,217**	5,997	4,577	10,574
Accumulated depreciation and amortization						
Balance at beginning of year	**–**	**1,174**	**1,174**	–	1,492	1,492
Depreciation and amortization	**–**	**148**	**148**	–	147	147
Disposals	**–**	**(167)**	**(167)**	–	(439)	(439)
Reclassification/others	**–**	**(7)**	**(7)**	–	(26)	(26)
Balance at end of year	**–**	**1,148**	**1,148**	–	1,174	1,174
Allowance for impairment losses (Note 15)						
Balance at beginning of year	**1,490**	**193**	**1,683**	1,642	163	1,805
Provision for (reversal of) impairment loss	**1**	**26**	**27**	(32)	–	(32)
Disposals	**(131)**	**(2)**	**(133)**	(53)	(17)	(70)
Reclassification/others	**(47)**	**39**	**(8)**	(67)	47	(20)
Balance at end of year	**1,313**	**256**	**1,569**	1,490	193	1,683
Net book value at end of year	**₱4,068**	**₱3,432**	**₱7,500**	₱4,507	₱3,210	₱7,717

	Parent Company					
	2018			2017		
	Land	Buildings and Improvements	Total	Land	Buildings and Improvements	Total
Cost						
Balance at beginning of year	**₱3,317**	**₱1,617**	**₱4,934**	₱4,043	₱2,015	₱6,058
Additions	**67**	**92**	**159**	77	146	223
Disposals	**(288)**	**(277)**	**(565)**	(803)	(544)	(1,347)
Reclassification/others	**24**	**–**	**24**	–	–	–
Balance at end of year	**3,120**	**1,432**	**4,552**	3,317	1,617	4,934
Accumulated depreciation and amortization						
Balance at beginning of year	**–**	**726**	**726**	–	1,044	1,044
Depreciation and amortization	**–**	**43**	**43**	–	47	47
Disposals	**–**	**(104)**	**(104)**	–	(365)	(365)
Balance at end of year	**–**	**665**	**665**	–	726	726
Allowance for impairment losses (Note 15)						
Balance at beginning of year	**1,143**	**52**	**1,195**	1,209	56	1,265
Disposals	**(131)**	**(2)**	**(133)**	(53)	(17)	(70)
Reclassification/others	**10**	**(10)**	**–**	(13)	13	–
Balance at end of year	**1,022**	**40**	**1,062**	1,143	52	1,195
Net book value at end of year	**₱2,098**	**₱727**	**₱2,825**	₱2,174	₱839	₱3,013

As of December 31, 2018 and 2017, foreclosed investment properties still subject to redemption period by the borrowers amounted to ₱1.1 billion and ₱1.2 billion, respectively, for the Group and ₱121.5 million and ₱206.6 million, respectively, for the Parent Company.

As of December 31, 2018 and 2017, aggregate market value of investment properties amounted to ₱14.2 billion and ₱12.2 billion, respectively, for the Group and ₱6.2 billion for the Parent Company, of which the aggregate market value of investment properties determined by independent external appraisers amounted to ₱7.6 billion for the Group and ₱6.1 billion for the Parent Company. Information about the fair value measurement of investment properties are also presented in Note 5.

Rental income on investment properties (included in 'Leasing income' in the statements of income) in 2018, 2017 and 2016 amounted to ₱67.3 million, ₱59.9 million and ₱69.8 million, respectively, for the Group and ₱1.0 million, ₱1.4 million and ₱4.4 million, respectively, for the Parent Company.

Direct operating expenses on investment properties that generated rental income (included under 'Litigation expenses') in 2018, 2017 and 2016 amounted to ₱0.4 million, ₱1.0 million and ₱4.7 million, respectively, for the Group and ₱0.3 million, ₱1.0 million and ₱1.1 million, respectively, for the Parent Company. Direct operating expenses on investment properties that did not generate rental income (included under 'Litigation expenses') in 2018, 2017 and 2016 amounted to ₱257.9 million, ₱219.4 million and ₱128.4 million, respectively, for the Group and ₱102.5 million, ₱66.9 million and ₱91.3 million, respectively, for the Parent Company (Note 25).

Net gains from sale of investment properties (included in 'Profit from assets sold' in the statements of income) in 2018, 2017 and 2016 amounted to ₱883.3 million, ₱960.0 million and ₱613.4 million, respectively, for the Group and ₱322.4 million, ₱497.0 million and ₱345.6 million, respectively, for the Parent Company (Note 31).

13. **Long-term Leases**

Finance Leases

Lease contract receivables under finance leases, which are solely accounts of ORIX Metro, are due in monthly installments with terms ranging from one to five years. These are broken down as follows:

	2018	2017
Within one year	**₱607**	₱684
After one year but not more than five years	**5,476**	5,087
	₱6,083	₱5,771

Operating Leases

The Parent Company leases the premises occupied by some of its branches (40.45% and 40.40% of the branch sites as of December 31, 2018 and 2017, respectively, are Parent Company-owned). Also, some of its subsidiaries lease the premises occupied by their Head Offices and most of their branches. The lease contracts are for periods ranging from one (1) to 25 years and are renewable at the Group's option under certain terms and conditions. Various lease contracts include escalation clauses, most of which bear an annual rent increase of 5.00% to 10.00%. As of December 31, 2018 and 2017, the Group has no contingent rent payable.

Rent expense (included in 'Occupancy and equipment-related cost' in the statement of income) in 2018, 2017 and 2016 amounted to ₱2.4 billion, ₱2.2 billion and ₱2.2 billion, respectively, for the Group and ₱1.3 billion, ₱1.2 billion and ₱1.2 billion, respectively, for the Parent Company.

Future minimum rentals payable under non-cancelable operating leases follows:

	Consolidated		**Parent Company**	
	2018	2017	**2018**	2017
Within one year	**₱1,474**	₱1,277	**₱741**	₱584
After one year but not more than five years	**3,405**	3,042	**1,838**	1,531
More than five years	**1,110**	666	**762**	205
	₱5,989	₱4,985	**₱3,341**	₱2,320

The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's available office spaces and investment properties and lease agreements over various items of machinery and equipment which are non-cancelable and have remaining non-cancelable lease terms between 1 and 20 years. In 2018, 2017 and 2016, leasing income amounted to ₱2.3 billion, ₱2.1 billion and ₱2.0 billion, respectively, for the Group and ₱223.6 million, ₱215.2 million and ₱220.5 million, respectively, for the Parent Company.

Future minimum rentals receivable under non-cancelable operating leases follows:

	Consolidated		**Parent Company**	
	2018	2017	**2018**	2017
Within one year	**₱1,655**	₱1,958	**₱114**	₱106
After one year but not more than five years	**1,638**	2,404	**184**	145
More than five years	**1**	3	**1**	3
	₱3,294	₱4,365	**₱299**	₱254

14. **Other Assets**

This account consists of:

	Consolidated		**Parent Company**	
	2018	2017	**2018**	2017
Investment in SPVs	**₱8,857**	₱8,857	**₱8,857**	₱8,857
Interoffice float items	**2,536**	1,698	**2,619**	1,752
Software costs - net	**1,800**	1,747	**665**	572
Customized system development cost	**1,753**	1,504	**1,753**	1,504
Creditable withholding tax	**1,505**	1,459	**956**	927
Residual value of leased assets	**1,130**	1,054	**–**	–
Chattel properties acquired in foreclosure - net	**835**	815	**24**	33
Prepaid expenses	**832**	536	**165**	153
Documentary and postage stamps on hand	**491**	334	**355**	231
Returned checks and other cash items	**417**	295	**397**	284
Assets held under joint operations	**219**	259	**219**	259
Miscellaneous (Note 27)	**5,654**	2,200	**4,258**	865
	26,029	20,758	**20,268**	15,437
Less allowance for impairment losses (Note 15)	**10,308**	10,292	**10,285**	10,276
	₱15,721	₱10,466	**₱9,983**	₱5,161

Investment in SPVs represents subordinated notes issued by Cameron Granville 3 Asset Management, Inc. and LNC 3 Asset Management, Inc. with face amount of ₱9.4 billion and ₱2.6 billion, respectively. These notes are non-interest bearing and payable over five (5) years starting April 1, 2006, with rollover of two (2) years at the option of the note issuers. These were received by the Parent Company on April 1, 2006 in exchange for the subordinated note issued by Asia Recovery Corporation (ARC) in 2003 with face amount of ₱11.9 billion. The subordinated note issued by ARC represents payment on the non-performing assets (NPAs) sold by the Parent Company to ARC in 2003. The related deed of absolute sale was formalized on September 17, 2003 and approved by the BSP on November 28, 2003, having qualified as a true sale. As of December 31, 2018 and 2017, the estimated fair value of the subordinated notes, which is the present value of the estimated cash flows from such notes (derived from the sale of the underlying collaterals of the NPAs, net of the payment to senior notes by the SPV) amounted to nil, after deducting allowance for impairment losses of ₱8.9 billion.

Movements in software costs account follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Cost				
Balance at beginning of year	**₱4,653**	₱4,125	**₱1,925**	₱1,773
Additions	**636**	978	**233**	144
Others	**(125)**	(450)	**7**	8
Balance at end of year	**5,164**	4,653	**2,165**	1,925
Accumulated amortization				
Balance at beginning of year	**2,906**	2,485	**1,353**	1,213
Amortization	**512**	494	**131**	123
Others	**(54)**	(73)	**16**	17
Balance at end of year	**3,364**	2,906	**1,500**	1,353
Net book value at end of year	**₱1,800**	₱1,747	**₱665**	₱572

Movements in chattel properties acquired in foreclosure follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Cost				
Balance at beginning of year	**₱979**	₱821	**₱61**	₱51
Additions	**2,824**	2,742	**19**	24
Disposals/others	**(2,767)**	(2,584)	**(31)**	(14)
Balance at end of year	**1,036**	979	**49**	61
Accumulated depreciation and amortization				
Balance at beginning of year	**155**	125	**25**	21
Depreciation and amortization	**267**	208	**10**	11
Disposals/others	**(230)**	(178)	**(13)**	(7)
Balance at end of year	**192**	155	**22**	25
Allowance for impairment losses (Note 15)				
Balance at beginning of year	**9**	9	**3**	3
Provision for impairment loss	**–**	2	**–**	–
Disposals	**–**	(2)	**–**	–
Balance at end of year	**9**	9	**3**	3
Net book value at end of year	**₱835**	₱815	**₱24**	₱33

Assets held under joint operations are parcels of land and former branch sites of the Parent Company which were contributed to separate joint operations with FLI and Federal Land Orix Corporation (Notes 26 and 31). These are carried at costs which are lower than the net realizable values.

15. Allowance for Credit and Impairment Losses

An analysis of changes in the ECL allowances in 2018 is as follows:

	Consolidated					
	Due from Other Banks			Interbank Loans Receivable and SPURA		
	Individual	Collective	Total	Individual	Collective	Total
ECL allowance, January 1, 2018	₱18	₱–	₱18	₱25	₱–	₱25
New assets originated or purchased	6	–	6	12	–	12
Assets derecognized or repaid	–	–	–	(25)	–	(25)
Changes in assumptions	(18)	–	(18)	–	–	–
ECL allowance, December 31, 2018	₱6	₱–	₱6	₱12	₱–	₱12

	Consolidated					
	Investment Securities at FVOCI			Investment Securities at Amortized Cost		
	Individual	**Collective**	**Total**	**Individual**	**Collective**	**Total**
ECL allowance, January 1, 2018	**₱140**	**₱–**	**₱140**	**₱2**	**₱–**	**₱2**
New assets originated or purchased	**69**	**–**	**69**	**46**	**–**	**46**
Assets derecognized or repaid	**(20)**	**–**	**(20)**	**–**	**–**	**–**
Changes in assumptions	**59**	**–**	**59**	**–**	**–**	**–**
ECL allowance, December 31, 2018	**₱248**	**₱–**	**₱248**	**₱48**	**₱–**	**₱48**

	Consolidated					
	Receivables from Customers					
	Stage1		Stage 2			
	Individual	**Collective**	**Individual**	**Collective**	**Stage 3**	**Total**
Commercial loans						
ECL allowance, January 1, 2018	**₱1,520**	**₱475**	**₱829**	**₱23**	**₱4,745**	**₱7,592**
New assets originated or purchased	**1,321**	**97**	**–**	**–**	**–**	**1,418**
Assets derecognized or repaid	**(737)**	**(248)**	**(316)**	**(7)**	**(258)**	**(1,566)**
Amounts written off	**–**	**–**	**–**	**–**	**(52)**	**(52)**
Transfers to/(from) Stage 1	**(385)**	**(37)**	**–**	**–**	**–**	**(422)**
Transfers to/(from) Stage 2	**–**	**–**	**215**	**36**	**–**	**251**
Transfers to/(from) Stage 3	**–**	**–**	**–**	**–**	**1,060**	**1,060**
Changes in assumptions	**86**	**1**	**1**	**–**	**144**	**232**
ECL allowance, December 31, 2018	**1,805**	**288**	**729**	**52**	**5,639**	**8,513**
Auto loans						
ECL allowance, January 1, 2018	**125**	**395**	**387**	**845**	**1,218**	**2,970**
New assets originated or purchased	**33**	**848**	**–**	**–**	**–**	**881**
Assets derecognized or repaid	**(84)**	**(222)**	**(56)**	**(232)**	**(278)**	**(872)**
Amounts written off	**–**	**–**	**–**	**(12)**	**(447)**	**(459)**
Transfers to/(from) Stage 1	**3**	**(261)**	**–**	**–**	**–**	**(258)**
Transfers to/(from) Stage 2	**–**	**–**	**(255)**	**210**	**–**	**(45)**
Transfers to/(from) Stage 3	**–**	**–**	**–**	**–**	**191**	**191**
Changes in assumptions	**(10)**	**(289)**	**10**	**180**	**364**	**255**
ECL allowance, December 31, 2018	**67**	**471**	**86**	**991**	**1,048**	**2,663**
Residential mortgage loans						
ECL allowance, January 1, 2018	**57**	**72**	**319**	**261**	**449**	**1,158**
New assets originated or purchased	**39**	**43**	**–**	**–**	**–**	**82**
Assets derecognized or repaid	**(15)**	**(31)**	**(40)**	**(107)**	**(76)**	**(269)**
Transfers to/(from) Stage 1	**5**	**(30)**	**–**	**–**	**–**	**(25)**
Transfers to/(from) Stage 2	**–**	**–**	**(185)**	**20**	**–**	**(165)**
Transfers to/(from) Stage 3	**–**	**–**	**–**	**–**	**85**	**85**
Changes in assumptions	**(18)**	**–**	**12**	**–**	**8**	**2**
ECL allowance, December 31, 2018	**68**	**54**	**106**	**174**	**466**	**868**
Trade loans						
ECL allowance, January 1, 2018	**145**	**–**	**56**	**–**	**88**	**289**
New assets originated or purchased	**280**	**–**	**–**	**–**	**–**	**280**
Assets derecognized or repaid	**(145)**	**–**	**(41)**	**–**	**(7)**	**(193)**
Transfers to/(from) Stage 1	**(10)**	**–**	**–**	**–**	**–**	**(10)**
Transfers to/(from) Stage 2	**–**	**–**	**10**	**–**	**–**	**10**
Transfers to/(from) Stage 3	**–**	**–**	**–**	**–**	**(3)**	**(3)**
Changes in assumptions	**(46)**	**–**	**(4)**	**–**	**17**	**(33)**
ECL allowance, December 31, 2018	**224**	**–**	**21**	**–**	**95**	**340**
Other loans						
ECL allowance, January 1, 2018	**842**	**112**	**1,762**	**122**	**1,684**	**4,522**
New assets originated or purchased	**4,712**	**237**	**–**	**–**	**–**	**4,949**
Assets derecognized or repaid	**(3)**	**(56)**	**(6)**	**(9)**	**(16)**	**(90)**
Amounts written off	**(1)**	**(2)**	**–**	**(66)**	**(4,153)**	**(4,222)**
Transfers to/(from) Stage 1	**(4,631)**	**(129)**	**–**	**–**	**–**	**(4,760)**
Transfers to/(from) Stage 2	**–**	**–**	**168**	**159**	**–**	**327**
Transfers to/(from) Stage 3	**–**	**–**	**–**	**–**	**4,536**	**4,536**
Changes in assumptions	**(1)**	**(15)**	**–**	**–**	**(1)**	**(17)**
ECL allowance, December 31, 2018	**918**	**147**	**1,924**	**206**	**2,050**	**5,245**
Total receivables from customers						
ECL allowance, January 1, 2018	**2,689**	**1,054**	**3,353**	**1,251**	**8,184**	**16,531**
New assets originated or purchased	**6,385**	**1,225**	**–**	**–**	**–**	**7,610**
Assets derecognized or repaid	**(984)**	**(557)**	**(459)**	**(355)**	**(635)**	**(2,990)**
Amounts written off	**(1)**	**(2)**	**–**	**(78)**	**(4,652)**	**(4,733)**
Transfers to/(from) Stage 1	**(5,018)**	**(457)**	**–**	**–**	**–**	**(5,475)**
Transfers to/(from) Stage 2	**–**	**–**	**(47)**	**425**	**–**	**378**
Transfers to/(from) Stage 3	**–**	**–**	**–**	**–**	**5,869**	**5,869**
Changes in assumptions	**11**	**(303)**	**19**	**180**	**532**	**439**
ECL allowance, December 31, 2018	**₱3,082**	**₱960**	**₱2,866**	**₱1,423**	**₱9,298**	**₱17,629**

	Consolidated					
	Other Receivables					
	Stage1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
ECL allowance, January 1, 2018	₱6	₱37	₱26	₱16	₱716	₱801
New assets originated or purchased	373	17	–	–	–	390
Assets derecognized or repaid	(1)	(17)	(10)	–	(158)	(186)
Transfers to/(from) Stage 1	(368)	(29)	–	–	–	(397)
Transfers to/(from) Stage 2	–	–	10	13	–	23
Transfers to/(from) Stage 3	–	–	–	–	378	378
Changes in assumptions	175	1	26	(1)	103	304
ECL allowance, December 31, 2018	₱185	₱9	₱52	₱28	₱1,039	₱1,313

	Consolidated					
	Loan Commitments and Financial Guarantees					
	Stage1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
ECL allowance, January 1, 2018	₱874	₱–	₱13	₱–	₱–	₱887
New assets originated or purchased	97	–	–	–	–	97
Assets derecognized or repaid	(19)	–	(4)	–	–	(23)
Transfers to/(from) Stage 1	–	–	–	–	–	–
Transfers to/(from) Stage 2	–	–	(6)	–	–	(6)
Changes in assumptions	(9)	–	–	–	–	(9)
ECL allowance, December 31, 2018	₱943	₱–	₱3	₱–	₱–	₱946

	Parent Company					
	Due from Other Banks			Interbank Loans Receivable and SPURA		
	Individual	Collective	Total	Individual	Collective	Total
ECL allowance, January 1, 2018	₱18	₱–	₱18	₱25	₱–	₱25
New assets originated or purchased	–	–	–	12	–	12
Assets derecognized or repaid	–	–	–	(25)	–	(25)
Changes in assumptions	(18)	–	(18)	–	–	–
ECL allowance, December 31, 2018	₱–	₱–	₱–	₱12	₱–	₱12

	Parent Company					
	Investment Securities at FVOCI			Investment Securities at Amortized Cost		
	Individual	Collective	Total	Individual	Collective	Total
ECL allowance, January 1, 2018	₱140	₱–	₱140	₱2	₱–	₱2
New assets originated or purchased	69	–	69	46	–	46
Assets derecognized or repaid	(20)	–	(20)	–	–	–
Changes in assumptions	55	–	55	–	–	–
ECL allowance, December 31, 2018	₱244	₱–	₱244	₱48	₱–	₱48

	Parent Company						
	Receivable from Customers						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Commercial loans							
ECL allowance, January 1, 2018	₱1,292	₱–	₱813	₱–	₱1,563	₱2,775	₱6,443
New assets originated or purchased	1,180	–	–	–	–	–	1,180
Assets derecognized or repaid	(693)	–	(311)	–	(155)	(60)	(1,219)
Transfers to/(from) Stage 1	(302)	–	–	–	–	–	(302)
Transfers to/(from) Stage 2	–	–	197	–	–	–	197
Transfers to/(from) Stage 3	–	–	–	–	993	–	993
Changes in assumptions	86	–	1	–	203	(59)	231
ECL allowance, December 31, 2018	1,563	–	700	–	2,604	2,656	7,523
Auto loans							
ECL allowance, January 1, 2018	124	–	387	–	65	–	576
New assets originated or purchased	33	–	–	–	–	–	33
Assets derecognized or repaid	(84)	–	(56)	–	(21)	–	(161)
Transfers to/(from) Stage 1	3	–	–	–	–	–	3
Transfers to/(from) Stage 2	–	–	(255)	–	–	–	(255)
Transfers to/(from) Stage 3	–	–	–	–	40	–	40
Changes in assumptions	(10)	–	10	–	1	–	1
ECL allowance, December 31, 2018	66	–	86	–	85	–	237

(Forward)

	Parent Company						
	Receivable from Customers						
	Stage 1		Stage 2				
	Individual	Collective	Individual	Collective	Stage 3	POCI	Total
Residential mortgage loans							
ECL allowance, January 1, 2018	₱57	₱–	₱319	₱–	₱277	₱–	₱653
New assets originated or purchased	39	–	–	–	–	–	39
Assets derecognized or repaid	(16)	–	(40)	–	(26)	–	(82)
Transfers to/(from) Stage 1	5	–	–	–	–	–	5
Transfers to/(from) Stage 2	–	–	(185)	–	–	–	(185)
Transfers to/(from) Stage 3	–	–	–	–	42	–	42
Changes in assumptions	(17)	–	12	–	7	–	2
ECL allowance, December 31, 2018	68	–	106	–	300	–	474
Trade loans							
ECL allowance, January 1, 2018	145	–	56	–	88	–	289
New assets originated or purchased	280	–	–	–	–	–	280
Assets derecognized or repaid	(145)	–	(41)	–	(7)	–	(193)
Transfers to/(from) Stage 1	(10)	–	–	–	–	–	(10)
Transfers to/(from) Stage 2	–	–	11	–	–	–	11
Transfers to/(from) Stage 3	–	–	–	–	(2)	–	(2)
Changes in assumptions	(47)	–	(4)	–	16	–	(35)
ECL allowance, December 31, 2018	223	–	22	–	95	–	340
Other loans							
ECL allowance, January 1, 2018	4	–	–	–	42	–	46
New assets originated or purchased	1	–	–	–	–	–	1
Assets derecognized or repaid	(3)	–	–	–	(1)	–	(4)
Changes in assumptions	(1)	–	–	–	(1)	–	(2)
ECL allowance, December 31, 2018	1	–	–	–	40	–	41
Total receivables from customers							
ECL allowance, January 1, 2018	1,622	–	1,575	–	2,035	2,775	8,007
New assets originated or purchased	1,533	–	–	–	–	–	1,533
Assets derecognized or repaid	(941)	–	(448)	–	(210)	(60)	(1,659)
Transfers to/(from) Stage 1	(304)	–	–	–	–	–	(304)
Transfers to/(from) Stage 2	–	–	(232)	–	–	–	(232)
Transfers to/(from) Stage 3	–	–	–	–	1,073	–	1,073
Changes in assumptions	11	–	19	–	226	(59)	197
ECL allowance, December 31, 2018	₱1,921	₱–	₱914	₱–	₱3,124	₱2,656	₱8,615

	Parent Company					
	Other Receivables					
	Stage1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
ECL allowance, January 1, 2018	₱5	₱2	₱26	₱2	₱704	₱739
New assets originated or purchased	20	1	–	–	–	21
Assets derecognized or repaid	(1)	–	(10)	–	(45)	(56)
Transfers to/(from) Stage 1	(15)	–	–	–	–	(15)
Transfers to/(from) Stage 2	–	–	10	–	–	10
Transfers to/(from) Stage 3	–	–	–	–	8	8
Changes in assumptions	175	1	27	(1)	5	207
ECL allowance, December 31, 2018	₱184	₱4	₱53	₱1	₱672	₱914

	Parent Company					
	Loan Commitments and Financial Guarantees					
	Stage1		Stage 2			
	Individual	Collective	Individual	Collective	Stage 3	Total
ECL allowance, January 1, 2018	₱43	₱–	₱13	₱–	₱–	₱56
New assets originated or purchased	13	–	–	–	–	13
Assets derecognized or repaid	(19)	–	(4)	–	–	(23)
Transfers to/(from) Stage 1	0	–	–	–	–	0
Transfers to/(from) Stage 2	–	–	(6)	–	–	(6)
Changes in assumptions	(9)	–	(1)	–	–	(10)
ECL allowance, December 31, 2018	₱28	₱–	₱2	₱–	₱–	₱30

The amounts of "transfers to/(from)" include the changes in the ECL on the exposures transferred from one stage to another during the year.

As of December 31, 2018, the ECL allowances on loan commitments and financial guarantees are included in 'Miscellaneous liabilities' under 'Other liabilities' (Note 21).

The increase in the ECL allowances was driven by an increase in the gross size of the portfolio and movements between stages as a result of increase in credit risk and improvement in economic conditions.

The ECL on the accounts receivables of the Group and the Parent Company based on their aging as of December 31, 2018 follows:

	Age of accounts receivables				
	Up to 1 month	**> 1 to 2 months**	**> 2 to 3 months**	**More than 3 months**	**Total ECL**
Consolidated	**₱19**	**₱1**	**₱1**	**₱3,725**	**₱3,746**
Parent Company	**₱–**	**₱–**	**₱0**	**₱3,269**	**₱3,269**

Changes in the allowance for credit and impairment losses as of December 31, 2017 follow:

	Consolidated	Parent Company
Balance at beginning of year:		
Due from other banks	₱7	₱–
AFS investments (Note 8)		
Equity securities		
Quoted	82	79
Unquoted	212	81
Loans and receivables (Note 9)	14,426	6,697
Investments in associates (Note 11)	75	75
Property and equipment (Note 10)	26	24
Investment properties (Note 12)	1,805	1,265
Other assets* (Note 14)	10,723	10,703
	27,356	18,924
Provisions for credit and impairment losses	7,507	1,395
Accounts written off/others	(6,078)	3
Balance at end of year:		
Due from other banks	–	–
AFS investments (Note 8)		
Debt securities		
Private	1	–
Equity securities		
Quoted	82	80
Unquoted	212	80
Loans and receivables (Note 9)	16,407	8,589
Investments in associates (Note 11)	75	75
Property and equipment (Note 10)	24	24
Investment properties (Note 12)	1,683	1,195
Other assets* (Note 14)	10,301	10,279
	₱28,785	₱20,322

* Allowance for credit and impairment losses of other assets include allowance on investments in SPVs, chattel mortgage properties and miscellaneous assets.

Below is the breakdown of provision for (reversal of) credit and impairment losses:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Financial assets and other credit-related exposures:						
Loans and receivables	**₱7,676**	₱7,969	₱7,295	**₱748**	₱1,821	₱1,174
Investment securities at FVOCI	**94**	–	–	**92**	–	–
Investment securities at amortized cost	**49**	–	–	**49**	–	–
Interbank loans receivable	**(17)**	–	(3)	**(17)**	–	–
Due from other banks	**4**	(7)	(1)	**–**	–	–
AFS investments	**–**	1	(5)	**–**	–	–
Loan commitments and financial guarantees	**(65)**	–	–	**(65)**	–	–
	7,741	7,963	7,286	**807**	1,821	1,174

(Forward)

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Non-financial assets:						
Investment properties	**₱27**	(₱32)	₱83	**₱–**	₱–	₱–
Chattel properties acquired in foreclosure	**–**	2	1	**–**	–	–
Investments in associates and a joint venture	**–**	–	(28)	**–**	–	–
Other assets	**2**	(426)	–	**–**	(426)	–
	29	(456)	56	**–**	(426)	–
	₱7,770	₱7,507	₱7,342	**₱807**	₱1,395	₱1,174

With the foregoing level of allowance for credit and impairment losses, management believes that the Group has sufficient allowance to take care of any losses that the Group may incur from the non-collection or non-realization of its receivables and other risk assets.

The reconciliation of the allowance for credit losses by class of loans and receivables in 2017 is as follows:

	Consolidated							
	Commercial Loans	Residential Mortgage Loans	Auto Loans	Trade Loans	Others	Subtotal	Other Receivables*	Total
Balance at January 1, 2017	₱5,281	₱934	₱2,026	₱270	₱2,713	₱11,224	₱3,202	₱14,426
Provisions during the year	165	127	1,951	–	3,884	6,127	1,842	7,969
Accounts written off/others	83	(180)	(2,019)	(24)	(3,855)	(5,995)	7	(5,988)
Balance at December 31, 2017	₱5,529	₱881	₱1,958	₱246	₱2,742	₱11,356	₱5,051	₱16,407
Individual impairment	₱4,009	₱471	₱–	₱99	₱189	₱4,768	₱3,161	₱7,929
Collective impairment	1,520	410	1,958	147	2,553	6,588	1,890	8,478
	₱5,529	₱881	₱1,958	₱246	₱2,742	₱11,356	₱5,051	₱16,407
Gross amount of loans individually determined to be impaired	₱7,288	₱679	₱–	₱104	₱1,618	₱9,689	₱4,647	₱14,336

	Parent Company							
	Commercial Loans	Residential Mortgage Loans	Auto Loans	Trade Loans	Others	Subtotal	Other Receivables*	Total
Balance at January 1, 2017	₱3,502	₱428	₱1	₱271	₱39	₱4,241	₱2,456	₱6,697
Provisions during the year	66	–	–	–	–	66	1,755	1,821
Accounts written off/others	155	(179)	–	(25)	38	(11)	82	71
Balance at December 31, 2017	₱3,723	₱249	₱1	₱246	₱77	₱4,296	₱4,293	₱8,589
Individual impairment	₱3,546	₱247	₱1	₱99	₱36	₱3,929	₱2,857	₱6,786
Collective impairment	177	2	–	147	41	367	1,436	1,803
	₱3,723	₱249	₱1	₱246	₱77	₱4,296	₱4,293	₱8,589
Gross amount of loans individually determined to be impaired	₱5,620	₱314	₱–	₱104	₱41	₱6,079	₱4,247	₱10,326

* Allowance for credit losses on other receivables include allowance on unquoted debt securities, accounts receivables, accrued interest receivable, sales contract receivable and deficiency judgment receivable.

The movements in the allowance for impairment losses on AFS investments and other assets in 2017 follow:

	Consolidated				Parent Company			
	AFS Investments				AFS Investments			
	Debt Securities	Equity Securities	Other Assets**	Total	Debt Securities	Equity Securities	Other Assets**	Total
Balance at January 1, 2017	₱–	₱294	₱10,723	₱11,017	₱–	₱160	₱10,703	₱10,863
Provisions for (reversals of) impairment losses	1	–	(424)	(423)	–	–	(426)	(426)
Others	–	–	2	2	–	–	2	2
Balance at December 31, 2017	₱1	₱294	₱10,301	₱10,596	₱–	₱160	₱10,279	₱10,439

** Allowance for impairment losses of other assets include allowance on investments in SPVs, chattel mortgage properties and miscellaneous assets.

16. **Deposit Liabilities**

The LTNCDs of the Group and the Parent Company consist of the following:

BSP Approval	Interest Rate	Issue Date	Maturity Date	**2018**	2017
Parent Company					
September 18, 2014	4.00%	October 24, 2014	April 24, 2020	**₱8,000**	₱8,000
September 18, 2014	4.25%	November 21, 2014	November 22, 2021	**6,250**	6,250
August 12, 2016	3.50%	September 19, 2016	September 19, 2023	**8,650**	8,650
August 12, 2016	3.88%	July 20, 2017	July 20, 2024	**3,750**	3,750
July 19, 2018	5.38%	October 4, 2018	April 4, 2024	**8,680**	–
				35,330	26,650
PSBank					
December 8, 2016	3.50%	January 30, 2017	April 30, 2022	**3,375**	3,375
July 13, 2018	5.00%	August 9, 2018	February 9, 2024	**5,085**	–
				8,460	3,375
				₱43,790	₱30,025

As of December 31, 2018 and 2017, 33.51% and 35.32%, respectively, of the total interest-bearing deposit liabilities of the Group and 30.69% and 30.81%, respectively, of the total interest-bearing deposit liabilities of the Parent Company are subject to periodic interest repricing. In 2018, 2017 and 2016, the remaining peso deposit liabilities earn annual fixed interest rates ranging from 0.00% to 6.59%, while the remaining foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.00% to 7.56%, from 0.00% to 3.80%, and from 0.00% to 2.75%, respectively.

Interest expense on deposit liabilities consists of:

	Consolidated			**Parent Company**		
	2018	2017	2016	**2018**	2017	2016
Demand	**₱946**	₱840	₱661	**₱692**	₱617	₱495
Savings	**1,405**	1,315	1,167	**1,256**	1,178	1,050
Time	**15,240**	9,389	7,389	**10,353**	6,029	4,595
LTNCD	**1,377**	1,069	671	**1,146**	953	671
	₱18,968	₱12,613	₱9,888	**₱13,447**	₱8,777	₱6,811

Reserve Requirement

In 2018, BSP Circular Nos. 997 and 1004 were issued reducing the reserve requirements against deposit and deposit substitute liabilities. As of December 31, 2018, non-FCDU deposit liabilities of the Parent Company and deposit substitutes of FMIC, ORIX Metro and MCC are subject to required reserves of 18% from 20.00% in 2017 while required reserves for non-FCDU deposit liabilities of PSBank remained at 8.00%. Peso-denominated LTNCDs are subject to reserves equivalent to 7.00%. 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 Parent Company, PSBank, FMIC, MCC and ORIX Metro were in compliance with such regulations as of December 31, 2018 and 2017.

The total statutory and liquidity reserves (under ‘Due from BSP’ account), as reported to the BSP are as follows:

	2018	2017
Parent Company	**₱206,289**	₱224,723
PSBank	**15,178**	13,915
MCC	**9,527**	10,948
ORIX Metro	**5,669**	6,623
FMIC	**3,490**	4,400
	₱240,153	₱260,609

17. Bills Payable and Securities Sold Under Repurchase Agreements

This account consists of borrowings from:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
SSURA	**₱95,247**	₱64,575	**₱95,247**	₱61,249
Local banks	**53,740**	49,668	**8,497**	9,431
Deposit substitutes	**53,225**	68,177	**–**	–
Foreign banks	**35,895**	17,415	**27,335**	10,802
BSP	**21,500**	28,000	**20,000**	25,000
	₱259,607	₱227,835	**₱151,079**	₱106,482

Interbank borrowings with foreign and local banks are mainly short-term borrowings. Deposit substitutes pertain to borrowings from the public of PSBank, FMIC, ORIX Metro and MCC.

The following are the carrying values of government debt securities (Note 8) pledged and transferred under SSURA transactions of the Group and the Parent Company:

	Consolidated				Parent Company			
	2018		2017		**2018**		2017	
	Transferred Securities	**SSURA**	Transferred Securities	SSURA	**Transferred Securities**	**SSURA**	Transferred Securities	SSURA
Investment securities at amortized cost	**₱111,504**	**₱70,217**	₱–	₱–	**₱111,504**	**₱70,217**	₱–	₱–
Investment securities at FVOCI	**32,166**	**25,030**	–	–	**32,166**	**25,030**	–	–
AFS investments	**–**	**–**	85,003	64,575	**–**	**–**	81,899	61,249
	₱143,670	**₱95,247**	₱85,003	₱64,575	**₱143,670**	**₱95,247**	₱81,899	₱61,249

The Group's peso borrowings are subject to annual fixed interest rates ranging from 0.88% to 7.45%, from 0.06% to 6.45% and from 0.06% to 6.34% in 2018, 2017 and 2016, respectively, while the Group's foreign currency-denominated borrowings are subject to annual fixed interest rates ranging from 1.38% to 8.00%, from 0.05% to 3.76% and from 0.32% to 3.25% in 2018, 2017 and 2016, respectively.

Interest expense on bills payable (included in the 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others' in the statements of income) in 2018, 2017 and 2016 amounted to ₱7.2 billion, ₱4.2 billion and ₱2.9 billion, respectively, for the Group and ₱2.8 billion, ₱1.4 billion and ₱645.6 million, respectively, for the Parent Company.

18. Accrued Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Accrued interest (Note 31)	**₱4,288**	₱2,066	**₱2,375**	₱923
Accrued other expenses	**5,331**	4,907	**3,250**	2,982
	₱9,619	₱6,973	**₱5,625**	₱3,905

Accrued other expenses include accruals for compensation and fringe benefits, rentals, percentage and other taxes, professional fees, advertising and information technology expenses and other expenses.

19. **Bonds Payable**

This account consists of the following scripless fixed rate bonds:

Issue Date	Maturity Date	Interest Rate	Face Value	Carrying Value 2018	Carrying Value 2017
Parent Company					
November 9, 2018	November 9, 2020	7.15%	₱10,000	**₱9,922**	₱–
December 17, 2018	November 9, 2020	7.15%	18,000	**17,904**	–
			28,000	**27,826**	–
FMIC					
August 10, 2012	August 10, 2019	5.75%	2,920	**2,917**	2,910
			₱30,920	**₱30,743**	₱2,910

Parent Company Fixed Rate Bonds due 2020
On November 9, 2018, the Parent Company issued ₱10.0 billion fixed rate bonds with issue price at 100% face value, which bear an interest rate of 7.15% per annum and will mature on November 9, 2020 and further issued ₱18.0 billion fixed rate bonds (Additional Bonds) on December 17, 2018 at an issue price of 100.26% plus an amount corresponding to accrued interest from, and including, November 9, 2018, but excluding the new issue date. The Additional Bonds have the same terms and conditions as the ₱10.0 billion bond. The interest of the bonds for the entire term are payable quarterly in arrears on February 9, May 9, August 9 and November 9 of each year, commencing on February 9, 2019. Total bond issuance costs, net of bonds premium, amounted to ₱184.9 million.

FMIC Fixed Rate Corporate Bonds due 2019
These bonds were issued in principal amounts of ₱50,000 and in multiples of ₱5,000 in excess of ₱50,000 with an option to redeem in whole, but not in part, on any quarterly interest payment after the fourth or fifth anniversary of the issue date at 102.00% of its face value plus accrued interest. These are exempt securities pursuant to certain provisions of the Securities Regulation Code (SRC) and are covered by deeds of assignment on government securities held in trust by a collateral agent which shall have aggregate market value of 100.00% of the issued amount, otherwise, additional government securities shall be offered to increase and maintain the cover at 100.00%. The carrying amount of government securities assigned as collateral amounted to ₱3.9 billion classified under 'Investment securities at amortized cost' as of December 31, 2018 and ₱3.4 billion classified under 'AFS investments' as of December 31, 2017.

As of December 31, 2018 and 2017, FMIC has complied with the terms of the issuance.

Interest expense on bonds payable (included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others') in 2018, 2017 and 2016 amounted to ₱336.7 million, ₱399.9 million and ₱661.3 million, respectively for the Group and ₱163.9 million in 2018 for the Parent Company.

20. **Subordinated Debts**

This account consists of the following Peso Notes:

	Maturity Date	Face Value	Carrying Value 2018	Carrying Value 2017	Market Value 2018	Market Value 2017
Parent Company						
2024	June 27, 2024	₱16,000	**₱15,987**	₱15,962	**₱15,813**	₱15,985
2025	August 8, 2025	6,500	**6,484**	6,475	**6,234**	6,269
		22,500	**22,471**	22,437	**22,047**	22,254
MCC – 2023	December 20, 2023	1,170	**1,165**	1,164	**1,113**	1,204
PSBank – 2024	August 23, 2024	3,000	**2,982**	2,979	**2,243**	2,353
		₱26,670	**₱26,618**	₱26,580	**₱25,403**	₱25,811

On April 15, 2013, the BOD of the Parent Company approved the issuance of Basel III-compliant Tier 2 capital notes up to USD500 million in one or more tranches, issued as part of its regulatory capital compliance and to proactively manage its capital base for growth and refinancing of maturing capital securities which was also approved by the BSP on July 26, 2013 and the amendment to the terms and conditions on January 30, 2014. Specifically, the BSP approved the issuance of up to USD500 million equivalent in either USD or PHP or combination in one or more tranches over the course of one (1) year. The Peso Notes issued by the Parent Company are unsecured and subordinated obligations and will rank *pari passu* and without any preference among themselves and at least equally with all its other present and future unsecured and subordinated obligations. These Peso Notes have a term of 10.25 and 11 years and are redeemable at the option of the Parent Company (but not the holders) on the call option date in whole but not in part at redemption price equal to 100.00% of the principal amount together with accrued and unpaid interest on the call option date, upon prior approval of the BSP and at least 30-banking day prior written notice to the Noteholders of record, subject to the following conditions: (1) the capital adequacy of the Issuer is at least equal to the required minimum ratio; (2) the note is simultaneously replaced with the issues of new capital which are neither smaller in size nor lower in quality than the original issue. Furthermore, upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event, the Parent Company may, upon prior approval of the BSP and at least a 30-banking day prior written notice to the Noteholders on record, redeem all and not less than all of the outstanding Notes prior to the stated maturity by paying the Noteholder the Redemption Option Amount which, (a) in the case of a Tax Redemption Event is an amount equal to 100.00% of the face value of the Note plus accrued Interest at the Interest Rate relating to the then current Interest Period up to but excluding the date of such redemption, and (b) in the case of a Regulatory Redemption Event is an amount equal to 101.00% of the face value of the Note plus accrued Interest at the Interest Rate relating to the then current Interest Period up to but excluding the date of such redemption. The Notes have a loss absorption feature which are subject to a Non-Viability Write-Down in case of the occurrence of a Non-Viability Trigger Event, subject to certain conditions as set out in “Terms and Conditions of the Notes - Loss Absorption Measure”, when the Issuer is considered non-viable as determined by the BSP. Non-Viability is a deviation from a certain level of CET1 Ratio or the inability of the Issuer to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A Non-Viability Trigger Event shall be deemed to have occurred if the BSP notifies the Issuer in writing that it has determined that a: (i) a Write-Down (as defined in “Terms and Conditions of the Notes”) of the Notes and other capital instruments of the Issuer is necessary because, without such Write-Down, the Issuer would become non-viable, (ii) public sector injection of capital, or equivalent support, is necessary because, without such injection or support, the Issuer would become non-viable, or (iii) Write-Down of the Notes and other capital instruments of the Issuer is necessary because, as a result of the closure of the Issuer, the Issuer has become non-viable.

Each Noteholder may not exercise or claim any right of set-off in respect of any amount owed to it by the Parent Company arising under or in connection with the Peso Notes and to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off. These Notes are not deposits and are not insured by the Philippine Deposit Insurance Corporation.

Specific terms of these Basel III-compliant Peso Notes follow:

Parent Company
2024 Peso Notes - issued on March 27, 2014 at 100.00% of the principal amount of ₱16.0 billion

- Bear interest at 5.375% per annum from March 27, 2014 to but excluding June 27, 2019. Interest will be payable quarterly in arrears on March 27, June 27, September 27 and December 27 of each year, commencing on June 27, 2014. Unless the Notes are previously redeemed, the initial interest rate will be reset at the equivalent of the five-year PDST-F as of reset date plus a spread of 1.51% per annum and such interest will be payable commencing on June 27, 2019 (call option date) up to and including June 27, 2024.

2025 Peso Notes - issued on August 8, 2014 at 100.00% of the principal amount of ₱6.5 billion

- Bear interest at 5.25% per annum from August 8, 2014 to but excluding August 8, 2020. Interest will be payable quarterly in arrears on February 8, May 8, August 8 and November 8 of each year, commencing on November 8, 2014. Unless the Notes are previously redeemed, the initial interest rate will be reset at equivalent of the five-year PDST-R2 as of reset date plus a spread of 1.67% per annum and such interest will be payable commencing on August 8, 2020 (call option date) up to and including August 8, 2025.

MCC

2023 Peso Notes - issued on December 20, 2013 at 100.00% of the principal amount of ₱1.2 billion

- Bear interest at 6.21% per annum payable quarterly in arrears every 20th of March, June, September and December each year, commencing on March 20, 2014.
- Basel III - compliant unsecured subordinated notes qualified as Tier 2 capital as approved by the BSP on February 17, 2013.
- In case of insolvency or liquidation of MCC, the notes will be subordinated in the right of payment of principal and interest to all depositors and other creditors of MCC, except those creditors expressed to rank equally with, or behind holders of the notes.
- If a non-viability trigger event occurs, MCC shall immediately write down some or all of the notes in accordance with the BSP's determination.
- Subject to the written approval of the BSP, MCC may redeem all and not less than the entire outstanding 2023 Notes, at a redemption price equal to the face value together with the accrued and unpaid interest based on the interest rate.

PSBank

2024 Peso Notes - issued on May 23, 2014 at 100.00% of the face value of ₱3.0 billion

- Bear interest at the rate 5.50% per annum for the first 5 years and 3 months. Interest will be payable quarterly in arrears on August 23, November 23, February 23 and May 23 of each year, commencing on August 23, 2014. Unless the Notes are previously redeemed, the initial interest rate will be reset at the equivalent of the five-year PDST-F as of reset date plus a spread of 1.4438% per annum.
- Basel III - compliant unsecured subordinated notes qualified as Tier 2 capital as approved by the BSP on April 14, 2014.
- May be redeemed by PSBank in full, but not in part, on the call option date upon prior approval of the BSP and subject to certain conditions.
- May be redeemed by PSBank in full, but not in part, upon the occurrence of a Tax Redemption or Regulatory Redemption Event prior to maturity by paying the Holders the following:
  a) In the case of a Tax Redemption Event, 100.00% of the face value of the Note plus accrued interest
  b) In the case of a Regulatory Redemption Event, 101.00% of the face value of the Note plus accrued interest.
- Have a loss absorption feature which means the Notes are subject to a Non-Viability Write-Down in case of the occurrence of a Non-Viability Trigger Event, subject to certain conditions.

As of December 31, 2018 and 2017, the Parent Company, PSBank and MCC are in compliance with the terms and conditions upon which these subordinated notes have been issued.

In 2018, 2017 and 2016, interest expense on subordinated debts included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others' amounted to ₱1.5 billion, ₱1.5 billion and ₱1.7 billion (including amortization of debt issue cost and premium of ₱38.2 million, ₱35.3 million and ₱37.4 million), respectively, for the Group, and ₱1.2 billion (including amortization of debt issue cost and premium of ₱34.4 million, ₱32.6 million and ₱30.9 million, respectively) for the Parent Company.

21. Non-equity Non-controlling Interest and Other Liabilities

Non-equity Non-controlling Interest
This account arises when mutual funds are consolidated and where the Group holds less than 100.00% of the investment in these funds. When this occurs, the Group acquires a liability in respect of non-controlling interests in the funds of which the Group has control. Such non-controlling interests are distinguished from equity non-controlling interests in that the Group does not hold an equity stake in such funds. Further, income (loss) attributable to non-equity non-controlling interests amounting to ₱0.7 billion, (₱1.3 billion), and ₱0.4 billion in 2018, 2017 and 2016, respectively, is included under 'Trading and securities gain (loss) - net' in the statements of income (Note 8).

Other Liabilities
This account consists of:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Accounts payable	**₱15,629**	₱16,083	**₱7,104**	₱7,488
Bills purchased - contra (Note 9)	**12,171**	12,333	**12,158**	12,323
Notes payable	**2,600**	–	**–**	–
Marginal deposits	**4,232**	3,229	**166**	682
Other credits	**1,887**	1,306	**726**	607
Outstanding acceptances	**1,793**	1,741	**1,793**	1,741
Deposits on lease contracts	**1,643**	1,472	**–**	–
Deferred revenues (Note 25)	**1,398**	1,357	**64**	54
Withholding taxes payable	**897**	603	**564**	341
Retirement liability (Note 27)	**277**	3,675	**–**	2,818
Miscellaneous (Notes 11 and 15)	**3,086**	17,077	**1,532**	8,665
	₱45,613	₱58,876	**₱24,107**	₱34,719

Notes payable represent unsecured notes issued by ORIX Metro on October 29, 2018 maturing on April 29, 2020 and October 29, 2020 with annual interest rates of 7.02% and 7.45%, respectively, payable quarterly in arrears every January 29, April 29, July 29 and October 29 until their maturity. In 2018, interest expense on notes payable included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others' amounted to ₱32.6 million.

Deferred revenues include deferral and release of MCC's loyalty points program transactions and membership fees and dues.

As of December 31, 2018 and 2017, miscellaneous liabilities of the Group include dividends payable amounting to ₱90.4 million and ₱90.7 million, respectively.

22. Maturity Profile of Assets and Liabilities

The following tables present the assets and liabilities by contractual maturity and settlement dates:

	Consolidated					
	2018			2017		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets - at gross						
Cash and other cash items	**₱33,091**	**₱–**	**₱33,091**	₱27,631	₱–	₱27,631
Due from BSP	**240,134**	**–**	**240,134**	261,959	–	261,959
Due from other banks	**45,808**	**–**	**45,808**	31,291	–	31,291
Interbank loans receivable and SPURA (Note 7)	**50,731**	**–**	**50,731**	45,048	427	45,475
Investment securities at FVTPL (Note 8)	**39,689**	**–**	**39,689**	43,887	–	43,887
Investment securities at FVOCI (Note 8)	**25,167**	**86,121**	**111,288**	–	–	–
Investment securities at amortized cost (Note 8)	**2,684**	**262,740**	**265,424**	–	–	–
AFS investments (Note 8)	**–**	**–**	**–**	24,740	319,465	344,205
Loans and receivables (Note 9)						
Receivables from customers	**633,469**	**759,611**	**1,393,080**	577,561	684,554	1,262,115
Unquoted debt securities	**–**	**1,018**	**1,018**	541	711	1,252
Accrued interest receivable	**10,661**	**6**	**10,667**	8,795	1	8,796
Accounts receivable	**9,574**	**81**	**9,655**	9,036	18	9,054
Sales contract receivable	**119**	**71**	**190**	18	109	127
Other receivables	**335**	**–**	**335**	278	–	278
Other assets (Note 14)						
Investments in SPVs	**8,857**	**–**	**8,857**	8,857	–	8,857
Interoffice float items	**2,536**	**–**	**2,536**	1,698	–	1,698
Returned checks and other cash items	**417**	**–**	**417**	295	–	295
Residual value of leased asset	**354**	**776**	**1,130**	348	706	1,054
Other investments	**–**	**26**	**26**	–	26	26
	1,103,626	**1,110,450**	**2,214,076**	1,041,983	1,006,017	2,048,000
Non-Financial Assets - at gross						
Investments in associates and a JV (Note 11)	**–**	**6,022**	**6,022**	–	5,839	5,839
Property and equipment (Note 10)	**–**	**43,167**	**43,167**	–	45,527	45,527
Investment properties (Note 12)	**–**	**10,217**	**10,217**	–	10,574	10,574
Deferred tax assets (Note 28)	**–**	**10,238**	**10,238**	–	9,161	9,161
Goodwill (Note 11)	**–**	**5,200**	**5,200**	–	5,200	5,200
Assets held under joint operations (Note 14)	**–**	**219**	**219**	–	259	259
Accounts receivable (Note 9)	**–**	**3,636**	**3,636**	–	4,493	4,493
Other assets (Note 14)	**2,828**	**13,581**	**16,409**	2,329	9,310	11,639
	2,828	**92,280**	**95,108**	2,329	90,363	92,692
	₱1,106,454	**₱1,202,730**	**2,309,184**	₱1,044,312	₱1,096,380	2,140,692
Less:						
Unearned discounts and capitalized interest (Note 9)			**4,859**			4,239
Accumulated depreciation and amortization (Notes 10, 12 and 14)			**25,909**			27,376
Allowance for credit and impairment losses (Note 15)			**34,723**			28,785
			₱2,243,693			₱2,080,292
Financial Liabilities						
Deposit liabilities						
Demand	**₱355,473**	**₱–**	**₱355,473**	₱344,708	₱–	₱344,708
Savings	**609,471**	**–**	**609,471**	605,508	–	605,508
Time	**527,635**	**20,384**	**548,019**	502,794	44,927	547,721
LTNCD (Note 16)	**–**	**43,790**	**43,790**	–	30,025	30,025
	1,492,579	**64,174**	**1,556,753**	1,453,010	74,952	1,527,962
Bills payable and SSURA (Note 17)	**208,989**	**50,618**	**259,607**	197,228	30,607	227,835
Derivative liabilities (Note 8)	**6,537**	**–**	**6,537**	5,352	–	5,352
Manager's checks and demand drafts outstanding	**7,565**	**–**	**7,565**	8,054	–	8,054
Accrued interest and other expenses	**8,155**	**95**	**8,250**	5,709	45	5,754
Bonds payable (Note 19)	**2,917**	**27,826**	**30,743**	–	2,910	2,910
Subordinated debts (Note 20)	**15,987**	**10,631**	**26,618**	–	26,580	26,580
Non-equity non-controlling interest (Note 21)	**6,747**	**–**	**6,747**	8,002	–	8,002
Other liabilities (Note 21)						
Bills purchased - contra	**12,171**	**–**	**12,171**	12,333	–	12,333
Accounts payable	**15,629**	**–**	**15,629**	16,083	–	16,083
Marginal deposits	**4,232**	**–**	**4,232**	3,229	–	3,229
Notes payable	**–**	**2,600**	**2,600**	–	–	–
Outstanding acceptances	**1,793**	**–**	**1,793**	1,730	11	1,741
Deposits on lease contracts	**540**	**1,103**	**1,643**	978	494	1,472
Dividends payable	**90**	**–**	**90**	91	–	91
Miscellaneous	**–**	**–**	**–**	14,800	–	14,800
	1,783,931	**157,047**	**1,940,978**	1,726,599	135,599	1,862,198

(Forward)

	Consolidated					
	2018			2017		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Non-Financial Liabilities						
Retirement liability (Note 27)	**₱–**	**₱277**	**₱277**	₱–	₱3,675	₱3,675
Income taxes payable	**2,830**	**–**	**2,830**	3,381	–	3,381
Accrued other expenses	**1,369**	**–**	**1,369**	1,219	–	1,219
Withholding taxes payable (Note 21)	**897**	**–**	**897**	603	–	603
Deferred tax and other liabilities (Notes 21 and 28)	**4,394**	**2,244**	**6,638**	3,531	1,595	5,126
	9,490	**2,521**	**12,011**	8,734	5,270	14,004
	₱1,793,421	**₱159,568**	**₱1,952,989**	₱1,735,333	₱140,869	₱1,876,202

	Parent Company					
	2018			2017		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Financial Assets - at gross						
Cash and other cash items	**₱29,280**	**₱–**	**₱29,280**	₱24,975	₱–	₱24,975
Due from BSP	**206,289**	**–**	**206,289**	224,723	–	224,723
Due from other banks	**35,218**	**–**	**35,218**	19,286	–	19,286
Interbank loans receivable and SPURA (Note 7)	**24,724**	**–**	**24,724**	27,208	–	27,208
Investment securities at FVTPL (Note 8)	**30,166**	**–**	**30,166**	32,272	–	32,272
Investment securities at FVOCI (Note 8)	**16,647**	**75,497**	**92,144**	–	–	–
Investment securities at amortized cost (Note 8)	**471**	**212,184**	**212,655**	–	–	–
AFS investments (Note 8)	**–**	**–**	**–**	14,500	256,105	270,605
Loans and receivables (Note 9)						
Receivables from customers	**547,558**	**563,646**	**1,111,204**	498,342	496,318	994,660
Unquoted debt securities	**–**	**386**	**386**	386	26	412
Accrued interest receivable	**7,981**	**6**	**7,987**	6,457	1	6,458
Accounts receivable	**5,975**	**–**	**5,975**	5,677	–	5,677
Sales contract receivable	**47**	**72**	**119**	14	6	20
Other receivables	**13**	**–**	**13**	9	–	9
Other assets (Note 14)						
Investments in SPVs	**8,857**	**–**	**8,857**	8,857	–	8,857
Interoffice float items	**2,619**	**–**	**2,619**	1,752	–	1,752
Returned checks and other cash items	**397**	**–**	**397**	284	–	284
	916,242	**851,791**	**1,768,033**	864,742	752,456	1,617,198
Non-Financial Assets - at gross						
Investments in subsidiaries (Note 11)	**–**	**81,288**	**81,288**	–	68,452	68,452
Investments in associates (Note 11)	**–**	**569**	**569**	–	719	719
Property and equipment (Note 10)	**–**	**27,990**	**27,990**	–	30,748	30,748
Investment properties (Note 12)	**–**	**4,552**	**4,552**	–	4,934	4,934
Deferred tax assets (Note 28)	**–**	**6,769**	**6,769**	–	6,528	6,528
Assets held under joint operations (Note 14)	**–**	**219**	**219**	–	259	259
Accounts receivable (Note 9)	**–**	**3,636**	**3,636**	–	4,493	4,493
Other assets (Note 14)	**1,477**	**8,224**	**9,701**	1,311	4,355	5,666
	1,477	**133,247**	**134,724**	1,311	120,488	121,799
	₱917,719	**₱985,038**	**1,902,757**	₱866,053	₱872,944	1,738,997
Less:						
Unearned discounts and capitalized interest (Note 9)			**266**			219
Accumulated depreciation and amortization (Notes 10, 12 and 14)			**14,537**			17,071
Allowance for credit and impairment losses (Note 15)			**24,290**			20,322
			₱1,863,664			₱1,701,385
Financial Liabilities						
Deposit liabilities						
Demand	**₱322,371**	**₱–**	**₱322,371**	₱314,542	₱–	₱314,542
Savings	**577,815**	**–**	**577,815**	576,807	–	576,807
Time	**389,008**	**1,467**	**390,475**	393,489	2,459	395,948
LTNCD (Note 16)	**–**	**35,330**	**35,330**	–	26,650	26,650
	1,289,194	**36,797**	**1,325,991**	1,284,838	29,109	1,313,947
Bills payable and SSURA (Note 17)	**131,870**	**19,209**	**151,079**	93,992	12,490	106,482
Derivative liabilities (Note 8)	**6,182**	**–**	**6,182**	5,352	–	5,352
Manager's checks and demand drafts outstanding	**5,950**	**–**	**5,950**	5,840	–	5,840
Accrued interest and other expenses	**3,863**	**93**	**3,956**	2,656	45	2,701
Bonds payable (Note 19)	**–**	**27,826**	**27,826**	–	–	–
Subordinated debts (Note 20)	**15,987**	**6,484**	**22,471**	–	22,437	22,437
Other liabilities (Note 21)						
Bills purchased - contra	**12,158**	**–**	**12,158**	12,323	–	12,323
Accounts payable	**7,104**	**–**	**7,104**	7,488	–	7,488
Marginal deposits	**166**	**–**	**166**	682	–	682
Outstanding acceptances	**1,793**	**–**	**1,793**	1,730	11	1,741
Other liabilities	**–**	**–**	**–**	7,400	–	7,400
	1,474,267	**90,409**	**1,564,676**	1,422,301	64,092	1,486,393

(Forward)

	Parent Company					
	2018			2017		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Non-Financial Liabilities						
Retirement liability (Note 27)	**₱–**	**₱–**	**₱–**	₱–	₱2,818	₱2,818
Income taxes payable	**1,670**	**–**	**1,670**	2,077	–	2,077
Accrued other expenses	**1,669**	**–**	**1,669**	1,204	–	1,204
Withholding taxes payable (Note 21)	**564**	**–**	**564**	341	–	341
Other liabilities (Note 21)	**1,596**	**726**	**2,322**	1,319	607	1,926
	5,499	**726**	**6,225**	4,941	3,425	8,366
	₱1,479,766	**₱91,135**	**₱1,570,901**	₱1,427,242	₱67,517	₱1,494,759

23. Capital Stock

As of December 31, 2018 and 2017, this account consists of (amounts in millions, except par value and number of shares):

	Shares		Amount	
	2018	2017	**2018**	2017
Authorized				
Common stock – ₱20.00 par value	**4,000,000,000**	4,000,000,000		
Preferred stock – ₱20.00 par value	**1,000,000,000**	1,000,000,000		
Common stock issued and outstanding				
Balance at beginning of year	**3,180,172,786**	3,180,172,786	**₱63,603**	₱63,603
Issuance of stock rights	**799,842,250**	–	**15,997**	–
Balance at the end of year	**3,980,015,036**	3,180,172,786	**₱79,600**	₱63,603

As of December 31, 2018 and 2017, treasury shares totaling 825,000 and 560,100, respectively, represent shares of the Parent Company held by FMIC's mutual fund subsidiaries (Notes 2 and 31).

On March 15, 2013, the BOD of the Parent Company approved (a) the amendment of the AOI for the purpose of increasing the authorized capital stock and (b) the declaration of 30.00% stock dividend, which were ratified by the stockholders representing at least 2/3 of the outstanding capital stock on April 15, 2013. These were subsequently approved by the BSP on May 15, 2013 while the SEC approved the amended AOI on August 13, 2013. Following this, the authorized capital stock of the Parent Company increased from ₱50.0 billion to ₱100.0 billion consisting of 4.0 billion Common Shares and 1.0 billion Preferred Shares, both with par value of ₱20.00 per share. The 30.00% stock dividend equivalent to 633,415,049 common shares amounting to ₱12.7 billion represents at least the minimum 25.00% subscribed and paid-up capital for the increase in the authorized capital stock referred to above which was issued/paid on September 16, 2013 with record date on September 3, 2013. On September 10, 2013, the PSE approved the listing of such additional common shares.

Preferred shares are non-voting except as provided by law; have preference over Common Shares in the distribution of dividends; subject to such terms and conditions as may be determined by the BOD and to the extent permitted by applicable law, may or may not be redeemable; and shall have such other features as may be determined by the BOD at the time of issuance.

On January 21, 2015, the Parent Company's BOD approved the Stock Rights Offer (SRO) by way of issuance from the unissued portion of the authorized capital stock which was noted by BSP with the issuance of a letter of no objection to the Rights Issue on February 17, 2015. On February 24, 2015, the SEC confirmed the exemption of this issuance of ₱32.0 billion worth of common shares from the registration requirements under Section 8 of the SRC. On February 25, 2015, the PSE approved the listing of up to 500.0 million common shares to cover the SRO to all stockholders of record as of March 18, 2015. On April 7, 2015, following regulatory approvals, the Parent Company concluded the ₱32.0 billion SRO, involving 435,371,720 common shares with par value of ₱20.00 priced at ₱73.50 per share and listed with the PSE on the same date. The difference between the issued price and the par value is recognized as ‘Capital paid in excess of par value’.

On February 16, 2016, the Parent Company redeemed its USD125.0 million HT1 Capital Securities. Prior to redemption, the HT1 Capital Securities represent USD125.0 cumulative step-up callable perpetual hybrid capital securities issued on February 15, 2006, with interest of 9.00% payable semi-annually in arrears until February 15, 2016. In 2016, the coupon payment amounting to USD 5.6 million (or ₱267.0 million) was treated as dividends and deducted from equity when due.

On January 17, 2018, the Parent Company’s BOD approved the SRO by way of issuance of up to a maximum of 819,827,214 common shares to raise additional capital of up to ₱60.0 billion. This was noted by the BSP with the issuance of a letter of no objection to the rights issue on January 29, 2018. On April 4, 2018, following the regulatory approvals, the Parent Company concluded the ₱60.0 billion SRO, involving 799,842,250 common shares with par value of ₱20.00 priced at ₱75.00 per share and listed on the PSE on April 12, 2018. Transaction costs on SRO amounting to ₱878.2 million were charged against ‘Capital paid in excess of par value’.

All issued and outstanding shares of the Parent Company are listed with the PSE (Note 1). As of December 31, 2018 and 2017, there are 3,031 and 3,068 holders, respectively, of the listed shares of the Parent Company, with share price closed at ₱80.95 and ₱101.40 a share, respectively.

The history of share issuances during the last ten years follows:

Year	Issuance	Listing Date	Number of Shares Issued
2018	Stock rights	April 12, 2018	799,842,250
2015	Stock rights	April 7, 2015	435,371,720
2013	Stock dividend	September 16, 2013	633,415,049
2011	Stock rights	January 24, 2011	200,000,000

Details of the Parent Company’s cash dividend distributions from 2016 to 2018 follow:

Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
February 21, 2018	₱1.00	₱3,180	March 8, 2018	March 16, 2018
February 22, 2017	1.00	3,180	March 9, 2017	March 23, 2017
March 16, 2016	1.00	3,180	April 1, 2016	April 8, 2016

The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following BSP guidelines.

24. Surplus Reserves

This account consists of:

	2018	2017
Reserve for trust business (Note 29)	**₱1,475**	₱1,350
Reserve for self-insurance	**481**	460
	₱1,956	₱1,810

In compliance with existing BSP regulations, 10.0% of the Parent Company’s income from trust business is appropriated to surplus reserves. This yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Parent Company’s regulatory net worth.

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of the Parent Company's personnel or third parties.

25. Other Operating Income and Expenses

Service Charges, Fees and Commissions
The table below presents the disaggregation of service charges, fees and commission by business segment:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Consumer banking	**₱5,694**	₱5,094	₱4,629	**₱125**	₱93	₱77
Branch banking	**3,418**	2,711	2,514	**2,482**	1,957	1,911
Corporate banking	**791**	585	418	**812**	635	437
Investment banking	**347**	307	643	**–**	–	–
Treasury	**333**	292	190	**297**	267	139
Others	**2,112**	2,056	1,935	**1,238**	1,219	1,204
	₱12,695	₱11,045	₱10,329	**₱4,954**	₱4,171	₱3,768

Others include the remittance business of the Group and the Parent Company.

The remaining performance obligations on revenue contracts with customers of the Group under PFRS 15, which are expected to be recognized beyond one year amounting to ₱722.1 million (included in 'Deferred revenues' under 'Other liabilities') as of December 31, 2018 relate to the customer loyalty program of MCC. The customer loyalty points have no expiration and redemptions can go beyond one year.

Miscellaneous Income and Expenses
In 2018, 2017 and 2016, miscellaneous income includes gain on initial recognition of investment properties and other non-financial assets amounting to ₱638.5 million, ₱1.1 billion and ₱834.4 million, respectively, for the Group and ₱22.8 million, ₱25.5 million and ₱24.2 million, respectively, for the Parent Company; recovery on charged-off assets amounting to ₱874.9 million, ₱1.1 billion and ₱774.0 million, respectively, for the Group and ₱8.8 million, ₱28.9 million and ₱28.3 million, respectively, for the Parent Company; and information technology and other fees amounting to ₱212.3 million, ₱338.5 million and ₱354.0 million, respectively, for the Parent Company (Note 31).

Miscellaneous expenses consist of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Insurance	**₱3,422**	₱3,220	₱2,832	**₱2,684**	₱2,457	₱2,203
Security, messengerial and janitorial	**2,433**	2,359	2,265	**1,837**	1,779	1,830
Information technology (Note 31)	**1,066**	769	809	**684**	520	581
Advertising	**986**	895	1,499	**221**	284	803
Management and professional fees	**792**	652	600	**538**	397	351
Litigation (Note 12)	**781**	794	644	**276**	309	249
Supervision fees	**738**	650	616	**613**	539	516
Communications	**647**	616	600	**115**	96	84
Repairs and maintenance	**538**	608	557	**190**	292	286
Transportation and travel	**527**	497	501	**382**	344	344
Stationery and supplies used	**446**	403	426	**261**	240	264
Entertainment, amusement and representation (EAR) (Note 28)	**340**	302	505	**295**	261	461
Others (Note 31)	**2,519**	1,965	1,785	**1,477**	1,035	909
	₱15,235	₱13,730	₱13,639	**₱9,573**	₱8,553	₱8,881

26. **Notes to Statements of Cash Flows**

The amounts of interbank loans receivable and SPURA, gross of allowance for credit losses, considered as cash and cash equivalents follow:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Interbank loans receivable and SPURA	**₱50,731**	₱45,475	₱91,646	**₱24,724**	₱27,208	₱73,094
Interbank loans receivable and SPURA not considered as cash and cash equivalents	**(11,351)**	(12,739)	(15,778)	**(1,982)**	(7,966)	(7,644)
	₱39,380	₱32,736	₱75,868	**₱22,742**	₱19,242	₱65,450

Significant non-cash transactions of the Group and the Parent Company (other than the impact of PFRS 9 adoption as discussed in Note 2) include reclassification of remaining HTM investments to AFS investments in 2016 as discussed in Note 8; foreclosures of properties or additions to investment and chattel properties as disclosed in Notes 12 and 14, respectively; accrual of cash dividends from subsidiaries and SMBC Metro as disclosed in Notes 11 and 31; and reclassifications of BUC (Note 10).

The table below provides for the changes in liabilities arising from financing activities in 2018 and 2017:

	Consolidated			
	January 1, 2018	**Net cash flows**	**Others**	**December 31, 2018**
Bills payable and SSURA (Note 17)	**₱227,835**	**₱46,724**	**(₱14,952)**	**₱259,607**
Bonds payable (Note 19)	**2,910**	**27,826**	**7**	**30,743**
Subordinated debts (Note 20)	**26,580**	**–**	**38**	**26,618**
Notes payable (Note 21)	**–**	**2,600**	**–**	**2,600**
Dividends payable (Note 21)	**91**	**(3,180)**	**3,179**	**90**
Total liabilities from financing activities	**₱257,416**	**₱73,970**	**(₱11,728)**	**₱319,658**

	Consolidated			
	January 1, 2017	Net cash flows	Others	December 31, 2017
Bills payable and SSURA (Note 17)	₱161,376	₱64,034	₱2,425	₱227,835
Bonds payable (Note 19)	11,498	(8,599)	11	2,910
Subordinated debts (Note 20)	29,524	(3,000)	56	26,580
Dividends payable (Note 21)	84	(3,180)	3,187	91
Total liabilities from financing activities	₱202,482	₱49,255	₱5,679	₱257,416

	Parent Company			
	January 1, 2018	**Net cash flows**	**Others**	**December 31, 2018**
Bills payable and SSURA (Note 17)	**₱106,482**	**₱44,597**	**₱–**	**₱151,079**
Bonds payable (Note 19)	**–**	**27,826**	**–**	**27,826**
Subordinated debts (Note 20)	**22,437**	**–**	**34**	**22,471**
Dividends payable (Note 21)	**–**	**(3,180)**	**3,180**	**–**
Total liabilities from financing activities	**₱128,919**	**₱69,243**	**₱3,214**	**₱201,376**

	Parent Company			
	January 1, 2017	Net cash flows	Others	December 31, 2017
Bills payable and SSURA (Note 17)	₱68,865	₱37,617	₱–	₱106,482
Subordinated debts (Note 20)	22,404	–	33	22,437
Dividends payable (Note 21)	–	(3,180)	3,180	–
Total liabilities from financing activities	₱91,269	₱34,437	₱3,213	₱128,919

Others include the effect of cash flows of liabilities arising from operating activities, declaration of dividends, and effect of amortization of transaction costs.

27. Retirement Plan and Other Employee Benefits

The Parent Company and most of its subsidiaries have funded non-contributory defined benefit retirement plan covering all their respective permanent and full-time employees. Benefits are based on the employee's years of service and final plan salary.

For employees of the Parent Company, retirement from service is compulsory upon the attainment of the 55th birthday or 30th year of service, whichever comes first.

Under the existing regulatory framework, Republic Act (RA) 7641 (Retirement Pay Law) requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Parent Company and most of its subsidiaries meet the minimum retirement benefit specified under RA 7641.

The principal actuarial assumptions used in determining retirement liability of the Parent Company and significant subsidiaries are shown below:

	Parent Company	MCC	FMIC	PSBank	ORIX Metro
As of January 1, 2018					
Average remaining working life	**9 years**	**12 years**	**7 to 10 years**	**11 years**	**12 to 27 years**
Discount rate	**5.39%**	**5.74%**	**5.62% to 5.77%**	**5.73%**	**4.84% to 5.40%**
Future salary increases	**7.00%**	**8.00%**	**5.00%**	**5.00%**	**7.00% to 8.00%**
As of January 1, 2017					
Average remaining working life	8 years	12 years	9 to 10 years	12 years	12 to 27 years
Discount rate	5.11%	4.84%	5.11% to 5.49%	5.31%	3.89% to 5.36%
Future salary increases	7.00%	8.50%	5.00%	5.00%	8.00%

Discount rates used in computing for the present value of the DBO of the Parent Company and significant subsidiaries as of December 31, 2018 and 2017 follow:

	Parent Company	MCC	FMIC	PSBank	ORIX Metro
2018	**7.29%**	**8.37%**	**7.16% to 7.32%**	**7.33%**	**6.80% to 7.83%**
2017	5.39%	5.74%	5.62% to 5.77%	5.73%	4.84% to 5.40%

The net retirement liability (asset) of the Group and the Parent Company is presented in the following accounts in the statement of financial position:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Other assets (Note 14)	**(₱3,654)**	(₱68)	**(₱3,606)**	₱–
Other liabilities (Note 21)	**277**	3,675	**–**	2,818
	(₱3,377)	₱3,607	**(₱3,606)**	₱2,818

The defined benefit plan exposes the Group and the Parent Company to actuarial risk, such as longevity risk, interest rate risk and market (investment risk).

The fair value of plan assets by each class as at the end of the reporting year are as follows:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Cash	**₱–**	₱555	**₱–**	₱–
Due from BSP	**13**	–	–	–
Deposit in banks	**1,487**	904	**417**	707
	1,500	1,459	**417**	707
Investment securities at FVTPL				
Equity securities	**97**	16	–	–
Debt securities (Note 31)	**2,653**	812	**2,653**	735
Unit investment trust fund and others (Note 31)	**112**	232	**112**	100
Total investment securities at FVTPL	**2,862**	1,060	**2,765**	835
Investment securities at FVOCI				
Debt securities				
Private (Note 31)	**663**	–	**612**	–
Government	**10,052**	–	**9,053**	–
Equity securities				
Quoted (Note 31)	**3,968**	–	**3,798**	–
Unquoted	**13**	–	**13**	–
Investment funds (Note 31)	**1,848**	–	**1,726**	–
Total investment securities at FVOCI	**16,544**	–	**15,202**	–
AFS investments				
Debt securities				
Private (Note 31)	–	1,193	–	660
Government	–	9,028	–	7,562
Equity securities				
Quoted (Note 31)	–	2,851	–	2,691
Unquoted	–	13	–	13
Investment funds	–	636	–	600
Total AFS investments	–	13,721	–	11,526
Investment securities at amortized cost - Government	**1,280**	–	–	
HTM investments - Government	–	16		–
Loans and discounts - net	**264**	265	**258**	259
Other receivables - net	**189**	161	**165**	140
Liabilities	**(8)**	(8)	**(6)**	(6)
Fair value of net plan assets	**₱22,631**	₱16,674	**₱18,801**	₱13,461

Changes in net defined benefit liability (asset) in 2018 are as follows:

Consolidated	**Present Value of DBO**	**Fair Value of Plan Assets**	**Net retirement liability/(asset)**
January 1, 2018	**₱20,281**	**(₱16,674)**	**₱3,607**
Net benefit cost			
Current service cost	**1,641**	–	**1,641**
Past service cost	**55**	–	**55**
Net interest	**1,048**	**(927)**	**121**
Sub-total	**2,744**	**(927)**	**1,817**
Benefits paid	**(1,498)**	**1,502**	**4**
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	**1,559**	**1,559**
Actuarial changes arising from experience adjustments	**(70)**	–	**(70)**
Actuarial changes arising from changes in financial/demographic assumptions	**(2,203)**	–	**(2,203)**
Sub-total	**(2,273)**	**1,559**	**(714)**
Contributions paid	–	**(8,091)**	**(8,091)**
December 31, 2018	**₱19,254**	**(₱22,631)**	**(₱3,377)**

Parent Company	Present Value of DBO	Fair Value of Plan Assets	Net retirement liability/(asset)
January 1, 2018	**₱16,279**	**(₱13,461)**	**₱2,818**
Net benefit cost			
Current service cost	**1,225**	**–**	**1,225**
Net interest	**830**	**(735)**	**95**
Sub-total	**2,055**	**(735)**	**1,320**
Benefits paid	**(1,273)**	**1,273**	**–**
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	**–**	**1,414**	**1,414**
Actuarial changes arising from experience adjustments	**(97)**	**–**	**(97)**
Actuarial changes arising from changes in financial/demographic assumptions	**(1,769)**	**–**	**(1,769)**
Sub-total	**(1,866)**	**1,414**	**(452)**
Contributions paid	**–**	**(7,292)**	**(7,292)**
December 31, 2018	**₱15,195**	**(₱18,801)**	**(₱3,606)**

Changes in net defined benefit liability in 2017 are as follows:

Consolidated	Present Value of DBO	Fair Value of Plan Assets	Net retirement liability/(asset)
January 1, 2017	₱19,188	(₱14,531)	₱4,657
Net benefit cost			
Current service cost	1,588	–	1,588
Past service cost	1	–	1
Net interest	932	(755)	177
Sub-total	2,521	(755)	1,766
Benefits paid	(1,182)	1,184	2
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	199	199
Actuarial changes arising from experience adjustments	393	–	393
Actuarial changes arising from changes in financial/demographic assumptions	(639)	–	(639)
Sub-total	(246)	199	(47)
Contributions paid	–	(2,771)	(2,771)
December 31, 2017	₱20,281	(₱16,674)	₱3,607

Parent Company	Present Value of DBO	Fair Value of Plan Assets	Net retirement liability/(asset)
January 1, 2017	₱15,427	(₱11,871)	₱3,556
Net benefit cost			
Current service cost	1,176	–	1,176
Net interest	744	(614)	130
Sub-total	1,920	(614)	1,306
Benefits paid	(1,034)	1,034	–
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	33	33
Actuarial changes arising from experience adjustments	295	–	295
Actuarial changes arising from changes in financial/demographic assumptions	(329)	–	(329)
Sub-total	(34)	33	(1)
Contributions paid	–	(2,043)	(2,043)
December 31, 2017	₱16,279	(₱13,461)	₱2,818

In 2018, 2017 and 2016, deferred tax on remeasurements on retirement plans credited (charged) to OCI amounted to ₱213.5 million, ₱11.1 million, and (₱209.7 million), respectively, for the Group, and ₱185.8 million, (₱7.6 million) and (₱204.4 million), respectively, for the Parent Company (Note 28).

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2018 and 2017, assuming all other assumptions were held constant:

	Parent Company	MCC	FMIC	PSBank	ORIX Metro
As of December 31, 2018					
Discount rate					
+100 basis points (bps)	**₱14,368**	**₱890**	**₱231**	**₱2,240**	**₱295**
- 100 bps	**16,117**	**1,069**	**259**	**2,699**	**367**
Salary increase rate					
+100 bps	**16,082**	**1,052**	**261**	**2,717**	**364**
- 100 bps	**14,380**	**901**	**229**	**2,220**	**297**
Turnover rate					
+300 bps	**14,930**	–	–	–	–
+100 bps	–	–	–	**2,448**	–
+ 25 bps	–	**952**	**239**	–	–
- 300 bps	**15,494**	–	–	–	–
- 100 bps	–	–	–	**2,457**	–
- 25 bps	–	**998**	**250**	–	–
As of December 31, 2017					
Discount rate					
+100 bps	₱15,321	₱843	₱237	₱2,222	₱347
- 100 bps	17,352	1,052	270	2,639	450
Salary increase rate					
+100 bps	17,296	1,025	271	2,654	444
- 100 bps	15,348	865	236	2,206	351
Turnover rate					
+300 bps	–	889	–	–	–
- 25 bps	15,893	–	10	2,405	–
- 300 bps	–	968	–	–	–

The Group and the Parent Company expect to contribute to the defined benefit retirement plans the required funding for normal cost in 2019 amounting to ₱2.4 billion and ₱1.8 billion, respectively.

The average duration of the DBO of the Group as of December 31, 2018 and 2017 are as follows:

	Parent Company	FMIC	PSBank	MCC	ORIX Metro
2018	**12.55 years**	**10.14 to 15.90 years**	**16.69 years**	**14.81 years**	**9.00 to 11.50 years**
2017	11.56 years	10.82 to 18.26 years	16.13 years	16.25 years	10.20 to 13.50 years

Shown below is the maturity analysis of the undiscounted benefit payments:

	Parent Company	FMIC	PSBank	MCC	ORIX Metro
As of December 31, 2018					
Less than 1 year	**₱1,877**	**₱28**	**₱130**	**₱33**	**₱4**
More than 1 year to 5 years	**8,425**	**123**	**788**	**274**	**120**
More than 5 years to 10 years	**11,363**	**292**	**1,699**	**867**	**265**
More than 10 years to 15 years	**7,631**	**161**	**2,396**	**1,204**	–
More than 15 years to 20 years	**9,664**	**134**	**3,547**	**1,918**	–
More than 20 years	**11,954**	**125**	**5,280**	**1,124**	–
As of December 31, 2017					
Less than 1 year	₱1,749	₱34	₱261	₱33	₱4
More than 1 year to 5 years	7,555	103	728	162	103
More than 5 years to 10 years	12,559	213	1,673	619	266
More than 10 years to 15 years	7,716	212	1,991	1,100	–
More than 15 years to 20 years	6,526	170	2,002	2,059	–
More than 20 years	8,881	171	4,280	1,482	–

In addition, the Parent Company has a Provident Plan which is a supplementary contributory retirement plan to and forms part of the main plan, the Retirement Plan, for the exclusive benefit of eligible employees of the Parent Company in the Philippines. Based on the provisions of the plan, upon retirement or resignation, a member shall be entitled to receive as retirement or resignation benefits 100.00% of the accumulated value of the personal contribution plus a percentage of the accumulated value arising from the Parent Company's contributions in accordance with the completed number of years serviced. The Parent Company's contribution to the Provident Fund in 2018 and 2017 amounted to ₱273.1 million and ₱263.9 million, respectively.

As of December 31, 2018 and 2017, the retirement funds of the Group's employees amounting to ₱22.6 billion and ₱16.7 billion, respectively, are being managed by its trust banking units. The Parent Company has a Trust Committee that is mandated to approve, the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the retirement plan. Certain members of the BOD of the Parent Company are represented in the Trust Committee. Directors' fees and bonuses of the Parent Company in 2018, 2017 and 2016 amounted to ₱57.8 million, ₱65.7 million and ₱59.4 million, respectively, while, officers' compensation and benefits of the Parent Company aggregated to ₱7.8 billion, ₱7.3 billion and ₱6.8 billion, respectively.

28. **Income and Other Taxes**

Under Philippine tax laws, the RBU of the Parent Company and its domestic subsidiaries are subject to percentage and other taxes (presented as 'Taxes and licenses' in the statement of income) as well as income taxes. Percentage and other taxes paid consist principally of gross receipts tax (GRT) and documentary stamp tax (DST). Income taxes include 30.00% regular corporate income tax (RCIT) and 20.00% final taxes paid, which is a final withholding tax on gross interest income from government securities and other deposit substitutes. Interest allowed as a deductible expense is reduced by an amount equivalent to 33.00% of interest income subjected to final tax.

Current tax regulations also provide for the ceiling on the amount of EAR expense (Note 25) that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and some of its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue. The regulations also provide for MCIT of 2.00% on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group's income tax liability and taxable income, respectively, over a three-year period from the year of inception.

FCDU offshore income (income from non-residents) is tax-exempt while gross onshore income (income from residents) is subject to 10.00% income tax. In addition, interest income on deposit placements with other FCDUs and offshore banking units (OBUs) is taxed at 15.00%. Income derived by the FCDU from foreign currency-denominated transactions with non-residents, OBUs, local commercial banks including branches of foreign banks is tax-exempt while interest income on foreign currency loans from residents other than OBUs or other depository banks under the expanded system is subject to 10.00% income tax.

Following are the applicable taxes and tax rates for the foreign branches of the Parent Company:

Foreign Branches	Tax Rates
USA - New York Branch	2018 - 21.00% federal income tax; 7.10% state tax; 6.50% city tax 2017 - 34.00% federal income tax; 7.10% state tax; 8.85% city tax
Japan - Tokyo and Osaka Branches	23.40% income tax; various rates for business taxes - income tax, local business, sheet value and sheet capital allocations
Korea - Seoul and Pusan Branches	Various rates; 0.50% education tax
Taiwan - Taipei Branch	20.00% income tax; 5.00% gross business receipts tax; 5.0% value-added tax

The provision for income tax consists of:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Current:						
Final tax	**₱2,928**	₱2,875	₱3,235	**₱2,389**	₱2,286	₱2,509
RCIT*	**5,010**	5,374	3,779	**2,090**	2,318	1,382
	7,938	8,249	7,014	**4,479**	4,604	3,891
Deferred*	**(193)**	(259)	(392)	**5**	(89)	(1)
	₱7,745	₱7,990	₱6,622	**₱4,484**	₱4,515	₱3,890

* Includes income taxes of foreign subsidiaries.

Components of net deferred tax assets of the Group and the Parent Company follow:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Deferred tax asset on:				
Allowance for credit and impairment losses	**₱8,804**	₱7,165	**₱5,928**	₱5,167
Unamortized past service cost	**2,629**	1,170	**2,382**	956
Unrealized foreign exchange losses	**366**	4	**341**	–
Deferred membership/awards	**340**	167	**–**	–
Accumulated depreciation of investment properties	**284**	295	**169**	190
Retirement liability	**70**	1,076	**–**	845
Fair value loss on securities	**39**	–	–	–
Others	**468**	471	**104**	108
	13,000	10,348	**8,924**	7,266
Deferred tax liability on:				
Retirement asset	**1,069**	22	**1,055**	–
Fair value gain on securities	**993**	294	**942**	235
Unrealized gain on initial measurement of investment properties	**546**	523	**158**	169
Unrealized foreign exchange gains	–	334	–	334
Others	**154**	14	–	–
	2,762	1,187	**2,155**	738
Net deferred tax assets	**₱10,238**	₱9,161	**₱6,769**	₱6,528

Components of net deferred tax liabilities of the Group follow:

	2018	2017
Deferred tax asset on:		
Allowance for credit and impairment losses	**₱231**	₱194
Unamortized past service cost	**3**	2
Retirement liability	**–**	24
Others	**49**	16
	283	236
Deferred tax liability on:		
Leasing income differential on lease accounting methods	**559**	500
Fair value gain on securities	**5**	–
Retirement asset	**2**	–
Others	**74**	13
	640	513
Net deferred tax liabilities	**₱357**	₱277

In 2018 and 2017, deferred tax charged (credited) to OCI amounted to (₱225.7 million) and ₱51.4 million for the Group, respectively, and (₱259.7 million) and ₱0.2 million for the Parent Company, respectively.

As of December 31, 2018 and 2017, no deferred tax asset was recognized on the following temporary differences: (a) allowance for credit and impairment losses amounting to ₱341.9 million and ₱198.0 million, respectively, for the Group; (b) NOLCO of ₱816.5 million and ₱855.1 million, respectively, for the Group, and ₱55.0 million in 2017 for the Parent Company; (c) MCIT of ₱8.5 million and ₱8.1 million, respectively, for the Group, and ₱8.0 million in 2017 for the Parent Company. The Group believes that it is not reasonably probable that the tax benefits of these temporary differences will be realized in the future.

There are no income tax consequences attaching to the payment of dividends by the Group to the shareholders of the Group. There are no temporary differences arising from undistributed profits of subsidiaries, branches, associates and a JV.

Details of the excess MCIT credits follow:

	Consolidated				**Parent Company**			
Inception Year	Amount	Used/Expired	Balance	Expiry Year	Amount	Used/Expired	Balance	Expiry Year
2015	₱1	₱1	₱–	2018	₱1	₱1	₱–	2018
2016	3	3	–	2019	3	3	–	2019
2017	4	4	–	2020	4	4	–	2020
2018	9	–	9	2021	–	–	–	2021
	₱17	₱8	₱9		₱8	₱8	₱–	

Details of the NOLCO follow:

	Consolidated				**Parent Company**			
Inception Year	Amount	Used/Expired	Balance	Expiry Year	Amount	Used/Expired	Balance	Expiry Year
2015	₱565	₱565	₱–	2018	₱234	₱234	₱–	2018
2016	302	–	302	2019	–	–	–	2019
2017	245	–	245	2020	–	–	–	2020
2018	270	–	270	2021	–	–	–	2021
	₱1,382	₱565	₱817		₱234	₱234	₱–	

A reconciliation of the statutory income tax rates and the effective income tax rates follows:

	Consolidated			**Parent Company**		
	2018	2017	2016	**2018**	2017	2016
Statutory income tax rate	**30.00%**	30.00%	30.00%	**30.00%**	30.00%	30.00%
Tax effect of:						
Tax-paid, tax-exempt and other non-taxable income	**(12.13)**	(14.52)	(13.15)	**(12.02)**	(14.23)	(11.84)
Non-deductible interest expense	**4.94**	3.33	4.90	**4.08**	3.04	3.39
FCDU income	**(1.89)**	(2.29)	(3.30)	**(1.94)**	(2.52)	(3.10)
Others - net	**3.92**	10.79	6.13	**(3.19)**	3.57	(0.75)
Effective income tax rate	**24.84%**	27.31%	24.58%	**16.93%**	19.86%	17.70%

29. **Trust Operations**

Properties held by the Parent Company and PSBank in fiduciary or agency capacity for their customers are not included in the accompanying statements of financial position since these are not their resources (Note 30).

In compliance with current banking regulations relative to the Parent Company and PSBank's trust functions, the following are government securities deposited with the BSP.

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Investment securities at amortized cost	**₱5,000**	₱–	**₱5,000**	₱–
Investment securities at FVOCI	**65**	–	**–**	–
AFS investments	**–**	5,017	**–**	₱4,952
	₱5,065	₱5,017	**₱5,000**	₱4,952

30. Commitments and Contingent Liabilities

In the normal course of the Group's operations, there are various outstanding commitments and contingent liabilities which are not reflected in the accompanying financial statements. No material losses are anticipated as a result of these transactions.

BSP Reporting

The following is a summary of contingencies and commitments at their peso-equivalent contractual amounts arising from off-balance sheet items:

	Consolidated		Parent Company	
	2018	2017	**2018**	2017
Trust Banking Group accounts (Note 29)	**₱429,162**	₱450,492	**₱422,761**	₱443,989
Credit card lines	**188,211**	160,057	**–**	–
Unused commercial letters of credit (Note 31)	**43,051**	44,759	**42,123**	43,423
Bank guaranty with indemnity agreement (Note 31)	**11,708**	13,555	**11,708**	13,555
Undrawn commitments - facilities to lend	**6,890**	1,965	**6,890**	1,965
Outstanding shipside bonds/airway bills	**6,350**	5,248	**6,350**	5,248
Credit line certificate with bank commission	**5,509**	6,351	**5,492**	6,351
Late deposits/payments received	**1,376**	472	**1,366**	467
Inward bills for collection	**1,141**	2,824	**1,141**	2,823
Outward bills for collection	**747**	682	**746**	681
Confirmed export letters of credits	**235**	246	**83**	57
Outstanding guarantees	**209**	92	**209**	88
Others	**9,080**	6,076	**612**	382
	₱703,669	₱692,819	**₱499,481**	₱519,029

On October 17, 2011, a consortium of eight banks including the Parent Company filed a Petition for Certiorari, Prohibition and/or Mandamus (with Urgent Application for a Temporary Restraining Order (TRO) and/or Writ of preliminary Injunction) with the Supreme Court (SC) against respondents the ROP, Bureau of Internal Revenue (BIR) and its Commissioner, the Department of Finance and its Secretary and the Bureau of Treasury (BTr) and the National Treasurer, asking the Court to annul BIR Ruling No. 370-2011 which imposes a 20-percent FWT on the 10-year Zero-Coupon Government Bonds (also known as the PEACe bonds) that matured on October 18, 2011 and command the respondents to pay the full amount of the face value of the PEACe Bonds. The Parent Company recognized a receivable from a third party of ₱425.7 million representing the 20% FWT. On November 22, 2016, the Court issued a Resolution denying the said Motion, considering that a second motion for reconsideration is a prohibited pleading under the Rules of Civil Procedure and also stated that no further pleadings or motions will be entertained. The case was settled on April 11, 2017 by way of issuance of retail treasury bonds.

Upon its own discovery, the Parent Company immediately caused the arrest of its Corporate Service Management Division Head, Ma. Victoria S. Lopez on July 17, 2017 for qualified theft through falsification of commercial documents. Both the Motion to Fix Bail and Motion for Reconsideration were denied. She is currently detained at the Makati City Jail. On July 24, 2017, another criminal complaint for qualified theft through falsification of commercial documents and violation of Section 55 of the General Banking Law (GBL) was filed against her and her cohorts for the abstraction of ₱900.0 million before the RTC of Makati City. On December 5, 2017, a third criminal case for the qualified theft through falsification of commercial documents and violation of Section 55 of GBL was filed against her, her cohorts and family members relative to the abstraction of ₱850.0 million. These criminal cases are pending trial with the RTC of Makati City. On the civil case, the RTC of Makati City granted the preliminary writ of attachment filed by the Parent Company against her, her family, cohorts and corporations, for the collection of the said sum of money, interests and penalties, damages and other costs. This case is likewise pending trial. In addition, foreign proceedings are ongoing on the cases which were filed in the USA and in Singapore to preserve and recover their identified properties. Accounts receivable classified under 'Loans and receivables' includes total identified claims of ₱1.75 billion with full provisioning (Notes 9 and 15). Relative to this incident, the MB approved the imposition of certain sanctions to the Parent Company (Note 4) and added that the MB took into consideration the strong financial condition and immediate corrective actions of the Parent Company as well as its safety and soundness given the medium to long-term initiatives that improve governance, controls and compliance. The Parent Company does not expect this isolated incident to have long-term material impact on its financial statements. Further, the Parent Company is reinforcing its commitment to the highest standards of integrity and upholds the protection of its customers as its main priority.

Several suits, assesments or notices, and claims relating to the Group's operations and labor-related cases remain unsettled. In the opinion of management, these suits, assessments or notices, and claims, if decided adversely, will not involve sums having a material effect on the Group's financial statements.

31. **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 or if they are subjected to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities and are classified as entities with significant influence, subsidiaries, associates, other related parties and key personnel (Notes 2 and 11).

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectibility and did not present other unfavorable conditions.

The Parent Company has a Related Party Transactions Committee (RPTC) and a Related Party Transactions Management Committee (RPTMC), both of which are created to assist the BOD in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that corporate or business resources of the Parent Company are not misappropriated or misapplied. After appropriate review, RPTC and RPTMC disclose all information and endorses to the BOD with recommendations, the proposed related party transactions. The members of the RPTC are appointed annually by the BOD, composed of at least three (3) Board non-executive members, two (2) of whom should be independent directors, including the Chairperson. Currently, RPTC is composed of three (3) independent directors (including the Committee's Chairman); the head of Internal Audit Group (as Resource Person); and the Compliance Officer (as the Committee Secretary) and meets monthly or as the need arises. On the other hand, RPTMC members are appointed annually by the President, composed of four (4) members. RPTC's and RPTMC's review of the proposed related party transactions considers the following: (a) identity of the parties involved in the transaction or relationship; (b) terms of the transaction or relationship and whether these are no less favorable than terms generally available to an unrelated third party under the same circumstances; (c) business purpose, timing, rationale and benefits of the transaction or relationship; (d) approximate monetary value of the transaction and the approximate monetary value of the related party's interest in the transaction; (e) valuation methodology used and alternative approaches to valuation of the transaction; (f) information concerning potential counterparties in the transaction; (g) description of provisions or limitations imposed as a result of entering into the transaction; (h) whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the transaction; (i) impact to a director's independence; (j) extent that such transaction or relationship would present an improper conflict of interest; and (k) the availability of other sources of comparable products or services. Further, no director or officer participates in any discussion of a related party transaction for which he, she, or any member of his or her immediate family is a related party, except in order to provide material information on the related party transaction to RPTC.

Major subsidiaries, which include FMIC, PSBank, MCC and MBCL, have their own respective RPTCs which assist their respective BODs in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that their corporate or business resources are not misappropriated or misapplied.

In the ordinary course of business, the Group has loan transactions with investees and with certain directors, officers, stockholders and related interests (DOSRI) based on BSP Circular No. 423 dated March 15, 2004, as amended. Existing banking regulations limit the amount of individual loans to DOSRI, 70.00% of which must be secured, to the total of their respective deposits and book value of their respective investments in the lending company within the Group. In the aggregate, loans to DOSRI generally should not exceed the respective total equity or 15.00% of the respective total loan portfolio, whichever is lower, of the Parent Company, PSBank, FMIC and ORIX Metro.

The following table shows information relating to the loans, other credit accommodations and guarantees classified as DOSRI accounts:

	Consolidated		**Parent Company**	
	2018	2017	**2018**	2017
Total outstanding DOSRI accounts	**₱8,244**	₱4,879	**₱7,872**	₱3,442
Percent of DOSRI accounts granted prior to effectivity of BSP Circular No. 423 to total loans	**0.00%**	0.00%	**0.00%**	0.00%
Percent of DOSRI accounts granted after effectivity of BSP Circular No. 423 to total loans	**0.59%**	0.39%	**0.71%**	0.35%
Percent of DOSRI accounts to total loans	**0.59%**	0.39%	**0.71%**	0.35%
Percent of unsecured DOSRI accounts to total DOSRI accounts	**31.58%**	13.11%	**28.68%**	5.54%
Percent of past due DOSRI accounts to total DOSRI accounts	**0.00%**	0.00%	**0.00%**	0.00%
Percent of non-accruing DOSRI accounts to total DOSRI accounts	**0.00%**	0.00%	**0.00%**	0.00%

BSP Circular No. 560 provides the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks. and requires that the total outstanding loans, other credit accommodations and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank as reported to the BSP. As of December 31, 2018 and 2017, the total outstanding loans, other credit accommodations and guarantees to each of the Parent Company's subsidiaries and affiliates did not exceed 10.00% of the Parent Company's net worth, as reported to the BSP, and the unsecured portion did not exceed 5.00% of such net worth wherein the total outstanding loans, other credit accommodations and guarantees to all such subsidiaries and affiliates represent 17.61% and 10.14%, respectively, of the Parent Company's net worth.

Further, BSP Circular No. 654 allows a separate individual limit to loans of banks/quasi-banks to their subsidiaries and affiliates engaged in energy and power generation, i.e., a separate individual limit of twenty-five (25.00%) of the net worth of the lending bank/quasi-bank: provided, that the unsecured portion thereof shall not exceed twelve and one-half percent (12.50%) of such net worth: provided further, that these subsidiaries and affiliates are not related interests of any of the director, officer and/or stockholder of the lending bank/quasi-bank; except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank. As of December 31, 2018 and 2017, the Parent Company has no outstanding loans, other credit accommodations and guarantees to subsidiaries and affiliates engaged in energy and power generation.

Total interest income on the DOSRI loans in 2018, 2017 and 2016 amounted to ₱276.5 million, ₱52.3 million and ₱124.3 million, respectively, for the Group and ₱262.8 million, ₱37.2 million and ₱88.6 million, respectively, for the Parent Company.

Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements):

	Consolidated	
	December 31, 2018	
Category	Amount	Terms and Conditions/Nature
Entity with Significant Influence Over the Group		
Outstanding Balance:		
Deposit liabilities*	**₱480**	With annual fixed interest rates ranging from 0.00% to 4.00% including time deposits with maturity terms from 21 to 30 days (Note 16)
Bills payable*	**204**	Peso borrowings subject to annual fixed interest rates ranging from 4.25% to 4.38% with maturity term of 45 days (Note 17)
Amount/Volume:		
Deposit liabilities	**464**	Generally similar to terms and conditions above
Bills payable	**204**	Generally similar to terms and conditions above
Interest expense	**40**	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	**₱4,634**	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 2.61% to 3.54% with maturity terms from 32 to 184 days with minimal ECL (Note 7)
Receivables from customers*	**13,685**	Unsecured, with ECL of ₱3.0 million; with annual fixed interest rates ranging from 3.43% to 5.45% and maturity terms from 5 days to 3 years
Accounts receivable	**333**	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees
Derivative assets	**118**	Fair value of forward and swaps bought with various terms

	Consolidated	
	December 31, 2018	
Category	Amount	Terms and Conditions/Nature
Deposit liabilities*	**₱3,275**	With annual fixed interest rates ranging from 0.00% to 1.25% including time deposits with maturity terms from 5 to 31 days (Note 16)
Bills payable*	**127**	Peso borrowings subject to annual fixed interest rates ranging from 4.00% to 6.25% with maturity terms from 30 to 185 days (Note 17)
Bonds payable*	**81**	Issued by FMIC with interest rate of 5.75% and maturity term of 5 years (Note 19)
Treasury stock	**67**	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividends declared	**2,255**	Dividend declared by PSBank, MCC and Metrobank Bahamas
Amount/Volume:		
Interbank loans receivable	**1,195**	Generally similar to terms and conditions above
Receivables from customers	**13,450**	Generally similar to terms and conditions above
Accounts receivable	**(167)**	Generally similar to terms and conditions above
Deposit liabilities	**(3,936)**	Generally similar to terms and conditions above
Bills payable	**(761)**	Generally similar to terms and conditions above
Treasury stock	**10**	Proceeds from disposal of Parent Company's shares held by FMIC's mutual fund subsidiaries
Interest income	**406**	Interest income on receivables from customers and interbank loan receivables
Service charges, fees and commissions	**323**	Income on transactional fees, including underwriting fees
Trading and securities loss - net	**(6)**	Net loss from securities transactions (Note 11)
Foreign exchange gain - net	**7**	Net gain from foreign exchange transactions
Leasing income	**77**	Income from leasing agreements with various lease terms
Miscellaneous income	**248**	Information technology and other fees
Interest expense	**29**	Interest expense on deposit liabilities, bills payable and bonds payable (Notes 16, 17 and 19)
Miscellaneous expense	**45**	Other fees (Note 25)
Contingent - derivatives	**989**	Swap bought with various terms
Securities transactions		
Purchases	**7,040**	Outright purchases of investment securities at FVTPL and FVOCI
Sales	**13,715**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**43,162**	Outright purchases of foreign currency
Sell	**37,744**	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivables from customers*	**₱703**	Unsecured with ECL of ₱0.01 million; with annual fixed interest rates ranging from 4.33% to 6.18% and maturity terms from 346 to 360 days
Accounts receivable	**2**	Non-interest bearing receivable on rental fees
Investments in associates	**180**	Liquidating dividends from SMBC Metro
Deposit liabilities*	**836**	With annual fixed interest rates ranging from 0.00% to 3.38% including time deposits with maturity terms from 31 to 36 days (Note 16)
Dividends declared	**10**	Dividend declared by NLI
Amount/Volume:		
Receivables from customers	**703**	Generally similar to terms and conditions above
Deposit liabilities	**(289)**	Generally similar to terms and conditions above (Note 16)
Interest Income	**19**	Interest income on receivables from customers
Foreign exchange loss - net	**1**	Net loss from foreign exchange transactions
Leasing income	**33**	Income from leasing agreements with various lease terms
Interest expense	**1**	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Outright sales	**1,561**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**1,924**	Outright purchases of foreign currency
Sell	**1,054**	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	**₱29,472**	Secured - ₱5.2 billion and unsecured - ₱24.2 billion, with ECL of ₱3.1 million; with annual fixed interest rates ranging from 3.88% to 6.00% and maturity terms from 14 days to 5 years (Note 9)
Accounts receivable	**3**	Credit card receivables, current and non-revolving

	Consolidated	
	December 31, 2018	
Category	**Amount**	**Terms and Conditions/Nature**
Assets held under joint operations	**₱219**	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	**13,821**	With annual fixed interest rates ranging from 0.00% to 4.00% including time deposits with maturity terms from 6 to 359 days (Note 16)
Bills payable*	**51**	Peso-denominated borrowings subject to annual fixed interest rates ranging from 2.25% to 4.00% with maturity terms from 90 to 122 days (Note 17)
Amount/Volume:		
Receivables from customers	**9,769**	Generally similar to terms and conditions above
Accounts receivable	**(1)**	Generally similar to terms and conditions above
Deposit liabilities	**(13,149)**	Generally similar to terms and conditions above
Bills payable	**(146)**	Generally similar to terms and conditions above
Interest income	**713**	Interest income on receivables from customers (Note 9)
Foreign exchange gain - net	**1**	Net gain from foreign exchange transactions
Leasing income	**22**	Income from leasing agreements with various lease terms
Interest expense	**678**	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Contingent - others	**3**	Bank guaranty with indemnity agreement (Note 30)
Securities transactions		
Outright sales	**219**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**422**	Outright purchases of foreign currency
Sell	**967**	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	**₱85**	Secured - ₱59.5 million unsecured - ₱25.1 million, no impairment; with annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms from 1 year to 15 years (Note 9)
Deposit liabilities	**166**	With various terms and with annual interest rates ranging from 0.00% to 6.00%; with interest of ₱0.7 million (Note 16)
Amount/Volume:		
Receivables from customers	**9**	Generally similar to terms and conditions above
Deposit liabilities	**2**	Generally similar to terms and conditions above
Interest income	**4**	Interest income on receivables from customers (Note 9)

*including accrued interest

	Consolidated	
	December 31, 2017	
Category	Amount	Terms and Conditions/Nature
Entities with Significant Influence		
Outstanding Balance:		
Deposit liabilities*	₱16	With annual fixed interest rates ranging from 0.00% to 0.25% (Note 16)
Amount/Volume:		
Deposit liabilities	(2,119)	Generally similar to terms and conditions above
Bills payable	(303)	Peso borrowing in 2016 subject to annual fixed interest rate of 2.00% with maturity term of 17 days (Note 17)
Investments in associates and a JV	190	Proceeds from sale of 10% ownership of PSBank in SMFC (Note 11)
Interest expense	11	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Foreign currency - sell	7	Outright sale of foreign currency
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	₱3,439	Peso and foreign currency-denominated lending which earn annual fixed interest rates ranging from 1.72% to 3.50% with maturity terms from 5 to 94 days no impairment (Note 7)
Receivables from customers*	235	Secured and unsecured amounted to ₱140.0 million and ₱94.6 million, respectively; no impairment. With annual fixed interest rates ranging from 2.90% to 4.00% and maturity terms from 48 to 359 days (Note 9)
Accounts receivable	500	Non-interest bearing receivables on service fees, remittance, rental fees and common use service area fees
Deposit liabilities*	7,211	With annual fixed interest rates ranging from 0.00% to 1.50% including time deposits with maturity terms from 4 to 360 days (Note 16)

	Consolidated	
	December 31, 2017	
Category	Amount	Terms and Conditions/Nature
Bills payable	₱888	Peso borrowings subject to annual fixed interest rates ranging from 1.13% to 4.63% with maturity terms from 15 to 33 days (Note 17)
Bonds payable*	81	Issued by FMIC with interest rate ranging from 5.75% and maturity term of 5 years (Note 19)
Treasury stock	46	Parent Company's shares held by FMPETF(Note 23)
Amount/Volume:		
Interbank loans receivable	(2,655)	Generally similar to terms and conditions above
Receivables from customers	(2,129)	Generally similar to terms and conditions above
Accounts receivable	163	Generally similar to terms and conditions above
Deposit liabilities	2,433	Generally similar to terms and conditions above
Bills payable	881	Generally similar to terms and conditions above
Bonds payable	(439)	Generally similar to terms and conditions above
Treasury stock	455	Proceeds from disposal of Parent Company's shares held by FMIC's mutual fund subsidiaries
Interest income	133	Income on receivables from customers (Note 9) and interbank loans receivables (Note 7)
Service charges, fees and commissions	125	Income from transactional fees
Trading and securities loss - net	(21)	Net loss from securities transactions (Note 11)
Foreign exchange gain - net	165	Net gain from foreign exchange transactions
Leasing income	90	Income from leasing agreements with various lease terms
Miscellaneous income	347	Information technology and other fees
Interest expense	51	Interest expense on deposit liabilities, bills payable and bonds payable (Notes 16, 17 and 19)
Miscellaneous expense	73	Other fees (Note 25)
Dividends declared	3,649	Dividends declared by PSBank, FMIC, Metrobank Bahamas, MRSPL (Note 11)
Contingent - derivatives	75	Outright forward exchange bought with various terms
Securities transactions		
Purchases	24,503	Outright purchases of HFT securities and AFS investments
Sales	28,765	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	1,063,463	Outright purchases of foreign currency
Sell	1,037,786	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Accounts receivable	₱2	Non-interest bearing receivable on rental fees
Deposit liabilities*	1,125	With annual fixed interest rates ranging from 0.00% to 1.25% including time deposits with maturity terms from 4 to 90 days (Note 16)
Amount/Volume:		
Accounts receivable	1	Generally similar to terms and conditions above
Deposit liabilities	374	Generally similar to terms and conditions above (Note 16)
Leasing income	20	Income from leasing agreements with various lease terms
Interest expense	2	Interest expense on deposit liabilities (Note 16)
Dividends declared	6	Dividends declared by NLI (Note 11)
Securities transactions		
Outright purchases	299	Outright purchases of HFT securities and AFS investments
Outright sales	200	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	174	Outright purchases of foreign currency
Sell	25,804	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱19,703	Secured - ₱4.4 billion and unsecured - ₱15.3 billion, no impairment; with annual fixed interest rates ranging from 1.80% to 8.50% and maturity terms from 30 days to 5 years (Note 9)
Accounts receivable	4	Credit card receivables, current and non-revolving
Assets held under joint operations	259	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	26,970	With annual fixed interest rates ranging from 0.00% to 3.75% including time deposits with maturity terms from 4 days to 360 days (Note 16)
Bills payable*	197	Peso-denominated borrowings subject to annual fixed interest rates ranging from 2.00% to 2.75% with maturity terms from 30 to 122 days (Note 17)

Category	Consolidated December 31, 2017 Amount	Terms and Conditions/Nature
Amount/Volume:		
Receivables from customers	₱11,525	Generally similar to terms and conditions above
Accounts receivable	1	Generally similar to terms and conditions above
Deposit liabilities	6,564	Generally similar to terms and conditions above
Bills payable	(517)	Generally similar to terms and conditions above
Interest income	375	Interest income on receivables from customers (Note 9)
Foreign exchange gain - net	1	Net gain from foreign exchange transactions
Leasing income	20	Income from leasing agreements with various lease terms
Profit from assets sold	56	Gain on sale of condominium units and parking spaces
Interest expense	392	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Contingent - unused commercial LCs	102	LC transactions with various terms (Note 30)
Securities transactions		
Outright purchases	249	Outright purchases of HFT securities and AFS investments
Outright sales	686	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	11,626	Outright purchases of foreign currency
Sell	83,219	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	₱76	Secured and unsecured amounted to ₱51.9 million and ₱23.8 million, respectively; no impairment. With annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms from 1.5 years to 15 years (Note 9)
Deposit liabilities	164	With various terms and with annual interest rates ranging from 0.00% to 1.38%; with interest expense of ₱0.5 million (Note 16)
Amount/Volume:		
Receivables from customers	(4)	Generally similar to terms and conditions above
Deposit liabilities	(9)	Generally similar to terms and conditions above
Interest income	3	Interest income on receivables from customers (Note 9)

*including accrued interest

Category	**Parent Company December 31, 2018 Amount**	**Terms and Conditions/Nature**
Entities with Significant Influence		
Outstanding Balance:		
Deposit liabilities*	**₱480**	With annual fixed interest rate ranging from 0.00% to 4.00% including time deposits with maturity terms from 21 to 30 days (Note 16)
Amount/Volume:		
Deposit liabilities	**464**	Generally similar to terms and conditions above
Interest expense	**36**	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	**₱4,634**	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 2.61% to 3.54% with maturity terms from 32 to 184 days with minimal ECL (Note 7)
Receivables from customers*	**13,685**	Unsecured, with ECL of ₱3.0 million; with annual fixed interest rates ranging from 3.43% to 5.45% and maturity terms from 5 days to 3 years (Note 9)
Accounts receivable	**274**	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees
Derivative assets	**118**	Fair value of forward and swaps bought with various terms
Deposit liabilities*	**3,093**	With annual fixed interest rates ranging from 0.00% to 0.50% including time deposits with maturity terms from 3 days to 357 days (Note 16)
Treasury stock	**67**	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividend declared	**2,255**	Dividend declared by PSBank, MCC and MB Bahamas
Amount/Volume:		
Interbank loans receivable	**2,496**	Generally similar to terms and conditions above
Receivables from customers	**13,450**	Generally similar to terms and conditions above
Accounts receivable	**(171)**	Generally similar to terms and conditions above
Deposit liabilities	**(2,661)**	Generally similar to terms and conditions above
Treasury stock	**10**	Proceeds from disposal of Parent Company's shares held by FMIC's mutual fund subsidiaries

	Parent Company	
	December 31, 2018	
Category	Amount	Terms and Conditions/Nature
Interest income	**₱365**	Interest income on receivables from customers and interbank loans receivables
Service charges, fees and commissions	**35**	Income from transactional fees
Trading and securities loss - net	**(17)**	Net loss from securities transactions
Foreign exchange gain - net	**7**	Net gain from foreign exchange transactions
Leasing income	**36**	Income from leasing agreements with various lease terms
Miscellaneous income	**212**	Information technology and other fees (Note 25)
Interest expense	**16**	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Miscellaneous expense	**45**	Other fees (Note 25)
Contingent - derivatives	**989**	Swap bought with various terms
Securities transactions		
Purchases	**6,907**	Outright purchases of investment securities at FVTPL and FVOCI
Sales	**13,566**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**43,162**	Outright purchases of foreign currency
Sell	**37,744**	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivables form customers*	**₱703**	Unsecured with ECL of ₱0.01 million; with annual fixed rates ranging from 4.33% to 6.18% and maturity terms from 346 to 360 days
Investment in associates	**180**	Liquidating dividends from SMBC Metro
Deposit liabilities*	**821**	With annual fixed interest rates ranging from 0.00% to 3.38% including time deposits with maturity terms from 31 to 36 days (Note 16)
Dividends declared	**10**	Dividend declared by NLI
Amount/Volume:		
Receivables from customers	**703**	Generally similar to terms and conditions above
Deposit liabilities	**(290)**	Generally similar to terms and conditions above
Interest Income	**19**	Interest income on receivables from customers
Foreign exchange gain - net	**1**	Net gain from foreign exchange transactions
Leasing income	**8**	Income from leasing agreements with various lease terms
Interest expense	**1**	Interest expense on deposit liabilities (Note 16)
Outright sale of securities	**340**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**1,924**	Outright purchases of foreign currency
Sell	**1,054**	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	**₱29,472**	Secured - ₱5.2 billion and unsecured - ₱24.2 billion, with ECL of ₱3.1 million; with annual fixed interest rates ranging from 3.88% to 6.00% and maturity terms from 14 days to 5 years (Note 9)
Assets held under joint operations	**219**	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	**13,183**	With annual fixed interest rates ranging from 0.00% to 4.00% including time deposits with maturity terms from 6 to 359 days (Note 16)
Amount/Volume:		
Receivables from customers	**9,770**	Generally similar to terms and conditions above
Deposit liabilities	**(12,237)**	Generally similar to terms and conditions above
Interest income	**713**	Interest income on receivables from customers
Foreign exchange gain - net	**1**	Net gain from foreign exchange transactions
Leasing income	**22**	Income from leasing agreements with various lease terms
Interest expense	**636**	Interest expense on deposit liabilities (Note 16)
Contingent		
Others	**3**	Bank guaranty with indemnity agreement (Note 30)
Securities transactions		
Sales	**70**	Outright sale of FVTPL and AFS investments
Foreign currency		
Buy	**422**	Outright purchases of foreign currency
Sell	**967**	Outright sale of foreign currency

Category	Parent Company December 31, 2018 Amount	Terms and Conditions/Nature
Key Personnel		
Outstanding Balance:		
Receivables from customers	**₱68**	Secured - ₱55.9 million and unsecured - ₱11.9 million, no impairment; with annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms from 5 to 15 years (Note 9)
Deposit liabilities	**166**	With various terms and with annual interest rates ranging from 0.00% to 6.00%; with interest expense of ₱0.7 million (Note 16)
Amount/Volume:		
Receivables from customers	**8**	Generally similar to terms and conditions above
Deposit liabilities	**2**	Generally similar to terms and conditions above
Interest income	**2**	Interest income on receivables from customers (Note 9)

*including accrued interest

Category	Parent Company December 31, 2017 Amount	Terms and Conditions/Nature
Entities with Significant Influence		
Outstanding Balance:		
Deposit liabilities*	₱16	With annual fixed interest rate ranging from 0.00% to 0.25% (Note 16)
Amount/Volume:		
Deposit liabilities	(2,119)	Generally similar to terms and conditions above
Interest expense	10	Interest expense on deposit liabilities (Note 16)
Foreign currency - sell	7	Outright sale of foreign currency
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	₱2,138	Peso foreign currency-denominated lending which earn annual fixed interest rates ranging from 1.72% to 3.50% with maturity terms from 5 to 94 days, no impairment (Note 7)
Receivables from customers*	235	Secured - ₱140.0 million and unsecured - ₱94.6 million, no impairment; with annual fixed interest rates ranging from 2.90% to 4.00% and maturity terms from 48 to 359 days (Note 9)
Accounts receivable	445	Non-interest bearing receivables on service fees, remittance, rental fees and common use service area fees
Deposit liabilities*	5,754	With annual fixed interest rates ranging from 0.00% to 1.50% including time deposits with maturity terms from 4 days to 360 days (Note 16)
Treasury stock	46	Parent Company's shares held by FMPETF (Note 23)
Amount/Volume:		
Interbank loans receivable	(3,956)	Generally similar to terms and conditions above
Receivables from customers	(2,129)	Generally similar to terms and conditions above
Accounts receivable	151	Generally similar to terms and conditions above
Deposit liabilities	2,082	Generally similar to terms and conditions above
Treasury stock	455	Proceeds from disposal of Parent Company's shares held by FMIC's mutual fund subsidiaries
Interest income	123	Income on receivables from customers and interbank loans receivables
Service charges, fees and commissions	75	Income from transactional fees
Trading and securities loss - net	(5)	Net loss from securities transactions
Foreign exchange gain - net	165	Net gain from foreign exchange transactions
Leasing income	35	Income from leasing agreements with various lease terms
Miscellaneous income	339	Information technology and other fees (Note 25)
Interest expense	13	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Miscellaneous expense	73	Other fees (Note 25)
Dividends declared	3,649	Dividends declared by PSBank, FMIC, MB Bahamas and MR Singapore (Note 11)
Contingent - derivatives	75	Outright forward exchange sold and swap bought with various terms
Securities transactions		
Purchases	19,388	Outright purchases of HFT securities and AFS investments
Sales	25,117	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	1,063,463	Outright purchases of foreign currency
Sell	1,037,786	Outright sale of foreign currency

Category	Parent Company December 31, 2017 Amount	Terms and Conditions/Nature
Associates		
Outstanding Balance:		
Deposit liabilities*	₱1,111	With annual fixed interest rates ranging from 0.00% to 1.25% including time deposits with maturity terms from 4 days to 90 days (Note 16)
Amount/Volume:		
Deposit liabilities	372	Generally similar to terms and conditions above
Leasing income	9	Income from leasing agreements with various lease terms
Interest expense	2	Interest expense on deposit liabilities (Note 16)
Dividends declared	6	Dividends received from NLI (Note 11)
Outright sale of securities	200	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	174	Outright purchases of foreign currency
Sell	25,804	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱19,702	Secured - ₱4.4 billion and unsecured - ₱15.3 billion, no impairment; with annual fixed interest rates ranging from 1.80% to 5.29% and maturity terms from 30 days to 5 years (Note 9)
Assets held under joint operations	259	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	25,420	With annual fixed interest rates ranging from 0.00% to 3.75% including time deposits with maturity terms from 4 days to 360 days (Note 16)
Amount/Volume:		
Receivables from customers	11,527	Generally similar to terms and conditions above
Deposit liabilities	11,643	Generally similar to terms and conditions above
Interest income	375	Interest income on receivables from customers
Foreign exchange gain - net	1	Net gain from foreign exchange transactions
Leasing income	20	Income from leasing agreements with various lease terms
Profit from assets sold	24	Gain on sale of condominium units and parking spaces
Interest expense	303	Interest expense on deposit liabilities (Note 16)
Contingent		
Unused commercial LCs	102	LC transactions with various terms (Note 30)
Securities transactions		
Outright purchases	70	Outright purchases of HFT securities and AFS investments
Sales	150	Outright sale of HFT securities and AFS investments
Foreign currency		
Buy	11,626	Outright purchases of foreign currency
Sell	83,219	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	₱60	Secured - ₱48.9 million and unsecured - ₱10.7 million, no impairment; with annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms from 5 to 15 years (Note 9)
Deposit liabilities	164	With various terms and with annual interest rates ranging from 0.00% to 1.38%; with interest expense of ₱0.5 million (Note 16)
Amount/Volume:		
Receivables from customers	(2)	Generally similar to terms and conditions above
Deposit liabilities	(9)	Generally similar to terms and conditions above
Interest income	2	Interest income on receivables from customers (Note 9)

*including accrued interest

On September 5, 2017 and December 23, 2016, the Parent Company purchased selected loans from MBCL totaling RMB443.3 million (equivalent to ₱3.4 billion) in two tranches through separate biddings held on August 31, 2017 and October 24, 2016, respectively, in Nanjing, China. These transactions have been reviewed and endorsed by the Overseas Banking Committee and RPTC in separate meetings and approved by the Parent Company's BOD on September 26, 2016 and August 16, 2017 for the first tranche and second tranche, respectively. The BSP noted the purchase on October 27, 2016 and this transaction has also been approved by the required regulators in China. As of December 31, 2018 and 2017, the Parent Company recognized allowance for credit losses of ₱2.7 billion and ₱1.9 billion, respectively (Notes 9 and 15).

As of December 31, 2018 and 2017, government bonds with total face value of ₱60.0 million (classified as 'Investment securities at amortized cost') and ₱50.0 million (classified as 'AFS investments'), respectively, are pledged by PSBank to the Parent Company to secure the latter's payroll account with PSBank. Also, the Parent Company has assigned to PSBank government securities with total face value of ₱4.0 billion (classified as 'Investment securities at amortized cost') and ₱3.1 billion (classified as 'AFS investments'), respectively, to secure the PSBank deposits to the Parent Company.

As of December 31, 2018 and 2017, government securities classified as 'Investment securities at amortized cost' and 'AFS investments', respectively, amounting to ₱40.9 billion and ₱41.3 billion, respectively, for the Group and ₱40.9 billion and ₱28.5 billion, respectively, for the Parent Company are pledged to various funds managed by the Trust Banking Group of the Parent Company to secure borrowings from these funds.

Receivables from customers and deposit liabilities and their related statement of financial position and statement of income accounts resulted from the lending and deposit-taking activities of the Group and the Parent Company. Together with the sale of investment properties, borrowings, contingent accounts including derivative transactions, outright purchases and sales of securities and foreign currency buy and sell, leasing of office premises, securing of insurance coverage on loans and property risk, and other management services rendered, these are conducted in the normal course of business, at arm's-length transactions and are generally settled in cash. The amounts and related volumes and changes are presented in the summary above. Terms of receivables from customers, deposit liabilities and borrowings are also disclosed in Notes 9, 16 and 17, respectively, while other related party transactions above have been referred to their respective note disclosures.

The compensation of the key management personnel of the Group and the Parent Company follows:

	Consolidated			Parent Company		
	2018	2017	2016	**2018**	2017	2016
Short-term employee benefits	**₱3,222**	₱2,910	₱2,572	**₱2,334**	₱2,165	₱1,865
Post-employment benefits	**173**	132	129	**56**	46	42
	₱3,395	₱3,042	₱2,701	**₱2,390**	₱2,211	₱1,907

Transactions with Retirement Plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company has business relationships with a number of related party retirement plans pursuant to which it provides trust and management services to these plans. Certain trustees of the plans are either officers or directors of the Parent Company and/or the subsidiaries. Income earned by the Parent Company from such services amounted to ₱69.1 million, ₱65.2 million and ₱58.5 million in 2018, 2017 and 2016, respectively. As of December 31, 2018 and 2017, the Parent Company sold securities totaling ₱2.2 billion and ₱2.0 billion, respectively, to its related party retirement plans and recognized net trading loss of ₱94 thousand and ₱0.2 million in 2018 and 2017, respectively, and has also purchased securities totaling ₱266.9 million and ₱171.3 million, respectively. Further, as of December 31, 2018 and 2017, the total outstanding deposit liabilities of Group to these related party retirement funds amounted to ₱433.6 million and ₱855.6 million, respectively. Interest expense on deposit liabilities amounted to ₱17.7 million, ₱13.8 million and ₱1.3 million in 2018, 2017 and 2016, respectively.

As of December 31, 2018 and 2017, the related party retirement plans also hold investments in the equity shares of various companies within the Group amounting to ₱196.3 million and ₱218.9 million, respectively, with unrealized trading loss of ₱14.3 million and unrealized trading gain of ₱32.2 million, respectively, and investments in mutual funds and trust funds of various companies within the Group amounting to ₱2.0 billion and ₱745.0 million, respectively, with unrealized trading gains of ₱48.7 million and ₱19.4 million, respectively. Further, as of December 31, 2018, investments in the corporate bonds of the Parent Company by the related party retirement plans amounted to ₱2.1 billion with minimal unrealized trading loss. As of December 31, 2018, 2017 and 2016, realized trading gains amounted to ₱48.6 million, ₱7.8 million and ₱262.8 million, respectively. The related party retirement plans also recognized dividend income in 2016 amounting to ₱6.9 million (Note 11).

32. Financial Performance

The basis of calculation for earnings per share attributable to equity holdings of the Parent Company follows (amounts in millions except for earnings per share):

	2018	2017	2016
a. Net income attributable to equity holders of the Parent Company	**₱22,008**	₱18,223	₱18,086
b. Share of hybrid capital securities holders	**–**	–	(267)
c. Net income attributable to common shareholders	**22,008**	18,223	17,819
d. Weighted average number of outstanding common shares of the Parent Company	**3,776**	3,243	3,240
e. Basic/diluted earnings per share (c/d)	**₱5.83**	₱5.62*	₱5.50*

**Restated to show the effect of stock rights issued in 2018*

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			**Parent Company**		
	2018	2017	2016	**2018**	2017	2016
Return on average equity [(1)]	**9.08%**	9.16%	9.28%	**8.81%**	9.05%	9.28%
Return on average assets [(2)]	**1.02%**	0.92%	0.99%	**1.23%**	1.12%	1.20%
Net interest margin on average earning assets [(3)]	**3.82%**	3.75%	3.54%	**2.98%**	2.85%	2.72%

(1) Net income attributable to equity holders of the Parent Company for the year divided by average total equity attributable to the Parent Company.
(2) Net income attributable to equity holders of the Parent Company for the year divided by average total assets.
(3) Net interest income for the year divided by average interest-earning assets.

33. Foreign Exchange

Closing rates as of December 31 and WAR for each of the year ended December 31 are as follows:

	BAP	PDS	
	2018	2017	2016
Closing	**₱52.58**	₱49.93	₱49.72
WAR	**52.68**	50.41	47.48

34. **Other Matters**

The Group has no significant matters to report in 2018 on the following:

a. Known trends, events or uncertainties that would have material impact on liquidity and on the sales or revenues.

b. Explanatory comments about the seasonality or cyclicality of operations.

c. Issuances, repurchases and repayments of debt and equity securities except for the issuances of ₱8.7 billion LTNCD, ₱28.0 billion fixed rate bonds and ₱60.0 billion stock rights for the Parent Company and the issuance of LTNCD amounting to ₱5.1 billion for PSBank as discussed in Notes 16, 19 and 23.

d. Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows except for the payments of cash dividends by the Parent Company as discussed in Note 23; and

e. Effect of changes in the composition of the Group during the year, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations (except as discussed in Notes 2 and 11).

35. **Subsequent Events**

a. On January 11, 2019, PSBank concluded its ₱8.0 billion SRO, involving 142,856,925 common shares priced at ₱56.00 per share and listed at the PSE on January 18, 2019. This was approved by the BOD of PSBank on October 15, 2018 and noted by the BSP on October 19, 2018. The Parent Company exercised its rights to purchase thus increasing its ownership in PSBank to 88.38%.

b. On January 17, 2019, the BOD of PSBank declared a 7.50% regular cash dividend for the fourth quarter of 2018 amounting to ₱180.2 million or ₱0.75 per share, payable not later than February 18, 2019 to all common stockholders as of record date of February 1, 2019.

c. On February 13, 2019, the BOD of the Parent Company approved the following:
   i. declaration of 5% regular cash dividend payable on March 14, 2019 to all stockholders of record as of March 1, 2019;
   ii. exercise of the call option on the Parent Company’s ₱16.0 billion 2024 Peso Notes described in Note 20 on June 27, 2019 in accordance with its terms and conditions; and
   iii. increase in the authorized capital stock of the Parent Company from ₱100.0 billion to ₱140.0 billion and the declaration of a 13% stock dividend equivalent to 517,401,955 shares amounting to ₱10.3 billion representing the minimum 25% subscription and paid-up capital for the increase in the authorized capital stock. These shall be subject to receipt of regulatory approvals and stockholders’ approval during the Annual Stockholders’ Meeting scheduled on April 24, 2019.

36. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the BOD on February 13, 2019.

37. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

Supplementary Information Under RR No. 15-2010
On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002 which provides that starting 2010, the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Parent Company reported the following types of taxes for the year ended December 31, 2018 included under 'Taxes and licenses' account in the statements of income:

DST	₱2,539
GRT	2,285
Local taxes	153
Real estate tax	99
Others	177
	₱5,253

Details of total withholding taxes remitted for the taxable year December 31, 2018 follow:

FWT	₱3,176
Taxes withheld on compensation	2,102
Expanded withholding taxes	225
	₱5,503

SGV
Building a better working world

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

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Metropolitan Bank & Trust Company
Metrobank Plaza, Sen. Gil Puyat Avenue
Urdaneta Village, Makati City
Metro Manila, Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Metropolitan Bank & Trust Company and Subsidiaries (the Group) as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, included in this Form Definitive IS, and have issued our report thereon dated February 13, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier

Janeth T. Nuñez-Javier
Partner
CPA Certificate No. 111092
SEC Accreditation No. 1328-AR-1 (Group A),
July 28, 2016, valid until July 28, 2019
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332590, January 3, 2019, Makati City

February 13, 2019

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2018

Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68

Other Required Schedules/Information

Metropolitan Bank & Trust Company and Subsidiaries

Schedule A - Financial Assets

December 31, 2018

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes in ₱	Amount shown in the balance sheet * (in ₱ millions)	Valued based on market quotation at end of reporting period (in ₱ millions)	Income received and accrued (in ₱ million)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)				
Held-for-Trading (HFT) Securities				
Debt Securities				
Philippine Government Bonds (including its agencies)	10,218	10,039	10,039	-
Other Government Bonds	3,133	3,137	3,137	-
Private	9,491	9,257	9,257	-
		22,433	22,433	1,170
Equity Securities	187	6,605	6,605	104
Derivative Assets		10,651	10,651	-
TOTAL FINANCIAL ASSETS AT FVTPL		39,689	39,689	1,274
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)				
Debt Securities				
Philippine Government Bonds (including its agencies)	53,405	52,860	52,860	-
Other Government Bonds	14,939	14,930	14,930	-
Private	43,147	42,369	42,369	-
		110,159	110,159	3,463
Equity Securities	85	1,129	1,129	37
TOTAL FINANCIAL ASSETS AT FVOCI		111,288	111,288	3,500
FINANCIAL ASSETS AT AMORTIZED COST				
Debt Securities				
Philippine Government Bonds (including its agencies)	233,252	255,149	219,381	-
Other Government Bonds	4,240	4,187	3,905	-
Private	5,985	6,040	5,654	-
TOTAL FINANCIAL ASSETS AT AMORTIZED COST		265,376	228,940	11,147
UNQUOTED DEBT SECURITIES	2,239	632	635	95

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other Than Related Parties)

December 31, 2018

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period

NOT APPLICABLE

Note: Transactions to these parties are made in the ordinary course of business.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

Schedule C - Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements

December 31, 2018

(In ₱ Millions)

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions: Amounts Collected	Deductions: Amounts Written-Off	Current	Not Current	Balance at End of Year
First Metro Investment Corporation	1,400	6,902	7,763	-	539	-	539
Metrobank Card Corporation	332	13,526	6,796	-	5,101	1,961	7,062
Metropolitan Bank (China) Ltd.	888	24,023	20,804	-	4,107	-	4,107
ORIX Metro Leasing and Finance Corporation	596	20,514	14,490	-	1,212	5,408	6,620
Philippine Savings Bank	553	1,477	1,976	-	54	-	54
Remittance Centers:							
Metro Remittance Center, Inc.	275	3,003	3,087	-	191	-	191
Metro Remittance (Singapore) Pte. Ltd.	38	216	215	-	39	-	39
Metro Remittance (USA), Inc.	60	309	369	-	-	-	-
Metro Remittance (UK) Limited	19	149	155	-	13	-	13
Metro Remittance (Hong Kong) Limited	-	10	7		3		3
Metro Remittance (Japan) Co. Limited	-	30	22		8	-	8
Others	13	178	175	-	16	-	16
Total	4,174	70,337	55,859	-	11,283	7,369	18,652

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

Schedule D - Intangible Assets - Other Assets

December 31, 2018
(In ₱ Millions)

Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Software Costs	1,747	636	(512)	-	(71)	1,800
Goodwill	5,200	-	-	-	-	5,200

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule E - Long Term Debt
December 31, 2018

Title of Issue and type of obligation	Amount authorized by indenture (in millions)	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet (in millions)	Interest Rates	Maturity Dates
Subordinated Debt					
2023 Peso Notes issued December 20, 2013	1,170	-	1,165	6.2100%	December 20, 2023
2024 Peso Notes issued March 27, 2014	16,000	15,987	-	5.3750%	June 27, 2024
2024 Peso Notes issued May 23, 2014	3,000	-	2,982	5.5000%	August 23, 2024
2025 Peso Notes issued August 8, 2014	6,500	-	6,485	5.2500%	August 08, 2025
Total Subordinated Debt	26,670	15,987	10,631		
Bills Payable					
Local Banks	1,575		1,575	5.7500%	July 13, 2020
Local Banks	450		450	5.3000%	July 23, 2020
Local Banks	131		131	6.2300%	August 13, 2020
Local Banks	499		499	4.7500%	August 18, 2020
Local Banks	3,000		3,000	5.7000%	September 10, 2020
Local Banks	700		700	6.2100%	September 21, 2020
Local Banks	550		550	7.0000%	October 01, 2020
Local Banks	2,000		2,000	7.2500%	October 19, 2020
Local Banks	958		958	5.5300%	April 21, 2021
Local Banks	998		998	4.7400%	May 20, 2021
Local Banks	299		299	4.6500%	August 12, 2021
Local Banks	1,500		1,500	5.2700%	August 13, 2021
Local Banks	1,500		1,500	5.3300%	August 16, 2021
Local Banks	5,258		5,114	3.8100%	December 20, 2021
Local Banks	997		997	5.0000%	March 31, 2022
	20,415	-	20,271		
Foreign Banks	2,629		2,629	4.2750%	January 13, 2020
Foreign Banks	3,060		3,058	4.2750%	December 21, 2020
Foreign Banks	5,273		5,273	3.5875%	October 18, 2021
Foreign Banks	3,006		3,006	3.8000%	October 18, 2021
Foreign Banks	5,258		5,243	4.5895%	December 29, 2021
	19,226	-	19,209		
Deposit Substitutes	14		14	3.2500%	January 06, 2020
Deposit Substitutes	60		60	3.3800%	January 06, 2020
Deposit Substitutes	6		6	3.8800%	January 06, 2020
Deposit Substitutes	7		7	4.3800%	January 06, 2020
Deposit Substitutes	5		5	5.1300%	January 06, 2020
Deposit Substitutes	1		1	3.8800%	January 07, 2020
Deposit Substitutes	3		3	4.3800%	January 08, 2020
Deposit Substitutes	3		3	3.2500%	January 09, 2020
Deposit Substitutes	1		1	3.3800%	January 13, 2020
Deposit Substitutes	5		5	5.1300%	January 13, 2020

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule E - Long Term Debt
December 31, 2018

Title of Issue and type of obligation	Amount authorized by indenture (in millions)	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet (in millions)	Interest Rates	Maturity Dates
Deposit Substitutes	1		1	3.2500%	January 16, 2020
Deposit Substitutes	6		6	3.2500%	January 20, 2020
Deposit Substitutes	38		38	3.3800%	January 20, 2020
Deposit Substitutes	3		3	4.3800%	January 20, 2020
Deposit Substitutes	5		5	5.1300%	January 20, 2020
Deposit Substitutes	2		2	3.3800%	January 22, 2020
Deposit Substitutes	33		33	3.3800%	January 23, 2020
Deposit Substitutes	6		6	3.2500%	January 27, 2020
Deposit Substitutes	15		15	3.6300%	January 27, 2020
Deposit Substitutes	5		5	5.1300%	January 27, 2020
Deposit Substitutes	1		1	4.3800%	January 29, 2020
Deposit Substitutes	3		3	3.2500%	January 30, 2020
Deposit Substitutes	4		4	3.2500%	February 03, 2020
Deposit Substitutes	55		55	3.3800%	February 03, 2020
Deposit Substitutes	5		5	4.3800%	February 03, 2020
Deposit Substitutes	3		3	3.3800%	February 05, 2020
Deposit Substitutes	21		21	4.3800%	February 05, 2020
Deposit Substitutes	3		3	3.2500%	February 06, 2020
Deposit Substitutes	7		7	3.5000%	February 06, 2020
Deposit Substitutes	5		5	4.5000%	February 06, 2020
Deposit Substitutes	4		4	3.1300%	February 10, 2020
Deposit Substitutes	10		10	4.4900%	February 10, 2020
Deposit Substitutes	6		6	4.5000%	February 10, 2020
Deposit Substitutes	22		22	4.6300%	February 10, 2020
Deposit Substitutes	3		3	4.7700%	February 10, 2020
Deposit Substitutes	5		5	5.1300%	February 10, 2020
Deposit Substitutes	2		2	4.5000%	February 11, 2020
Deposit Substitutes	2		2	3.3800%	February 12, 2020
Deposit Substitutes	16		16	4.5000%	February 12, 2020
Deposit Substitutes	1		1	4.5000%	February 13, 2020
Deposit Substitutes	3		3	4.6300%	February 13, 2020
Deposit Substitutes	35		35	3.2500%	February 17, 2020
Deposit Substitutes	2		2	4.5000%	February 17, 2020
Deposit Substitutes	32		32	5.1300%	February 17, 2020
Deposit Substitutes	1		1	4.5000%	February 19, 2020
Deposit Substitutes	1		1	3.1300%	February 20, 2020
Deposit Substitutes	87		87	3.2500%	February 20, 2020
Deposit Substitutes	5		5	4.6300%	February 20, 2020
Deposit Substitutes	8		8	3.1300%	February 24, 2020
Deposit Substitutes	9		9	4.5000%	February 24, 2020
Deposit Substitutes	5		5	4.9600%	February 24, 2020
Deposit Substitutes	3		3	3.5000%	February 26, 2020
Deposit Substitutes	9		9	4.5000%	February 26, 2020
Deposit Substitutes	4		4	3.1300%	February 27, 2020
Deposit Substitutes	4		4	3.1300%	March 02, 2020
Deposit Substitutes	8		8	4.4900%	March 02, 2020
Deposit Substitutes	23		23	4.6300%	March 02, 2020

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule E - Long Term Debt
December 31, 2018

Title of Issue and type of obligation	Amount authorized by indenture (in millions)	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet (in millions)	Interest Rates	Maturity Dates
Deposit Substitutes	9		9	5.0000%	March 02, 2020
Deposit Substitutes	4		4	4.4900%	March 03, 2020
Deposit Substitutes	3		3	3.3800%	March 05, 2020
Deposit Substitutes	1		1	3.8800%	March 05, 2020
Deposit Substitutes	1		1	4.6300%	March 05, 2020
Deposit Substitutes	7		7	3.1300%	March 09, 2020
Deposit Substitutes	1		1	3.2500%	March 09, 2020
Deposit Substitutes	2		2	3.3800%	March 09, 2020
Deposit Substitutes	10		10	4.4900%	March 09, 2020
Deposit Substitutes	1		1	4.6300%	March 09, 2020
Deposit Substitutes	5		5	5.2500%	March 09, 2020
Deposit Substitutes	2		2	3.1300%	March 16, 2020
Deposit Substitutes	4		4	3.3800%	March 16, 2020
Deposit Substitutes	10		10	3.5000%	March 16, 2020
Deposit Substitutes	2		2	3.8800%	March 16, 2020
Deposit Substitutes	5		5	5.2500%	March 16, 2020
Deposit Substitutes	0		0	3.0000%	March 19, 2020
Deposit Substitutes	8		8	3.3800%	March 19, 2020
Deposit Substitutes	5		5	3.5000%	March 19, 2020
Deposit Substitutes	8		8	4.4900%	March 19, 2020
Deposit Substitutes	1		1	3.1250%	March 23, 2020
Deposit Substitutes	4		4	3.2500%	March 23, 2020
Deposit Substitutes	1		1	3.3800%	March 23, 2020
Deposit Substitutes	5		5	5.1300%	March 23, 2020
Deposit Substitutes	1		1	3.8800%	March 24, 2020
Deposit Substitutes	3		3	3.3800%	March 26, 2020
Deposit Substitutes	2		2	3.1300%	March 30, 2020
Deposit Substitutes	1		1	3.1300%	March 31, 2020
Deposit Substitutes	5		5	5.6300%	March 31, 2020
Deposit Substitutes	1		1	4.6300%	April 01, 2020
Deposit Substitutes	1		1	3.3800%	April 02, 2020
Deposit Substitutes	1		1	3.1300%	April 06, 2020
Deposit Substitutes	2		2	3.2500%	April 06, 2020
Deposit Substitutes	6		6	3.5000%	April 06, 2020
Deposit Substitutes	5		5	5.6300%	April 06, 2020
Deposit Substitutes	3		3	4.6300%	April 08, 2020
Deposit Substitutes	5		5	5.6300%	April 13, 2020
Deposit Substitutes	1		1	5.0000%	April 15, 2020
Deposit Substitutes	8		8	4.0000%	April 20, 2020
Deposit Substitutes	28		28	4.1300%	April 20, 2020
Deposit Substitutes	10		10	4.2500%	April 20, 2020
Deposit Substitutes	180		180	4.5000%	April 20, 2020
Deposit Substitutes	5		5	5.6300%	April 20, 2020
Deposit Substitutes	35		35	4.0000%	April 24, 2020
Deposit Substitutes	1		1	3.7500%	April 27, 2020
Deposit Substitutes	3		3	4.0000%	April 27, 2020
Deposit Substitutes	26		26	4.1300%	April 27, 2020

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Title of Issue and type of obligation	Amount authorized by indenture (in millions)	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet (in millions)	Interest Rates	Maturity Dates
Deposit Substitutes	10		10	4.2500%	April 27, 2020
Deposit Substitutes	5		5	5.8800%	April 27, 2020
Deposit Substitutes	7		7	3.8800%	April 28, 2020
Deposit Substitutes	6		6	4.0000%	May 04, 2020
Deposit Substitutes	40		40	4.1300%	May 04, 2020
Deposit Substitutes	5		5	5.8800%	May 04, 2020
Deposit Substitutes	1		1	3.1300%	May 11, 2020
Deposit Substitutes	3		3	4.0000%	May 11, 2020
Deposit Substitutes	2		2	4.1300%	May 11, 2020
Deposit Substitutes	5		5	4.9700%	May 11, 2020
Deposit Substitutes	5		5	5.8800%	May 11, 2020
Deposit Substitutes	5		5	4.1300%	May 15, 2020
Deposit Substitutes	2		2	3.1300%	May 18, 2020
Deposit Substitutes	11		11	4.3800%	May 18, 2020
Deposit Substitutes	5		5	5.8800%	May 18, 2020
Deposit Substitutes	5		5	3.1300%	May 25, 2020
Deposit Substitutes	15		15	3.2500%	May 25, 2020
Deposit Substitutes	5		5	4.3800%	May 25, 2020
Deposit Substitutes	5		5	5.8800%	May 25, 2020
Deposit Substitutes	8		8	3.8800%	May 27, 2020
Deposit Substitutes	5		5	5.8800%	June 01, 2020
Deposit Substitutes	2		2	4.3800%	June 02, 2020
Deposit Substitutes	1		1	4.3800%	June 04, 2020
Deposit Substitutes	3		3	4.9700%	June 05, 2020
Deposit Substitutes	5		5	3.2500%	June 08, 2020
Deposit Substitutes	5		5	3.3800%	June 08, 2020
Deposit Substitutes	1		1	4.3800%	June 08, 2020
Deposit Substitutes	0		0	5.1300%	June 08, 2020
Deposit Substitutes	3,000		3,000	7.0700%	June 10, 2020
Deposit Substitutes	5		5	3.5000%	June 15, 2020
Deposit Substitutes	50		50	3.6300%	June 15, 2020
Deposit Substitutes	26		26	4.3800%	June 15, 2020
Deposit Substitutes	1		1	3.3800%	June 22, 2020
Deposit Substitutes	84		84	4.3800%	June 22, 2020
Deposit Substitutes	1		1	4.5000%	June 22, 2020
Deposit Substitutes	1		1	5.1300%	June 22, 2020
Deposit Substitutes	3		3	4.5000%	June 25, 2020
Deposit Substitutes	15		15	3.8800%	June 29, 2020
Deposit Substitutes	2		2	4.5000%	June 29, 2020
Deposit Substitutes	5		5	6.2500%	June 29, 2020
Deposit Substitutes	2		2	3.3800%	July 06, 2020
Deposit Substitutes	15		15	4.5000%	July 06, 2020
Deposit Substitutes	5		5	6.2500%	July 06, 2020
Deposit Substitutes	7		7	4.7500%	July 09, 2020
Deposit Substitutes	4		4	4.7500%	July 13, 2020
Deposit Substitutes	5		5	6.5000%	July 13, 2020
Deposit Substitutes	5		5	4.7500%	July 14, 2020

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Deposit Substitutes	2		2	4.7500%	July 16, 2020
Deposit Substitutes	6		6	4.7500%	July 20, 2020
Deposit Substitutes	5		5	6.8750%	July 20, 2020
Deposit Substitutes	8		8	4.7500%	July 27, 2020
Deposit Substitutes	33		33	5.1300%	July 30, 2020
Deposit Substitutes	1		1	4.9000%	August 03, 2020
Deposit Substitutes	10		10	5.0000%	August 03, 2020
Deposit Substitutes	24		24	5.1300%	August 03, 2020
Deposit Substitutes	4		4	4.0000%	August 05, 2020
Deposit Substitutes	1		1	4.9000%	August 06, 2020
Deposit Substitutes	497		497	5.7500%	August 06, 2020
Deposit Substitutes	10		10	4.9000%	August 10, 2020
Deposit Substitutes	10		10	5.6300%	August 10, 2020
Deposit Substitutes	994		994	5.9000%	August 10, 2020
Deposit Substitutes	6		6	6.8750%	August 10, 2020
Deposit Substitutes	1,223		1,223	4.0000%	August 12, 2020
Deposit Substitutes	1		1	4.9000%	August 13, 2020
Deposit Substitutes	1		1	5.1300%	August 13, 2020
Deposit Substitutes	15		15	4.9000%	August 17, 2020
Deposit Substitutes	2		2	5.1300%	August 17, 2020
Deposit Substitutes	51		51	5.3600%	August 17, 2020
Deposit Substitutes	5		5	5.6300%	August 17, 2020
Deposit Substitutes	1		1	5.7000%	August 17, 2020
Deposit Substitutes	2		2	4.9000%	August 20, 2020
Deposit Substitutes	9		9	4.9000%	August 24, 2020
Deposit Substitutes	19		19	5.1300%	August 24, 2020
Deposit Substitutes	154		154	5.7000%	August 24, 2020
Deposit Substitutes	6		6	6.7500%	August 24, 2020
Deposit Substitutes	63		63	4.1300%	August 25, 2020
Deposit Substitutes	21		21	5.3800%	August 28, 2020
Deposit Substitutes	1,093		1,093	5.7500%	August 28, 2020
Deposit Substitutes	165		165	4.0000%	August 31, 2020
Deposit Substitutes	6		6	6.7500%	August 31, 2020
Deposit Substitutes	6		6	4.9000%	September 01, 2020
Deposit Substitutes	10		10	5.3600%	September 01, 2020
Deposit Substitutes	99		99	5.6300%	September 01, 2020
Deposit Substitutes	2		2	4.1300%	September 02, 2020
Deposit Substitutes	3		3	4.9000%	September 07, 2020
Deposit Substitutes	4		4	5.6300%	September 07, 2020
Deposit Substitutes	5		5	6.7500%	September 07, 2020
Deposit Substitutes	6		6	4.1300%	September 08, 2020
Deposit Substitutes	5		5	4.1300%	September 09, 2020
Deposit Substitutes	3		3	4.1300%	September 10, 2020
Deposit Substitutes	6		6	5.1300%	September 10, 2020
Deposit Substitutes	2		2	5.1300%	September 15, 2020
Deposit Substitutes	5		5	4.7500%	September 17, 2020
Deposit Substitutes	5		5	4.9000%	September 17, 2020

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Title of Issue and type of obligation	Amount authorized by indenture (in millions)	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet (in millions)	Interest Rates	Maturity Dates
Deposit Substitutes	1		1	4.1300%	September 21, 2020
Deposit Substitutes	2		2	4.9000%	September 21, 2020
Deposit Substitutes	15		15	5.3600%	September 21, 2020
Deposit Substitutes	2		2	4.9000%	September 25, 2020
Deposit Substitutes	1		1	4.9000%	September 28, 2020
Deposit Substitutes	6		6	5.1300%	September 28, 2020
Deposit Substitutes	5		5	5.5000%	October 07, 2020
Deposit Substitutes	4		4	4.9000%	October 08, 2020
Deposit Substitutes	1		1	4.9000%	October 12, 2020
Deposit Substitutes	1		1	5.1300%	October 12, 2020
Deposit Substitutes	5		5	5.7500%	October 14, 2020
Deposit Substitutes	2		2	5.2100%	October 15, 2020
Deposit Substitutes	4		4	5.2100%	October 22, 2020
Deposit Substitutes	13		13	5.5000%	October 22, 2020
Deposit Substitutes	1		1	4.1300%	October 26, 2020
Deposit Substitutes	1		1	4.9000%	October 26, 2020
Deposit Substitutes	10		10	4.1300%	October 27, 2020
Deposit Substitutes	2		2	5.2500%	November 03, 2020
Deposit Substitutes	5		5	5.6000%	November 04, 2020
Deposit Substitutes	1		1	5.2500%	November 09, 2020
Deposit Substitutes	6		6	5.7300%	November 26, 2020
Deposit Substitutes	1		1	3.5000%	December 01, 2020
Deposit Substitutes	20		20	4.2500%	December 01, 2020
Deposit Substitutes	7		7	4.1300%	December 02, 2020
Deposit Substitutes	8		8	3.6300%	December 07, 2020
Deposit Substitutes	1		1	3.5000%	December 14, 2020
Deposit Substitutes	2		2	3.5000%	January 04, 2021
Deposit Substitutes	23		23	3.6300%	January 11, 2021
Deposit Substitutes	5		5	3.6300%	January 18, 2021
Deposit Substitutes	2		2	3.6300%	January 19, 2021
Deposit Substitutes	6		6	3.6300%	January 25, 2021
Deposit Substitutes	2		2	3.6300%	February 01, 2021
Deposit Substitutes	3		3	3.6300%	February 08, 2021
Deposit Substitutes	3		3	3.7500%	February 08, 2021
Deposit Substitutes	2		2	3.5000%	February 09, 2021
Deposit Substitutes	3		3	4.1300%	February 10, 2021
Deposit Substitutes	7		7	3.6300%	February 15, 2021
Deposit Substitutes	10		10	3.7500%	February 15, 2021
Deposit Substitutes	1		1	3.6300%	February 22, 2021
Deposit Substitutes	11		11	3.7500%	February 22, 2021
Deposit Substitutes	3		3	3.6300%	March 01, 2021
Deposit Substitutes	8		8	3.6300%	March 08, 2021
Deposit Substitutes	1		1	4.1300%	March 09, 2021
Deposit Substitutes	6		6	3.7500%	March 15, 2021
Deposit Substitutes	3		3	4.1300%	March 15, 2021
Deposit Substitutes	1		1	4.1300%	March 17, 2021
Deposit Substitutes	5		5	3.5000%	March 22, 2021

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Title of Issue and type of obligation	Amount authorized by indenture (in millions)	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet (in millions)	Interest Rates	Maturity Dates
Deposit Substitutes	5		5	3.6300%	March 22, 2021
Deposit Substitutes	3		3	3.6300%	March 29, 2021
Deposit Substitutes	2		2	3.7500%	March 29, 2021
Deposit Substitutes	3		3	3.8800%	March 29, 2021
Deposit Substitutes	6		6	3.6300%	April 05, 2021
Deposit Substitutes	4		4	3.7500%	April 05, 2021
Deposit Substitutes	4		4	3.6300%	April 06, 2021
Deposit Substitutes	3		3	4.1300%	April 06, 2021
Deposit Substitutes	13		13	4.1300%	April 07, 2021
Deposit Substitutes	6		6	3.6300%	April 12, 2021
Deposit Substitutes	28		28	4.1300%	April 12, 2021
Deposit Substitutes	1		1	4.1800%	April 12, 2021
Deposit Substitutes	2		2	4.3800%	April 13, 2021
Deposit Substitutes	1		1	4.1300%	April 14, 2021
Deposit Substitutes	17		17	4.3800%	April 15, 2021
Deposit Substitutes	8		8	4.1300%	April 19, 2021
Deposit Substitutes	4		4	4.3800%	April 19, 2021
Deposit Substitutes	6		6	3.6300%	April 20, 2021
Deposit Substitutes	2		2	4.3800%	April 20, 2021
Deposit Substitutes	5		5	4.1300%	April 23, 2021
Deposit Substitutes	7		7	4.1300%	April 26, 2021
Deposit Substitutes	18		18	4.3800%	April 26, 2021
Deposit Substitutes	2		2	4.5000%	April 26, 2021
Deposit Substitutes	16		16	4.5000%	May 03, 2021
Deposit Substitutes	3		3	4.1300%	May 04, 2021
Deposit Substitutes	1		1	4.1300%	May 05, 2021
Deposit Substitutes	2		2	3.5000%	May 10, 2021
Deposit Substitutes	8		8	4.5000%	May 10, 2021
Deposit Substitutes	1		1	4.1300%	May 17, 2021
Deposit Substitutes	9		9	4.5000%	May 17, 2021
Deposit Substitutes	3		3	3.5000%	May 18, 2021
Deposit Substitutes	12		12	4.5000%	May 24, 2021
Deposit Substitutes	1		1	4.5000%	May 25, 2021
Deposit Substitutes	27		27	4.1300%	May 26, 2021
Deposit Substitutes	1		1	4.1300%	May 31, 2021
Deposit Substitutes	1		1	4.7500%	May 31, 2021
Deposit Substitutes	2		2	4.1300%	June 02, 2021
Deposit Substitutes	1		1	4.1300%	June 07, 2021
Deposit Substitutes	11		11	4.7500%	June 07, 2021
Deposit Substitutes	5		5	4.8800%	June 07, 2021
Deposit Substitutes	5		5	4.8800%	June 08, 2021
Deposit Substitutes	13		13	4.1300%	June 09, 2021
Deposit Substitutes	11		11	3.8800%	June 14, 2021
Deposit Substitutes	30		30	4.1300%	June 14, 2021
Deposit Substitutes	10		10	4.7500%	June 14, 2021
Deposit Substitutes	15		15	4.8800%	June 14, 2021
Deposit Substitutes	1		1	4.1300%	June 21, 2021

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Title of Issue and type of obligation	Amount authorized by indenture (in millions)	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet (in millions)	Interest Rates	Maturity Dates
Deposit Substitutes	20		20	4.8800%	June 21, 2021
Deposit Substitutes	2		2	4.0000%	June 22, 2021
Deposit Substitutes	10		10	4.1300%	June 24, 2021
Deposit Substitutes	16		16	4.8800%	June 28, 2021
Deposit Substitutes	0		0	4.8800%	June 29, 2021
Deposit Substitutes	19		19	4.1300%	June 30, 2021
Deposit Substitutes	8		8	4.8800%	July 05, 2021
Deposit Substitutes	3		3	4.1300%	July 12, 2021
Deposit Substitutes	40		40	5.0000%	July 12, 2021
Deposit Substitutes	6		6	4.1300%	July 14, 2021
Deposit Substitutes	3		3	4.1300%	July 19, 2021
Deposit Substitutes	13		13	5.0000%	July 19, 2021
Deposit Substitutes	1		1	5.1300%	July 20, 2021
Deposit Substitutes	8		8	5.0000%	July 26, 2021
Deposit Substitutes	12		12	4.1300%	July 28, 2021
Deposit Substitutes	1		1	4.1300%	August 02, 2021
Deposit Substitutes	1		1	5.3800%	August 02, 2021
Deposit Substitutes	13		13	4.1300%	August 03, 2021
Deposit Substitutes	2		2	4.2500%	August 03, 2021
Deposit Substitutes	6		6	4.1300%	August 04, 2021
Deposit Substitutes	2		2	4.1300%	August 09, 2021
Deposit Substitutes	3		3	5.2500%	August 09, 2021
Deposit Substitutes	22		22	4.1300%	August 10, 2021
Deposit Substitutes	50		50	5.7500%	August 10, 2021
Deposit Substitutes	1		1	4.1300%	August 11, 2021
Deposit Substitutes	8		8	4.0000%	August 16, 2021
Deposit Substitutes	5		5	4.1300%	August 16, 2021
Deposit Substitutes	1		1	4.9000%	August 16, 2021
Deposit Substitutes	11		11	4.0000%	August 23, 2021
Deposit Substitutes	1		1	5.2500%	August 23, 2021
Deposit Substitutes	2		2	3.7500%	August 25, 2021
Deposit Substitutes	5		5	4.0000%	August 25, 2021
Deposit Substitutes	1		1	3.7500%	August 26, 2021
Deposit Substitutes	1		1	3.7500%	August 30, 2021
Deposit Substitutes	15		15	4.0000%	August 30, 2021
Deposit Substitutes	2		2	4.9000%	August 30, 2021
Deposit Substitutes	8		8	5.2500%	August 30, 2021
Deposit Substitutes	12		12	4.0000%	September 01, 2021
Deposit Substitutes	10		10	4.0000%	September 06, 2021
Deposit Substitutes	6		6	4.9000%	September 06, 2021
Deposit Substitutes	1		1	5.2500%	September 06, 2021
Deposit Substitutes	18		18	4.0000%	September 07, 2021
Deposit Substitutes	8		8	3.7500%	September 09, 2021
Deposit Substitutes	1		1	3.7500%	September 14, 2021
Deposit Substitutes	4		4	3.7500%	September 15, 2021
Deposit Substitutes	15		15	4.0000%	September 20, 2021
Deposit Substitutes	1		1	4.9000%	September 27, 2021

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Title of Issue and type of obligation	Amount authorized by indenture (in millions)	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet (in millions)	Interest Rates	Maturity Dates
Deposit Substitutes	3		3	5.2500%	September 27, 2021
Deposit Substitutes	2		2	3.7500%	September 29, 2021
Deposit Substitutes	5		5	4.0000%	September 29, 2021
Deposit Substitutes	4		4	3.7500%	October 04, 2021
Deposit Substitutes	249		249	4.0000%	October 04, 2021
Deposit Substitutes	5		5	3.7500%	October 05, 2021
Deposit Substitutes	1		1	3.7500%	October 12, 2021
Deposit Substitutes	4		4	4.0000%	October 12, 2021
Deposit Substitutes	1		1	3.7500%	October 18, 2021
Deposit Substitutes	2		2	5.7500%	October 18, 2021
Deposit Substitutes	88		88	4.0000%	October 25, 2021
Deposit Substitutes	1		1	5.2500%	October 25, 2021
Deposit Substitutes	1		1	3.7500%	November 02, 2021
Deposit Substitutes	1		1	3.7500%	November 03, 2021
Deposit Substitutes	2		2	5.1000%	November 04, 2021
Deposit Substitutes	6		6	4.0600%	November 08, 2021
Deposit Substitutes	5		5	6.0000%	November 08, 2021
Deposit Substitutes	1		1	3.7500%	November 15, 2021
Deposit Substitutes	10		10	4.0000%	November 15, 2021
Deposit Substitutes	1		1	3.7500%	November 22, 2021
Deposit Substitutes	10		10	4.0000%	November 23, 2021
Deposit Substitutes	1		1	4.0000%	November 29, 2021
Deposit Substitutes	4		4	7.0000%	November 29, 2021
Deposit Substitutes	4		4	3.8800%	December 06, 2021
Deposit Substitutes	15		15	4.0000%	December 06, 2021
Deposit Substitutes	3		3	4.1300%	December 06, 2021
Deposit Substitutes	1		1	7.0000%	December 06, 2021
Deposit Substitutes	30		30	4.0000%	December 07, 2021
Deposit Substitutes	1		1	5.9000%	December 07, 2021
Deposit Substitutes	1		1	7.0000%	December 07, 2021
Deposit Substitutes	1		1	7.0000%	December 09, 2021
Deposit Substitutes	3		3	3.8800%	December 13, 2021
Deposit Substitutes	25		25	4.0000%	December 13, 2021
Deposit Substitutes	2		2	5.9000%	December 13, 2021
Deposit Substitutes	2		2	3.8800%	December 15, 2021
Deposit Substitutes	1		1	4.0000%	January 11, 2022
Deposit Substitutes	4		4	3.3800%	January 19, 2022
Deposit Substitutes	3		3	3.8800%	January 24, 2022
Deposit Substitutes	5		5	4.0000%	January 24, 2022
Deposit Substitutes	6		6	3.8800%	January 26, 2022
Deposit Substitutes	3		3	3.3800%	February 02, 2022
Deposit Substitutes	1		1	4.0000%	February 07, 2022
Deposit Substitutes	5		5	3.7500%	February 22, 2022
Deposit Substitutes	10		10	3.8800%	February 24, 2022
Deposit Substitutes	5		5	3.7500%	February 28, 2022
Deposit Substitutes	10		10	4.2500%	February 28, 2022
Deposit Substitutes	2		2	3.8800%	March 07, 2022

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Title of Issue and type of obligation	Amount authorized by indenture (in millions)	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet (in millions)	Interest Rates	Maturity Dates
Deposit Substitutes	2		2	3.7500%	March 15, 2022
Deposit Substitutes	1		1	4.0000%	March 21, 2022
Deposit Substitutes	2		2	3.7500%	March 28, 2022
Deposit Substitutes	2		2	3.7500%	May 16, 2022
Deposit Substitutes	1		1	4.0000%	May 31, 2022
Deposit Substitutes	15		15	4.1300%	June 06, 2022
Deposit Substitutes	1		1	4.0000%	June 08, 2022
Deposit Substitutes	5		5	4.1300%	June 20, 2022
Deposit Substitutes	8		8	4.2500%	June 20, 2022
Deposit Substitutes	0		0	4.8800%	June 20, 2022
Deposit Substitutes	5		5	4.2500%	June 22, 2022
Deposit Substitutes	1		1	4.1300%	July 04, 2022
Deposit Substitutes	15		15	5.1300%	September 14, 2022
Deposit Substitutes	4		4	5.2000%	September 19, 2022
Deposit Substitutes	8		8	5.1300%	September 21, 2022
Deposit Substitutes	5		5	5.1300%	November 03, 2022
Deposit Substitutes	1		1	5.1300%	November 07, 2022
Deposit Substitutes	1		1	5.6500%	November 08, 2022
Deposit Substitutes	4		4	5.1300%	November 14, 2022
Deposit Substitutes	1		1	5.2000%	November 14, 2022
Deposit Substitutes	15		15	5.1300%	December 01, 2022
Deposit Substitutes	1		1	4.6300%	December 19, 2022
Deposit Substitutes	2		2	4.5000%	January 03, 2023
Deposit Substitutes	3		3	4.5000%	January 09, 2023
Deposit Substitutes	2		2	5.1300%	January 16, 2023
Deposit Substitutes	25		25	5.2500%	January 24, 2023
Deposit Substitutes	5		5	4.6300%	January 25, 2023
Deposit Substitutes	23		23	5.2500%	January 25, 2023
Deposit Substitutes	1		1	5.2500%	January 26, 2023
Deposit Substitutes	9		9	5.2500%	January 30, 2023
Deposit Substitutes	1		1	4.6300%	January 31, 2023
Deposit Substitutes	1		1	4.6300%	February 06, 2023
Deposit Substitutes	3		3	5.2500%	February 06, 2023
Deposit Substitutes	2		2	4.6300%	February 07, 2023
Deposit Substitutes	5		5	5.1300%	February 13, 2023
Deposit Substitutes	2		2	4.6300%	February 27, 2023
Deposit Substitutes	25		25	5.1300%	March 02, 2023
Deposit Substitutes	81		81	5.0000%	March 15, 2023

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule E - Long Term Debt
December 31, 2018

Title of Issue and type of obligation	Amount authorized by indenture (in millions)	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet (in millions)	Interest Rates	Maturity Dates
Deposit Substitutes	1		1	5.1300%	March 15, 2023
Deposit Substitutes	4		4	5.1300%	March 16, 2023
Deposit Substitutes	2		2	5.1300%	March 28, 2023
Deposit Substitutes	1		1	4.6300%	April 03, 2023
Deposit Substitutes	2		2	4.6300%	April 05, 2023
Deposit Substitutes	1		1	5.0000%	April 05, 2023
Deposit Substitutes	1		1	5.0000%	April 13, 2023
Deposit Substitutes	7		7	5.0000%	April 27, 2023
Deposit Substitutes	4		4	5.0000%	May 04, 2023
Deposit Substitutes	4		4	5.0000%	May 17, 2023
Deposit Substitutes	2		2	5.0000%	May 29, 2023
Deposit Substitutes	1		1	5.0000%	June 01, 2023
Deposit Substitutes	2		2	5.0000%	June 05, 2023
Deposit Substitutes	1		1	5.0000%	June 14, 2023
Deposit Substitutes	6		6	5.0000%	June 15, 2023
Deposit Substitutes	12		12	5.0000%	June 19, 2023
Deposit Substitutes	6		6	5.0000%	June 21, 2023
Deposit Substitutes	5		5	5.1300%	June 26, 2023
Deposit Substitutes	5		5	5.2500%	July 17, 2023
Deposit Substitutes	2		2	5.0000%	July 20, 2023
Deposit Substitutes	1		1	5.5000%	July 24, 2023
Deposit Substitutes	6		6	5.0000%	July 27, 2023
Deposit Substitutes	5		5	6.2500%	July 31, 2023
Deposit Substitutes	1		1	6.5000%	July 31, 2023
Deposit Substitutes	1		1	6.2500%	August 01, 2023
Deposit Substitutes	5		5	5.0000%	August 03, 2023
Deposit Substitutes	1		1	5.0000%	August 09, 2023
Deposit Substitutes	4		4	5.0000%	August 10, 2023
Deposit Substitutes	1		1	5.3000%	August 10, 2023
Deposit Substitutes	50		50	6.5000%	August 10, 2023
Deposit Substitutes	5		5	4.1300%	August 24, 2023
Deposit Substitutes	1		1	4.1300%	August 28, 2023
Deposit Substitutes	1		1	5.3000%	August 29, 2023
Deposit Substitutes	1		1	6.2500%	August 29, 2023
Deposit Substitutes	1		1	6.2500%	August 30, 2023
Deposit Substitutes	3		3	4.1300%	September 20, 2023
Deposit Substitutes	1		1	4.1300%	September 26, 2023
Deposit Substitutes	4		4	4.3800%	September 26, 2023
Deposit Substitutes	1		1	6.7500%	September 26, 2023
Deposit Substitutes	2		2	4.6300%	October 04, 2023
Deposit Substitutes	2		2	6.7500%	October 05, 2023
Deposit Substitutes	4		4	4.3800%	October 11, 2023
Deposit Substitutes	4		4	4.3800%	October 16, 2023
Deposit Substitutes	1		1	6.7500%	October 23, 2023
Deposit Substitutes	3		3	6.8800%	October 25, 2023
Deposit Substitutes	2		2	6.8800%	November 07, 2023
Deposit Substitutes	1		1	4.1300%	November 21, 2023

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule E - Long Term Debt
December 31, 2018

Title of Issue and type of obligation	Amount authorized by indenture (in millions)	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet (in millions)	Interest Rates	Maturity Dates
Deposit Substitutes	1		1	4.1300%	November 23, 2023
Deposit Substitutes	7		7	4.1300%	November 27, 2023
Deposit Substitutes	0		0	4.0000%	December 18, 2023
Deposit Substitutes	2		2	4.1300%	February 08, 2024
Deposit Substitutes	1		1	4.1300%	February 13, 2024
Deposit Substitutes	1		1	4.1300%	March 06, 2024
Deposit Substitutes	1		1	4.2500%	May 09, 2024
Deposit Substitutes	5		5	4.7500%	March 05, 2025
Deposit Substitutes	35		35	6.2000%	December 18, 2025
	11,138	-	11,138		
Total Bills Payable	50,779	-	50,618		
Other Liabilities					
Bonds Payable - Fixed Rate Bonds	28,000		27,826	7.1500%	November 09, 2020
Notes Payable - Fixed Rate Corporate Bonds	1,705		1,705	7.0156%	April 29, 2020
Notes Payable - Fixed Rate Corporate Bonds	895		895	7.4463%	October 29, 2020
	30,600	-	30,426		
	108,049	15,987	91,674		

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)

December 31, 2018

Name of Related Party	Balance at Beginning of Period	Balance at End of Period

NOT APPLICABLE

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

Schedule G - Guarantees of Securities of Other Issuers

December 31, 2018

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which this Statement is Filed	Nature of Guarantee

NOT APPLICABLE

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

Schedule H - Capital Stock

December 31, 2018

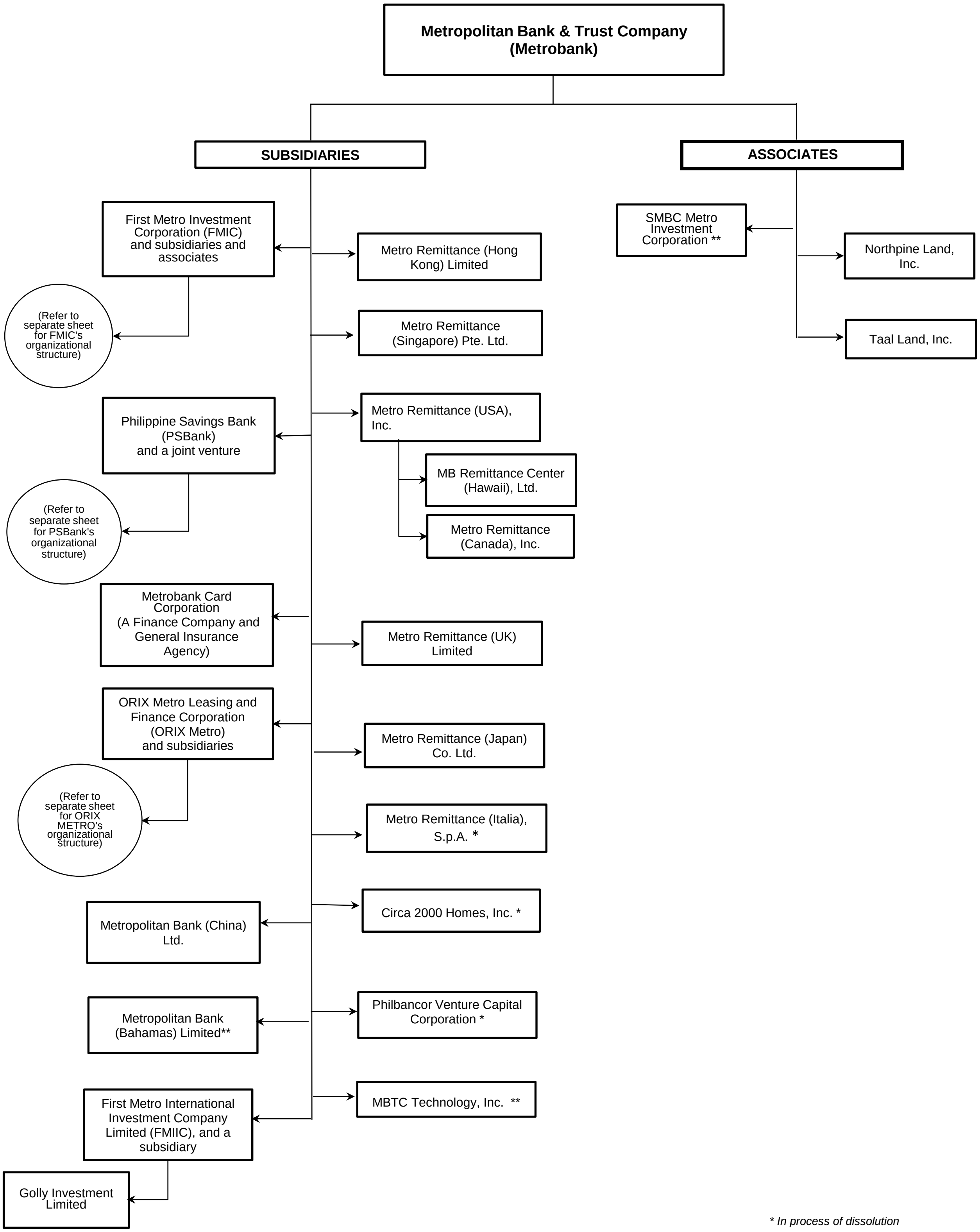
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Authorized						
Preferred stock - P20 par value	1,000,000,000					
Common stock - P20 par value	4,000,000,000					
Issued and outstanding						
Common stock - P20 par value		3,980,015,036		2,002,026,388	30,092,095	1,947,896,553

METROPOLITAN BANK & TRUST COMPANY
SURPLUS AVAILABLE FOR DIVIDENDS *
AS OF DECEMBER 31, 2018
(In ₱ Millions)

UNAPPROPRIATED SURPLUS, BEGINNING AS PREVIOUSLY PRESENTED	₱	116,786
Add: Effect of adoption of PFRS 9		(4,756)
Effect of adoption of PFRS 15		(40)
UNAPPROPRIATED SURPLUS, BEGINNING AS RESTATED		111,990
Adjustments:		
Less: Non-actual/unrealized income net of tax:		
Accumulated share in net income of subsidiaries, associates and joint venture - net of dividends, restated		31,097
Fair value adjustments (mark-to-market gains)		2,818
Recognized deferred tax asset (DTA)		5,017
Unrealized gains on foreclosure of investment properties - net of accumulated depreciation		412
		39,344
UNAPPROPRIATED SURPLUS AS ADJUSTED TO AVAILABLE FOR DIVIDEND DISTRIBUTION AT BEGINNING OF YEAR		**72,646**
Add: Net income actually earned/realized during the year:		
Net income during the year closed to Surplus		22,008
Less: Non-actual/unrealized income net of tax:		
Fair value adjustment (mark-to-market gains)		4,069
Movement on DTA		(12)
Equity in net income of subsidiaries, associates and a joint venture-net of dividends		5,519
		9,576
Net income actually earned during the year		**12,432**
Less:		
Dividend declarations during the year		3,180
Appropriations of Retained Earnings during the year		146
Realized loss on sale of equity securities at FVOCI		122
		3,448
UNAPPROPRIATED SURPLUS AVAILABLE FOR DIVIDENDS, END	₱	**81,630**

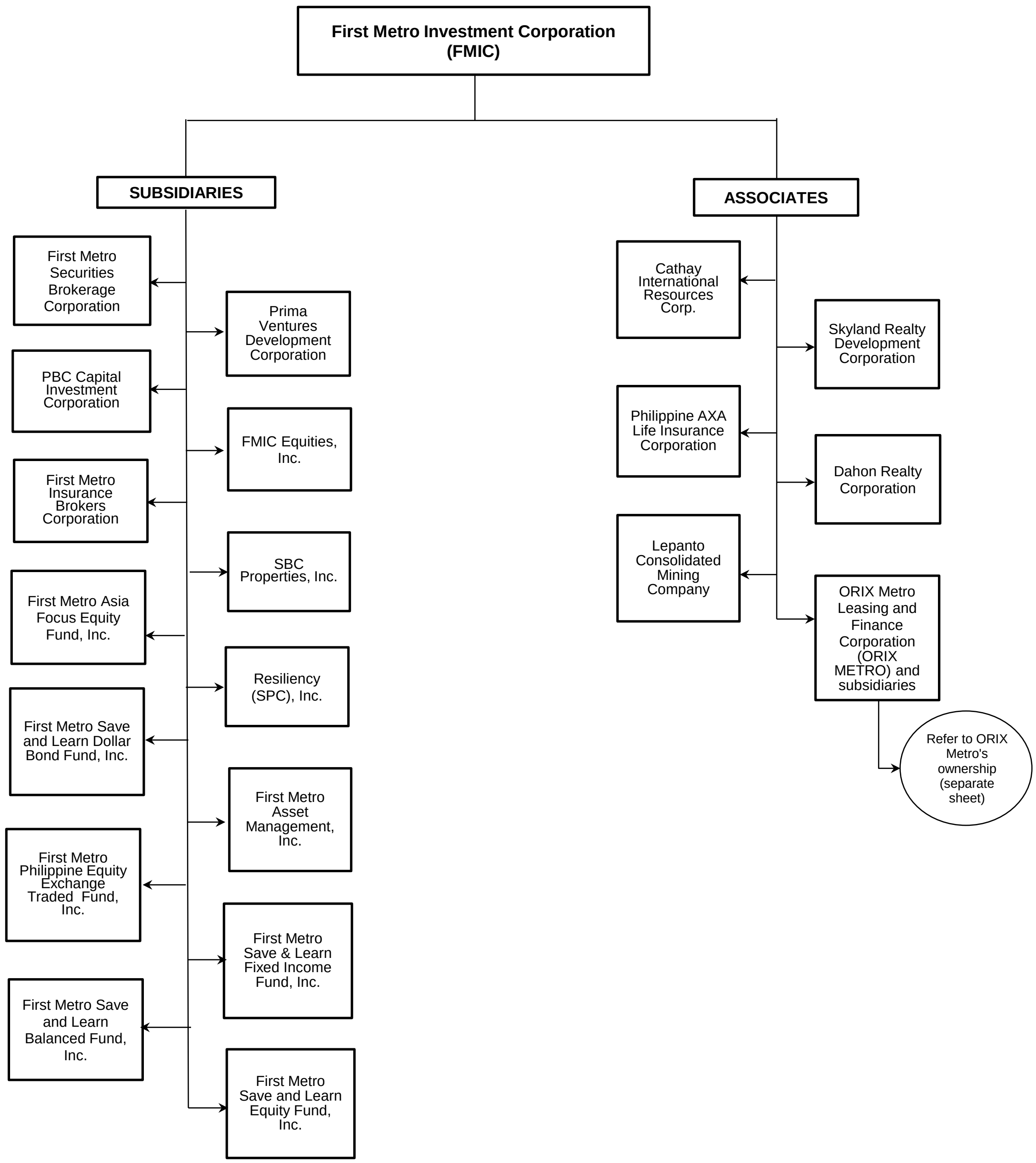
* The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following Bangko Sentral ng Pilipinas guidelines.

Metropolitan Bank & Trust Company
Subsidiaries and Associates
As of December 31, 2018

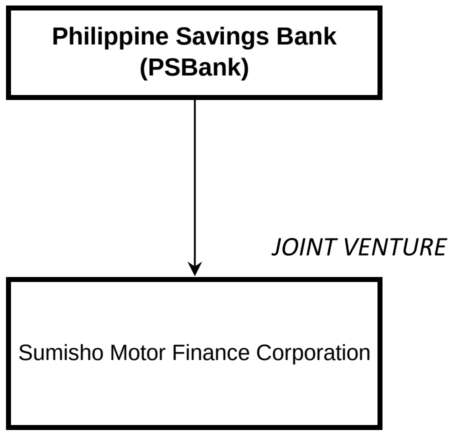


** In process of dissolution*
*** In process of liquidation*

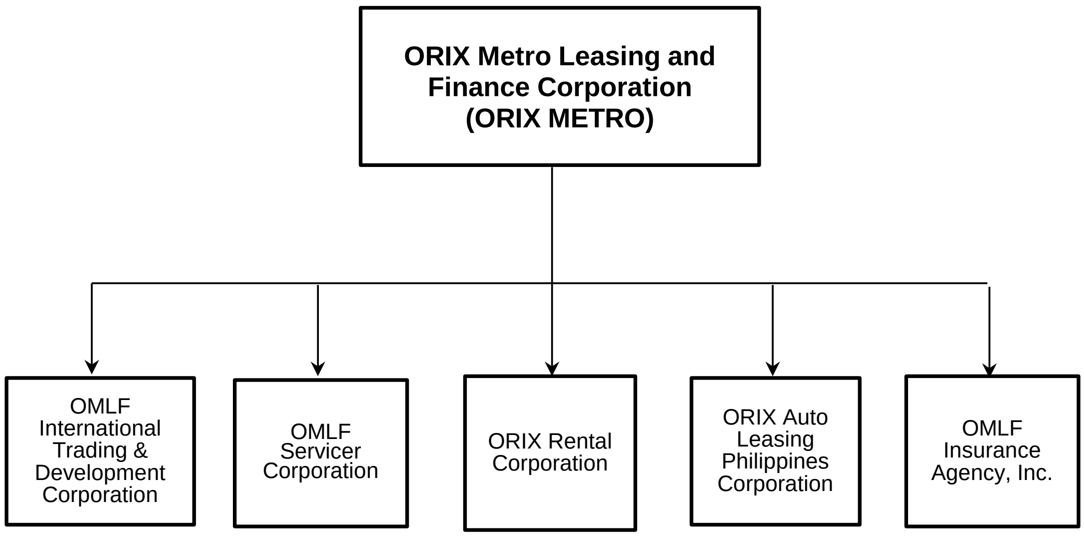
First Metro Investment Corporation
Subsidiaries and Associates
As of December 31, 2018



Philippine Savings Bank
Joint Venture
As of December 31, 2018



ORIX Metro Leasing and Finance Corporation (ORIX METRO)
Subsidiaries
As of December 31, 2018



Metropolitan Bank & Trust Company and Subsidiaries
Schedule of All the Effective Standards and Interpretations
December 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Conceptual Framework for Financial Reporting		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemption for First-time Adopters			✓
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1 – Deletion of short-term exemptions for first-time adopters			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
	Amendments to PFRS 3: Definition of a Business		Effective January 1, 2020* (not early adopted)	
	Amendments to PFRS 3: Previously held interest in a joint operation		Effective January 1, 2019* (not early adopted)	
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendment to PFRS 5: Changes in methods of disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	PFRS 9, Financial Instruments	✓		
	Amendments to PFRS 9, Prepayment Features with Negative Compensation		Effective January 1, 2019 (not early adopted)	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture		**	
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
	Amendments to PFRS 3: Previously held interest in a joint operation		Effective January 1, 2019* (not early adopted)	
PFRS 12	Disclosures of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Clarification of the scope of the standard	✓		
	Amendments to PFRS 12: Investment Entities Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
	Amendments to PFRS 15, Clarifications to PFRS 15			✓
PFRS 16	Leases		Effective January 1, 2019 (not early adopted)	
PFRS 17	Insurance Contracts		Effective January 1, 2021* (not early adopted)	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
	Amendments to PAS 1 and PAS 8: Definition of Material		Effective January 1, 2020* (not early adopted)	
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
	Amendments to PAS 1 and PAS 8: Definition of Material		Effective January	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
			1, 2020* (not early adopted)	
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12: Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendments to PAS 12: Income tax consequences of payments on financial instruments classified as equity		Effective January 1, 2019* (not early adopted)	
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16, Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution	✓		
	Amendments to PAS 19: Discount Rate: Regional Market Issue	✓		
	Amendments to PAS 19: Plan Amendment, Curtailment or Settlement		Effective January 1, 2019* (not early adopted)	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
	Amendments to PAS 23: Borrowing costs eligible for capitalization		Effective January 1, 2019* (not early adopted)	
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments for investment entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28 (Amended): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		**	
	Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures		Effective January 1, 2019 (not early adopted)	
	Amendments to PAS 28 – Measuring an associate or joint venture at fair value			✓
	Amendments to PAS 28 (Amended): Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim financial report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38 : Revaluation Method – Proportionate Restatement Of Accumulated Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement			✓
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets			✓
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendment to PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Hedge Accounting	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property	✓		
	Amendments to PAS 40: Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 41, Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
IFRIC 16	Hedges of a net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		
IFRIC 23	Uncertainty over Income Tax Treatments		Effective January 1, 2019*	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
			(not early adopted)	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes- Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-32	Intangible Assets - Web Site Costs			✓

* *Subject to approval by the Board of Accountancy*

** *Original effective date of January 1, 2016 of the amendment was postponed by the FRSC on January 13, 2016, until the IASB has completed its broader review of the research project on equity accounting.*

Standards and Interpretations applicable to annual periods beginning on or after January 1, 2019 (where early application is allowed) will be adopted by the Group as they become effective.

Exhibit 9

METROBANK CARD CORPORATION (A Finance Company and General Insurance Agency)

INFORMATION STATEMENT

PART I - BUSINESS

A. DESCRIPTION OF BUSINESS

1. Business Development

Metrobank Card Corporation (A Finance Company and General Insurance Agency) [“MCC”] is one of the leading payment solutions providers in the Philippines.

MCC is a wholly-owned subsidiary of Metropolitan Bank & Trust Company (“Metrobank” or the “Parent”), one of the largest banks in the Philippines and the leading PDEX securities house, which also owns 82.7% of the Philippine Savings Bank, the second largest savings bank in the Philippines.

On the funding side, MCC’s total borrowings as at end 2018 was Php 61.823 billion, Php 29.004 billion of which are deposit substitutes and other debt instruments in the form of promissory notes under its authority as non-bank quasi-bank, while the rest are various loans and borrowings from different banks and financial institutions, in various tenors, both PHP and USD.

2. Business of Registrant

a. Principal Products and Services

MCC offers the following financial products and services including credit cards, prepaid cards, payment solutions (acquiring business), deposit substitutes, and insurance products of AXA.

MCC generates 74.7% of its revenue from Interest and penalties in 2018. The table below shows revenue breakdown during the last four years:

	2018		2017		2016		2015	
	Php-MM	%	Php-MM	%	Php-MM	%	Php-MM	%
Interest and penalties	14,253	74.7%	12,253	72.0%	9,609	71.0%	9,047	71.7%
Discounts earned	2,411	12.6%	2,240	13.2%	1,748	12.9%	1,550	12.3%
Membership fees and dues	883	4.6%	841	4.9%	949	7.0%	821	6.5%
Recoveries of accounts written-off	541	2.8%	734	4.3%	423	3.1%	412	3.3%
Awards revenue	68	0.4%	121	0.7%	75	0.6%	77	0.6%
Interest income from banks	18	0.1%	14	0.1%	4	0.0%	18	0.1%
Miscellaneous income	895	4.7%	815	4.8%	721	5.3%	691	5.5%
Total	**19,069**	**100.0%**	**17,018**	**100.0%**	**13,529**	**100.0%**	**12,616**	**100.0%**

Note: Based on Audited Financial Statements for the years indicated

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

Not Applicable.

c. Distribution Methods of Products and Services

MCC's target market segments are consumers, SMEs and corporates whom it offers credit cards, prepaid cards, payment solutions (acquiring business), deposit substitutes, and insurance products of AXA Philippines. These products are provided via the different sales channels employed by the Company, including in-house sales, third party agencies, while also leveraging on referrals from its Parent's branch network.

d. New Product or Service

MCC obtained a general insurance agency license in 2018, allowing it to sell various insurance products of and for AXA Philippines.

e. Competition

Competition in the industry has been intense, with a total of seventeen (17) credit card issuers as of December 2018. MCC's competitive advantage lies with Metrobank's strong brand and wide distribution network, as well as the MCC's strength in risk management. MCC continues to be one of the leading issuers in terms of card base, receivables and billings.

There's a conscious effort to continuously challenge existing strategies and processes to adapt to changes in the market and maintain the Company's competitiveness. Competition rises from traditional and emerging rivals, such as telco and fintech companies.

f. Sources and Availability of Raw Materials and Names of Principal Suppliers

Not applicable.

g. Dependence upon a Single Customer or a few Customers

There is no single customer that accounts for 20% or more of MCC's credit cards receivables or borrowings.

h. Transactions with and/or Dependence of Related Parties

MCC has issued credit cards to relatives of its directors, officers, and related parties of its parent bank, and the employees of its subsidiaries and affiliates.

Transactions between and among related parties create financial, commercial and economic benefits to MCC and to the entire conglomerate group where it belongs. In this regard, related party transactions are generally allowed provided, that these are done on an arm's length basis. Towards this end, MCC has to exercise appropriate oversight and implement effective control systems for managing said exposures as these may potentially lead to abuses that are disadvantageous to MCC and its clients, creditors and other stakeholders.

To enhance corporate governance practices, MCC has adopted the following guidelines to ensure that the highest ethical standards consistent with the principles for enhancing corporate risk governance are properly observed:

1. Duties and Responsibilities of the Related Party Transactions Committee and the Board of Directors
2. Definition and Coverage of Related Party Transactions (RPT)
3. Identification and Declaration of RPTs
4. Internal Exposure Limits and Transaction Materiality Thresholds
5. Transaction Materiality Thresholds
6. Individual and Aggregate Internal Limits for Credit Exposures to Related Parties
7. Monitoring, Reporting and Handling of Breaches in Internal Exposure Limits
8. Reporting, Review and Approval of Related Party Transactions
9. Frequency of Reporting RPTs
10. Review and Evaluation of Reported RPTs
11. Guidelines and Processes in Ensuring Arm's-length Terms
12. Identification, Maintenance and Updating of Inventory/Database of Related Parties
13. Conflicts of Interest
14. Whistle Blowing Mechanisms

15. Restitution of Losses resulting from abusive or fraudulent RPTs or those that are not conducted on terms fair to MCC

i. Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreements Held

MCC is a registered owner of various trademarks and logos for its credit card designs.

j. Need for Government Approval of Principal Products and Services

MCC pioneers and innovates various card products that offer distinct benefits to different types of customers. It engages in, operates and conducts the business of credit card system, merchant acquiring and solicitation, and finance company. It engages in and carries on the business of life and non-life insurance as a general insurance agent for and in behalf of insurance company principals licensed to operate in the Philippines through officers and staff authorized by the Insurance Commission and to be compensated through commission for services rendered to insurance company principals. MCC as a consumer finance and general insurance agency has four (4) key business drivers which had been approved by the Bangko Sentral ng Pilipinas and/or the Insurance Commission:

1. *Credit Card Issuing*
   - *Metrobank Classic Mastercard*
   - *Metrobank Gold Mastercard*
   - *Metrobank Platinum Mastercard*
   - *Metrobank World Mastercard*
   - *Toyota Mastercard*
   - *Metrobank MFree Mastercard*
   - *Metrobank MLite Mastercard*
   - *Metrobank ON Mastercard*
   - *Metrobank Dollar Platinum Mastercard*
   - *Metrobank Corporate Mastercard*
   - *Metrobank Classic Visa*
   - *Metrobank Gold Visa*
   - *Metrobank Femme Visa*
   - *Metrobank Femme Signature Visa*
   - *Metrobank Travel Platinum Visa*

2. *Merchant Acquiring*

3. *General Insurance Agency*
   - *Life and non-life insurance products, underwritten by AXA and Charter Ping An*

4. *Prepaid Card Issuing*
   - *YAZZ Prepaid Card*

MCC also obtained a quasi-banking license from the BSP to have the authority to borrow from the public either via deposit substitutes or other debt instruments. Such license allows MCC to issue deposit substitutes in the form of promissory notes, which is another product that MCC offers. The promissory notes are issued to institutions and high net worth individuals at various tenors, with competitive interest rates.

In 2013, MCC was also given authority by the BSP to issue subordinated debt notes, qualifying as Tier 2 capital. Such notes, with a total amount of Php 1.17 billion, were issued on the same year, with a call option after five (5) years, which MCC did not exercise. The notes are set to mature in 2023, but its qualification as Tier 2 capital diminishes by 20% of the original amount each year, starting on the 5th year.

k. Effect of Existing or Probable Governmental Regulations on the Business

1. <u>BSP Circular 1003: Guidelines on the Establishment and Operations of Credit Card Issuers to Implement Republic Act No. 10870 of the Philippine Credit Card Industry Regulations Law</u>

   This regulation seeks to address key customer concerns including the disclosure on the amount and the computation of fees and charges. Specifically, the rules clarify that the finance charges shall be computed based on the unpaid amount of the outstanding balance as of statement cut-off date and shall not include current and deferred charges. Crediting of payments using cash, check or debit cards made via accredited payment centers should also be posted on the same day by card issuers. The rules also make permanent the rule that requires due dates falling on weekends or holidays to be moved to the next business day. These also provide for safeguards against unfair collection practices, immediate posting of payments, confidentiality of consumer data, and the expeditious resolution of complaints. MCC is on track with regards to the implementation of these requirements as they become due – the latest of which are required to be in place on or before June 2019.

2. BSP Circular 1011: Guidelines on the Adoption of the Philippine Financial Reporting Standard ("PFRS") 9 – Financial Instruments

   This regulation sets out the guidelines in adopting PFRS 9 for BSP supervised financial institutions ("BSFIs"). It highlights that the BOD shall ensure that the BSFI appropriately and consistently adopts PFRS 9 as part of its reporting governance process. This includes policy making and ensure adequate internal control measures are in place. This regulation also sets out the provisions that shall be followed by BSFIs in the classification and measurements of financial instruments and impairments of financial instruments. Currently, MCC being one of the BSFIs, has already implemented starting January 1, 2018. As part of MCC's plans for 2019, MCC shall undertake activities that will further enhance the periodic review on the assumptions, methodology, inputs and estimation techniques of the ECL model adopted by MCC.

l. Research and Development Activities

Not applicable

m. Compliance with Environmental Laws

Not applicable

n. Employees

As of February 28, 2019, the total number of employees of MCC is 1,175. MCC is expecting forty-nine (49) additional employees to be on boarded in the next twelve (12) months in Business Technology (6 employees); Compliance (1 employee); Credit Card Sales, Alliances & Other Channels (3 employees); Credit Operations (15 employees); Finance (1 employee); Human Resources (3 employees); Merchant Acquiring (6 employees); Operations (10 employees); Prepaid and Insurance Business (1 employee); Internal Audit (1 employee); Risk Management (1 employee); and Credit Card Marketing (1 employee). Out of the forty-nine (49) expected new employees, twenty-five (25) are covered by the Collective Bargaining Agreement ("CBA") whilst the remaining twenty-four (24) employees are officers.

MCC has not experienced any strike since the Metrobank Card Corporation Employees Association ("Union") was formed in 2005. Management believes that a harmonious relationship is maintained between Management and the Union, and industrial peace is kept over the years.

The supplemental benefits that MCC has for its employees based on the CBA for 2018-2020 include the following:

a. Longevity pay tiered based on tenure;
b. Compulsory retirement of two hundred percent (200%) of the final monthly basic salary for every year of service;
c. Voluntary separation benefit;
d. Death or permanent disability benefit;
e. Hospitalization, Medical and Dental Benefits (total maximum coverage of P230K for staff and/or may be shared with qualified dependents);
f. Medical Allowance;
g. Group Life Insurance;
h. Rice subsidy of Php 2,000 per month;
i. Loyalty Award Incentive; and
j. Bereavement Assistance.

o. Additional Requirements as to Certain Issues or Issuers

Not Applicable

B. DESCRIPTION OF PROPERTY

MCC's main office is situated at The MCC Center, 6778 Ayala Avenue, Makati City. The MCC Center is wholly-owned by MCC. The building has fourteen (14) floors, which includes a mezzanine and penthouse floor with parking at the basement and at the back of the building. Total floor area of the building is 10,093 square meters more or less.

Currently, MCC is leasing three (3) office premises and parking areas as follows:

1. Two (2) leased premises at TechnoPark Building, Metropolitan Park, D. Macapagal Avenue, Pasay City. The leased premises are the 4th and 5th floors with a total lease area of 3,570 square meters more or less and six (6) parking slots. Total monthly rental is Php 2,272,686.28 subject to 5% increase every year of the lease period. The 5-year lease period shall expire on December 31, 2021.
2. One (1) leased premise (5th floor) at Metrobank Davao Center Branch Building, Magsaysay Avenue, corner J. Dela Cruz Street, Davao City. Total lease area is 127.91 square meters more or less. Total monthly rental is Php 58,945.12 subject to 5% increase every year of the lease period. The 3-year lease period shall expire on December 31, 2021.
3. One (1) leased premise (4th floor) at Metrobank Cebu Fuente Osmeña Center, Metrobank Cebu Plaza, Cebu City. Total lease area is 110 square meters more or less and one (1) parking slot. Total monthly rental is Php 84,655.14 subject to 5% increase every year of the lease period. The 3-year lease period shall expire on September 15, 2020.
4. Thirty-six (36) parking slots located at the 2nd level of the basement parking of PBCOM Tower, Ayala Avenue corner Rufino Street, Makati City. Total monthly rental is Php 252,000. The contract of lease shall expire on March 31, 2019 with an option to extend or renew

C. LEGAL PROCEEDINGS

MCC may have filed collection cases against its delinquent credit cardholders, including its former employees who have credit card or personal loan accountabilities left unpaid after they severed their employment with MCC. It also filed criminal cases against certain individuals for violation of R.A. 8484 and the Revised Penal Code, all in relation to credit card fraud. These cases were filed in the ordinary course of its business and will not affect the financial position or operating results of MCC.

PART II – SECURITIES OF THE REGISTRANT

MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Holders

Metrobank owns one hundred percent (100%) of MCC's common shares. During the past two years, MCC has declared cash dividends

PART III - MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

<u>2018 Performance</u>

Effective September 4, 2018, MCC became a wholly-owned subsidiary of Metrobank.

MCC posted a solid P4.97 billion net profit after tax with annualized Return on Equity (ROE) of 34.9%. MCC also grew its customer base to 1.50 million, yielding an 11% growth in billings and 15% growth in receivables. MCC's Total Assets were at a 9.83% increase versus 2017.

Based on the CCAP Quarterly Survey as of end of December 2018, MCC ranked No. 2 in terms of Receivables, No. 3 in terms of Total Number of Cards in Force, and No. 3 in terms of Merchant Acquiring Billings.

The Insurance Commission issued MCC's General Agency License ("GAL") last June 1, 2018. This enables MCC to further exercise its insurance offering capability and increase MCC's commercial scope. MCC obtained GAL from the

Insurance Commission, in coordination with Philippine AXA Life as the insurance sponsor. MCC's complete corporate name is now Metrobank Card Corporation (A Finance Company and General Insurance Agency).

MCC partnered with Alphanetworld Corporation for the NWorld Cash Card Reloadable Prepaid Visa, which will be used for the commission disbursement of NWorld's distributors.

MCC has also partnered with China's top digital payment providers, Alipay and WeChat Pay, enabling local merchants using MCC's payment platform to accept mobile payments from thousands of visiting Chinese consumers in the country, via MCC's point-of-sale terminals with dynamic Quick Response Codes. To date, MCC is one of the first few payment solutions provider in the Philippines to include WeChat and Alipay into its payment processing capabilities. These features are targeted to assist local merchants and businesses with many or potential visiting Chinese customers.

MCC also launched the first-ever Php1 seat sale for land travel in the country. This is in partnership with Victory Liner.

MCC re-launched the Metrobank World Mastercard, its most premium credit card, the first in the industry to introduce Mastercard Traveler Rewards Program. The New World Mastercard also comes with the Mastercard Airport Experiences and Mastercard Flight Delay Pass.

MCC's consistent achievements did not go unnoticed. MCC bagged the following awards in 2018:

1) Gold Apple Award for Credit Card Promotion of the Year for its Robinsons Mastercard Payday Rebate promotion, Payday Payback;
2) Four major awards and two high commendations from Cards and Electronic Payments International Asia Awards (CEPI)
    a. Yazz Prepaid Visa as the Best Prepaid Card Product for Asia Pacific
    b. Winzone, MCC's first digital National Usage Program to introduce a full digital experience from entry, to distribution and redemption, as the Best Brand Engagement Programme
    c. Social media Lead Generation Program as the Best Digital Marketing Campaign
    d. VMware virtualization and cloud solutions as the Best Technology Implementation - Back End
    e. Highly Commended citation for the Most Innovative Digital Solution category
    f. Highly Commended citation for the Best Card Offering for South East Asia; and
3) Philippines Best Employer Brand Awards from the Employers Branding Institute and World HRD Congress

2017 Performance

MCC has proven to remain on its highly successful and dynamic growth track, beating all expectations and making 2017 another landmark year.

MCC broke new boundaries by posting a solid Php 5.1 billion Net Profit After Tax—a growth of 81.34% over the previous year, and an all-time high that almost doubled our 2016 Net Income.

MCC's Total Assets were at a 24.15% increase versus December 2016. Our singular achievements brought our annualized Return on Equity ("ROE") to 46.2% in 2017 compared to 36.3% in 2016. In addition, the year ended with MCC's cards-in-force at 1.48 million, yielding a 15% growth in billings and 21% growth in receivables.

Overall, these contributed to MCC maintaining its industry ranking, per the Credit Card Association of the Philippines (CCAP). As of end-December 2017, we remain No. 1 in terms of Receivables and No. 1 in terms of Total Number of Cards in Force.

With the continuing evolution of the needs of cardholders, MCC launched several relevant new products in 2017. In February, MCC re-launched the Metrobank M Free Mastercard, designed to offer users all the benefits of a credit card without the need to pay any annual fees. MCC also launched the Victory Liner Premiere Prepaid Visa, a reloadable prepaid card that can be used to book bus tickets with Victory Liner.

In 2017, we also fully realized more our entry into the digital space across our products and service offerings. MCC's first-ever online game and raffle promotion, The Winzone, featured end-to-end digital delivery, from SMS coupon redemption to a 24/7 gaming experience, giving cardholders with valid purchases a chance to win instant prizes at an online game, as well as raffle entries for a chance to win 1 of 3 Toyota vehicles.

The same year also saw us introduce a convenient and paperless SMS-based redemption system. This allowed cardholders easy redemption of items and prizes from MCC's partner merchants.

Metrobank Platinum Mastercard and World Mastercard holders continued to enjoy 50% off at high-end restaurants as part of our successful Premium Taste, Premium Perks program. At the same time, Metrobank Femme Signature Visa and Travel Platinum Visa cardholders enjoyed 50% off on high-end accommodations as part of our Signature Lifestyle program.

Our efforts and achievements were roundly recognized. Robinsons Mastercard, our partnership with the Robinsons Retail Group, the second-largest multi-format retailer in the country, was recognized as the Best Segment Solution-South East Asia at the Mastercard Innovation Forum 2017. MCC was the only Philippine issuer that won a regional award.

The Metrobank Travel Platinum Visa, positioned as our first complete travel card, was awarded Best New Product 2017 at the Visa Card Center Managers' Forum. Launched in November 2016, it allows cardholders to earn 1 mile for every Php17 spent overseas and on airlines and hotels, and also gives them exclusive travelers' perks.

MCC's energy efficiency and conservation programs were also recognized at the Don Emilio Abello Energy Efficiency Awards, an annual program held by the Department of Energy that recognizes the private sector's efforts to promote and implement energy efficiency programs. MCC received a Special Award for the substantial energy savings of its building in Makati, The MCC Center.

2017 also marked MCC's 32nd anniversary. Accompanying this celebration was the company-wide establishment of Workplace by Facebook, a platform that enabled real-time collaboration across all departments and increased employee awareness and engagement. Workplace also transitioned daily office activities toward a supported, controlled, and authorized digital space. MCC's adoption of this digital platform led to a commendation from Facebook itself, recognizing MCC as one the global leaders in Workplace usage and engagement.

2016 Performance

MCC posted Php2.8 billion in net profit after tax, with a return on equity of 36.3%, possibly one of the highest figures posted in the credit card industry anywhere in the world. MCC also exhibited a 15% growth in billings and 18% growth in receivables, and posted a cost-to-income ratio of 32%, making our business a model of world-class efficiency.

Just as the year saw us maintaining our industry ranking, it also saw us continuing to invest in our future. Among these investments was a system-wide infrastructural upgrade that allowed us to raise our level of service toward our valued customers. Our innovations have continued to establish new usage segments and raise the bar in customer experience: among them have been the Metrobank Travel Platinum Visa, our first complete travel card; Robinsons Mastercard, a fresh reintroduction of a strong retail partnership; and M Online, a faster, more convenient way of accessing credit card accounts and filing credit card applications. These innovations have helped us keep a deepened relationship with our customers and maintain our strong image as a progressive and responsive company.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

In connection with the audit of MCC's financial statements for the two (2) most recent years ended December 31, 2018 and 2017, there were no disagreements with Sycip, Gorres Velayo & Co. (SGV) on any matter of accounting principles or practices, financial statement disclosures, audit scope or procedures.

Part IV (A) MANAGEMENT AND CERTAIN SECURITY HOLDERS

A. Directors and Officers

The following are the incumbent directors of Metrobank Card Corporation (MCC) who were all elected during MCC's annual stockholders' meeting held on April 24, 2018.

BOARD OF DIRECTORS	
Non-Executive Director	Fabian S. Dee
Non-Executive Director	Anjanette T. Dy Buncio
Executive Director and President	Pradeep Pant
Non-Executive Director	Richard S. So
Independent Director	Francisco S. Magsajo, Jr
Independent Director	Angelica H. Lavares
Independent Director	Benedicto Jose R. Arcinas

Non-Executive Director

Fabian S. Dee has been the Chairman and Director of MCC since 2006. He is the President of Metrobank since 2012. Before becoming President of Metrobank, he headed its National Branch Banking Sector (2006-2012), Account Management Group (2002-2006) and Marketing Center (2001-2002). He has been the Chairman of Metro Remittance Singapore PTE Ltd. since 2010; Chairman of LGU Guarantee Corporation since 2017; Director of Bankers Association of the Philippines since 2014 and Trustee of MBFI since 2012. He was the Chairman of SMBC Metro Investment Corporation (SMBC Metro) from 2014 to 2017 and Director of Bancnet from 2015 to 2017.

Anjanette Ty Dy Buncio has been a Director of MCC since 2003. She holds directorship and officer positions in various companies such as GT Capital Holdings, Inc., Global Treasure Holdings, Inc, Grand Titan Capital Holdings, Inc., Federal Land, Inc., Bonifacio Landmark Realty Development Corp., Property Company of Friends, Inc., Cathay International Resources, Federal Land Orix, Horizon Land Property Development Corp., Federal Homes, Inc., Philippine Securities Corp., Inter Par Philippines Resources, Great Mark Resources Corp., Tytana Corporation, Neiman Rhodes Holdings, Inc., Metrobank Foundation, Inc., GT Foundation Inc., Manila Medical Services Inc., Proline Sports Center, Inc., Integra Development Corp., and Pro Oil Corp.. She was also SVP of Metrobank Foundation (2014-2017), EVP of Tytana Corporation (2015-2016), Treasurer of Omni Orient Management Corp. (2013-2016), Corporate Secretary of Federal Land Inc. (2013-2016), and SVP of Global Business Power Corp. (2012-2016) and worked in other companies such as Philippine Securities Corp., Federal Land Inc., Metropolitan Bank & Trust Company, and Berliner Handels und Frankfurter.

Richard S. So has been a Director of MCC since April 2010. He is the Head of Metrobank's Countryside Branch Banking under the National Branch Banking Sector since March 16, 2016 and appointed as Retail Banking Sector Head last September 2018. He chairs the Board of Directors of several remittance companies wholly-owned by Metrobank. He has been a Vice-Chairman of Metro Remittance Singapore Pte. Ltd. since 2010. He has been a director of Metrobank Bahamas since 2009 and Corporate Secretary of MBCL since 2014. He was the Head of the International Offices and Subsidiaries Group (IOSG) of Metrobank from 2009 to 2016 after serving as its Deputy from 2007 to 2009.

Executive Director

Pradeep Pant has been an Executive Director and President of MCC since March 2018. He was connected with Citibank since 1998 and was appointed as Managing Director & Country Head of Thailand in 2010 until he left Citibank N.A. in 2011. In 2012, he was the Country Head for Retail & Private Bank in ANZ Taiwan, as well as a Board Member for ANZ Insurance before he joined Metrobank Card Corporation in 2018.

Independent Director

Francisco S. Magsajo, Jr. has been an Independent Director of MCC since April 2015. He is currently a Director of HFM Investment, Inc. and ABR Integrated Farms. He was President and CEO of RCBC from 2003-2007 and President & CEO of RCBC Savings Bank from 1998-2003. He was also an Executive Vice President of Philippine National Bank from 1995-1997.

Angelica H. Lavares has been an Independent Director of MCC since April 2018. She is a Director of Williamton Financing Corp. and President & Executive Director of Araneta Hernandez Lavares Consultancy, Inc. She was EVP in Bank of Commerce from 2009-2015 and has been Consultant since 2015. She was also the Chief Legal Counsel of MBTC from 2003-2007. After which, she was appointed as Chief Compliance Officer and Assistant Corporate Secretary. She also worked in various companies such as United Coconut Planters Bank, Filinvest Land, Inc., M. Greenfield, Inc. & Quality Garments, Inc., Bernard Chaus International Philippines Inc., Bureau of Customs, Garments & Textile Export Board, and Perez & Pangalangan Law Offices.

Benedicto Jose R. Arcinas has been an Independent Director of MCC since April 2018. He is currently an Independent Director of PS Bank as well as Director & President of Arcinas Freres, Inc. He was also a Director of GSIS Family Bank, Valuegen Financial Insurance Co., Inc., Banclife Insurance Co., Inc., EIB Securities, Asia Pacific Recoveries (SPV-AMC) Corporation, and Asia Special Situations M3P2 (SPV-AMC), Inc. He was also employed in various companies such as MBTC, Philippine Banking Corporation, BA Finance Corporation, Philippine Commercial International Bank, Insular Bank of Asia & America, and Manila Electric Company.

B. Executive Officers

Cesar P. Nicolasora, Jr., SVP, Chief Finance Officer, has been with MCC since September 2012. He has more than 21 years of experience in consumer business & banking. He currently oversees Treasury, Business Planning, Accounting, Reconciliation & Settlement and Treasury Operations. He was connected with various companies such as BPI, Standard Chartered Bank, Citibank N.A., and EastWest Banking Corporation. He was initially hired as Planning & Accounting Head in June 2005 until he left in November 2008.

Harrison C. Gue, SVP, Head of Operations, has been with MCC since March 2009. He has more than 25 years of banking experience in managerial and leadership roles. He currently oversees Card Operations, Shared Services Group, Systems Fulfillment & MIS, and Customer Service. He was connected with various companies such as SGV & Co., China Banking Corporation, Equitable Banking Corporation, Equitable Card Network Inc., Banco de Oro-EPCI Universal Bank, and Citibank N.A. He is a Certified Public Accountant.

Aloysius C. Alday, Jr., SVP, Head of Prepaid and Insurance Business, has been with MCC since June 2004. He has more than 24 years of banking experience in managerial and leadership roles. He currently oversees the Prepaid Card Business as well as Insurance and Sales Governance. He was connected with various companies such as NCR Corporation (US Headquarters), Mitsubishi Corporation, and The Hongkong and Shanghai Banking Corporation Ltd.

Jocelyn L. Bata, SVP, Head of Credit Card Sales, Alliances & Other Channels, has been with MCC since May 2018. She has more than 20 years of banking experience in the field of sales and relationship management. She currently oversees Territory Sales, Activation Sales, Sales Support, MI & Governance, Channel Enabler Unit and Training. She was connected with various companies such as Citibank N.A., Citibank Savings Inc., and The Hongkong and Shanghai Banking Corporation Ltd.

Hiroko M. Castro, SVP, Head of Credit Operations, has been with MCC since September 2005. She has more than 20 years of banking experience in managerial and leadership roles. She currently oversees Authorizations, Fraud & Chargeback, Credit Acquisition, and Collections & Recoveries. She was connected with various companies such as Fujitsu Philippines Inc. and Citibank N.A.

Rowel S. Andaya, FVP, Chief Risk Officer, has been with MCC since January 2007. He currently oversees Business Information Security, Risk Management Analytics, Liquidity Risk Management, Operating Risk & BCP, Portfolio & Analytics, and Risk Acquisition & Strategy Management.

Francis Andre Z. De los Santos, FVP, Chief Business Technology Officer, has been with MCC since August 2011. He has more than 24 years of experience in managerial and leadership roles. He currently oversees Business Solutions, IT Project Management & Quality Assurance, IT Quality Review & MIS, IT Security, Systems Control & IT Service Desk, Business Development, and Technology Infrastructure. He was connected with various companies such as BPI, RCG Information Technology, Citibank N.A., and SM Retail Inc.

Pamela I. Jimenez, FVP, Compliance & AML Officer and Head of Internal Audit, has been with MC Corporation since September 2010. She has more than 30 years of broad audit exposure in several multinational and local companies. She was connected with various companies such as SGV & Co., Sun Life of Canada, Security Diners Intl. Corp., Globe Telecom, AIG Philam Savings Bank, and EastWest Banking Corporation.

Mary Grace L. Navarro, FVP, Head of Business & Customer Intelligence, has been with MCC since May 2008. She has more than 26 years of experience from research and banking institutions. She currently oversees strategic business analytics, campaign management, credit card and payment solutions analytics, and information management. She was connected with various companies such as FB Consumer Research, ISLA Communications Inc., ISIS Research Phils. (Synovate Healthcare), and Citibank N.A.

Marie Anthonette L. Santiago, FVP, Head of Human Resources, has been with MCC since April 2006. She has more than 24 years of experience in the HR profession. She currently oversees Talent Acquisition & Recruitment, Compensation & Benefits, Learning & Development, and Employee Relations & Engagement as well as HR Business Partnering. She was connected with various companies such as Nissan Motor Phils., Inc., Belle Corporation, DHL Worldwide Express (Phils.) Corp., and Convergys Phils. Services Corp.

Jose Caesar B. Plofino, VP, Head of Merchant Acquiring Business, has been with MCC since March 2017. He has more than 21 years of banking experience in managerial and leadership roles. He currently oversees MACQ Sales, Business Support & Services, and Product & Merchant Services. He was connected with various companies such as The Hongkong and Shanghai Banking Corporation Ltd. and Global Payments Asia Pacific – Philippines.

Francis Ramon L. Tioseco, VP, Head of Usage & Portfolio Management, has been with MCC since April 2007. He currently oversees Credit Card Marketing Division: Usage & Portfolio Management, Product Management, Acquisition, and Marketing Services and Communication.

Rommel T. Oquendo, SAVP, Head of Legal, has been with MCC since June 2010. He has more than 18 years of practice in corporate law. He was connected with various companies such as Three Kings Cargo Specialists Inc., Uy Clerigo & De Guzman Law Offices, Keppel Bank Philippines Inc., GE Money Bank, and Standard Chartered Bank.

The above executive officers are not related to each other or to the directors either by consanguinity or affinity.

C. Significant Employee

Except for the above list of executive officers, there are no other significant employees as contemplated under the Securities Regulation Code.

Legal Proceedings

To the Company's best knowledge and information, there are no material legal proceedings filed by or against MCC's directors and executive officers during the past five years.

Metrobank Card

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Metrobank Card Corporation** (***A Finance Company and General Insurance Agency***) (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year ended **December 31, 2018**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

FABIAN S. DEE
Chairman of the Board

PRADEEP PANT
President

CESAR P. NICOLASORA, JR.
SVP/Chief Finance Officer

Signed this 8th day of March 2019.

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S.S.

SUBSCRIBED AND SWORN to before me at Makati City, Metro Manila this MAR 20 2019, affiants exhibiting to me their respective Passports with the following details:

Name	Passport No.	Date/Place of Issue	Valid Until
FABIAN S. DEE	[redacted]	[redacted]	[redacted]
PRADEEP PANT	[redacted]	[redacted]	[redacted]
CESAR P. NICOLASORA JR.	[redacted]	[redacted]	[redacted]

Doc. No. 177 ;
Page No. 37 ;
Book No. XXVI ;
Series of 2019.

ATTY. ROMMEL T. OQUENDO
COMMISSION NO. M-126
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
ROLL NO. 46036 / IBP LIFETIME NO. 09487
PTR NO. 7332879; 01.04.19; MAKATI CITY
THE MCC CENTER, 6778 AYALA AVE.,
MAKATI CITY 1226
TEL. NO. (02) 898-7204 OR 898-7094

EXHIBIT 10

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

SEC Registration Number

						1	2	7	9	0	4

C O M P A N Y   N A M E

METROBANK CARD CORPORATION (A Finance Company and General Insurance Agency)

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

The MCC Center, 6778 Ayala Avenue, Makati City

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

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

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	870-0900	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	Any day in April	12/31

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
Mr. Cesar P. Nicolasora, Jr.	cpnicolasora@ metrobankcard.com	898-7488	N/A

CONTACT PERSON's ADDRESS

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

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

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

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ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Metrobank Card Corporation
The MCC Center
6778 Ayala Avenue, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Metrobank Card Corporation *(A Finance Company and General Insurance Agency)* (the Company), which comprise the statements of financial position as at December 31, 2018 and 2017, 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 28 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Metrobank Card Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
SEC Accreditation No. 1510-AR-1 (Group A),
September 18, 2018, valid until September 17, 2021
Tax Identification No. 216-950-288
BIR Accreditation No. 08-001998-107-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332523, January 3, 2019, Makati City

March 8, 2019

METROBANK CARD CORPORATION

(A Finance Company and General Insurance Agency)
(A Wholly Owned Subsidiary of Metropolitan Bank and Trust Company)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 21)	**₱1,082,125,457**	₱1,809,031,449
Due from Bangko Sentral ng Pilipinas (Notes 6 and 12)	**9,526,731,502**	10,948,054,071
Interbank loans receivable (Note 6)	**2,200,000,000**	300,000,000
Accounts receivable (Notes 7 and 21)	**58,455,080,198**	48,623,885,940
Prepaid expenses and other current assets (Note 21)	**137,620,981**	81,428,724
	71,401,558,138	61,762,400,184
Noncurrent Assets		
Accounts receivable (Notes 7 and 21)	**8,338,446,930**	11,059,919,008
Property and equipment (Note 9)	**645,335,011**	658,887,349
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 10)	**28,157,760**	–
Deferred tax assets (Note 20)	**1,927,572,853**	982,367,488
Intangibles and other assets (Note 10)	**460,716,696**	567,962,711
	11,400,229,250	13,269,136,556
	₱82,801,787,388	₱75,031,536,740
LIABILITIES AND EQUITY		
LIABILITIES		
Current Liabilities		
Accounts payable (Notes 11 and 21):		
Merchants	**₱1,525,460,186**	₱1,730,261,526
Others	**920,509,565**	749,730,561
	2,445,969,751	2,479,992,087
Bills payable (Notes 12 and 21)	**20,998,410,202**	28,864,868,810
Notes payable (Notes 12 and 21)	**20,481,873,027**	13,503,504,400
Derivative liabilities (Notes 8 and 21)	**99,372,282**	–
Deferred revenue (Note 13)	**1,068,800,101**	1,055,810,689
Provisions (Note 23)	**915,675,612**	–
Income tax payable	**713,512,283**	657,317,961
Accrued interest, taxes and other expenses (Notes 15 and 21)	**1,091,695,882**	830,971,717
	47,815,309,140	47,392,465,664
Noncurrent Liabilities		
Bills payable (Notes 12 and 21)	**7,987,465,461**	5,337,656,802
Notes payable (Notes 12 and 21)	**10,835,553,040**	7,271,109,498
Subordinated debt (Note 14)	**1,164,611,135**	1,163,519,811
Retirement liability (Note 19)	**172,936,609**	228,085,507
	20,160,566,245	14,000,371,618
	67,975,875,385	61,392,837,282

(Forward)

	December 31	
	2018	2017
EQUITY		
Capital stock (Note 16)	**₱1,000,000,000**	₱1,000,000,000
Additional paid-in capital	**76,071,752**	76,071,752
Retained earnings (Notes 2 and 16):		
Unappropriated	**7,858,744,448**	6,147,395,141
Appropriated	**6,000,000,000**	6,600,000,000
Remeasurement losses on retirement plan (Note 19)	**(125,608,514)**	(184,767,435)
Net fair value gains on equity instruments at FVOCI	**19,700,689**	–
Cash flow hedge reserve (Note 8)	**(2,996,372)**	–
	14,825,912,003	13,638,699,458
	₱82,801,787,388	₱75,031,536,740

See accompanying Notes to Financial Statements

METROBANK CARD CORPORATION
(A Finance Company and General Insurance Agency)
(A Wholly Owned Subsidiary of Metropolitan Bank and Trust Company)

STATEMENTS OF INCOME

	Years Ended December 31	
	2018	2017
REVENUES		
Interest and penalties (Note 7)	**₱14,252,800,043**	₱12,253,104,342
Discounts earned (Notes 13 and 21)	**2,411,581,701**	2,240,489,274
Membership fees and dues (Note 13)	**882,661,306**	841,001,235
Recoveries of accounts written-off (Note 7)	**540,579,528**	734,385,791
Awards revenue (Note 13)	**67,890,112**	120,774,947
Interest income from banks (Notes 6 and 21)	**17,670,497**	13,838,671
Miscellaneous (Notes 13, 17 and 21)	**932,110,429**	814,602,639
	19,105,293,616	17,018,196,899
EXPENSES		
Provision for credit losses (Note 7)	**4,548,755,634**	3,560,173,618
Interest expense (Notes 12, 14 and 21)	**2,210,757,921**	1,649,797,778
Compensation and fringe benefits (Notes 15, 19 and 21)	**1,706,822,678**	1,483,761,244
Taxes, duties and license fees (Note 15)	**1,236,680,286**	1,127,506,385
Advertising and promotions (Note 15)	**444,107,219**	277,237,405
Communications (Notes 15 and 21)	**393,274,599**	373,254,640
Rent, light and water (Notes 18 and 21)	**249,130,354**	185,285,489
Amortization of intangible assets (Note 10)	**181,508,945**	169,957,396
Loyalty expense (Note 13)	**180,158,557**	140,070,483
Depreciation of property and equipment (Note 9)	**101,120,953**	102,455,118
Distribution costs (Note 21)	**99,799,521**	96,780,467
Stationery, office supplies and printing	**71,196,684**	60,457,760
Computer-related expenses (Note 21)	**48,892,362**	43,066,586
Management and professional fees (Notes 15 and 21)	**26,161,146**	42,610,889
Security, messengerial and janitorial (Note 21)	**22,310,740**	21,136,225
Transportation and travel	**7,650,084**	6,852,016
Entertainment, amusement and recreation (Note 20)	**1,627,980**	951,482
Miscellaneous (Notes 13, 17 and 21)	**472,130,849**	383,392,963
	12,002,086,512	9,724,747,944
INCOME BEFORE INCOME TAX	**7,103,207,104**	7,293,448,955
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)		
Corporate	**2,296,078,462**	2,183,569,862
Deferred	**(165,743,966)**	4,900,731
Final	**509,063**	2,019,347
	2,130,843,559	2,190,489,940
NET INCOME	**₱4,972,363,545**	₱5,102,959,015

See accompanying Notes to Financial Statements.

METROBANK CARD CORPORATION
(A Finance Company and General Insurance Agency)
(A Wholly Owned Subsidiary of Metropolitan Bank and Trust Company)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2018	2017
NET INCOME	**₱4,972,363,545**	₱5,102,959,015
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that recycle to profit or loss in subsequent periods:		
Changes in fair value from cash flow hedge	**(2,996,372)**	–
Items that do not recycle to profit or loss in subsequent periods		
Net change in fair value of equity instruments at FVOCI	**23,177,281**	–
Income tax effect (Note 20)	**(3,476,592)**	–
	19,700,689	–
Remeasurement gains on retirement plan (Note 19)	**84,512,744**	145,001,810
Income tax effect (Note 20)	**(25,353,823)**	(43,500,543)
	59,158,921	101,501,267
OTHER COMPREHENSIVE INCOME, NET OF TAX	**75,863,238**	101,501,267
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**₱5,048,226,783**	₱5,204,460,282

See accompanying Notes to Financial Statements.

METROBANK CARD CORPORATION
(A Finance Company and General insurance Agency)
(A Wholly Owned Subsidiary of Metropolitan Bank and Trust Company)

STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 15)	Additional Paid-in Capital	Retained Earnings Unappropriated (Note 2)	Retained Earnings Appropriated (Note 16)	Remeasurement Losses on Retirement Plan (Note 18)	Net Fair Value Gains on Equity Instruments at FVOCI	Cash Flow Hedge Reserve (Note 8)	Total
Balance at January 1, 2018, as previously reported	**₱1,000,000,000**	**₱76,071,752**	**₱6,147,395,141**	**₱6,600,000,000**	**(₱184,767,435)**	**₱–**	**₱–**	**₱13,638,699,458**
Effects of the adoption of PFRS 9, *Financial Instruments* (Note 2)	–	–	**(1,835,976,997)**	–	–	–	–	**(1,835,976,997)**
Effects of the adoption of PFRS 15, *Revenue from Contracts with Customers* (Note 2)	–	–	**(50,037,241)**	–	–	–	–	**(50,037,241)**
Balance as at January 1, 2018, as restated	**1,000,000,000**	**76,071,752**	**4,261,380,903**	**6,600,000,000**	**(184,767,435)**	–	–	**11,752,685,220**
Total comprehensive income for the year	–	–	**4,972,363,545**	–	**59,158,921**	**19,700,689**	**(2,996,372)**	**5,048,226,783**
Net appropriations (Note 16)	–	–	**600,000,000**	**(600,000,000)**	–	–	–	–
Dividends (Note 16)	–	–	**(1,975,000,000)**	–	–	–	–	**(1,975,000,000)**
Balance at December 31, 2018	**₱1,000,000,000**	**₱76,071,752**	**₱7,858,744,448**	**₱6,000,000,000**	**(₱125,608,514)**	**₱19,700,689**	**(₱2,996,372)**	**₱14,825,912,003**
Balance at January 1, 2017	₱1,000,000,000	₱76,071,752	₱3,944,436,126	₱3,700,000,000	(₱286,268,702)	₱–	₱–	₱8,434,239,176
Total comprehensive income for the year	–	–	5,102,959,015	–	101,501,267	–	–	5,204,460,282
Net appropriations (Note 16)	–	–	(2,900,000,000)	2,900,000,000	–	–	–	–
Balance at December 31, 2017	₱1,000,000,000	₱76,071,752	₱6,147,395,141	₱6,600,000,000	(₱184,767,435)	₱–	₱–	₱13,638,699,458

See accompanying Notes to Financial Statements.

METROBANK CARD CORPORATION
(A Finance Company and General Insurance Agency)
(A Wholly Owned Subsidiary of Metropolitan Bank and Trust Company)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱7,103,207,104**	₱7,293,448,955
Adjustments for:		
Provision for credit losses (Note 7)	**4,548,755,634**	3,560,173,618
Amortization of:		
Intangible assets (Note 10)	**181,508,945**	169,957,396
Debt issuance costs (Notes 12 and 14)	**114,496,848**	51,161,125
Retirement expense (Note 19)	**172,963,847**	134,005,248
Depreciation and amortization of property and equipment (Note 9)	**101,120,953**	102,455,118
Unrealized foreign exchange gain (Note 17)	**36,653,455**	(42,740,027)
Gain on sale of property and equipment (Note 17)	**(1,804,243)**	(749,650)
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Accounts receivable	**(13,450,120,189)**	(14,753,932,960)
Prepaid expenses and other assets	**(56,192,257)**	(9,186,555)
Other noncurrent assets	**7,097,104**	(3,782,143)
Increase (decrease) in the amounts of:		
Bills payable	**(5,116,677,475)**	668,705,248
Deferred revenue	**(58,492,361)**	9,768,993
Accounts payable	**(34,022,336)**	754,238,996
Accrued interest, taxes and other liabilities	**260,724,164**	63,216,531
Net cash used for operations	**(6,190,780,807)**	(2,003,260,107)
Income taxes paid	**(2,240,393,203)**	(1,805,002,855)
Contribution to the retirement plan (Note 19)	**(143,600,000)**	(191,677,381)
Net cash used in operating activities	**(8,574,774,010)**	(3,999,940,343)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment (Note 9)	**8,395,287**	10,799,658
Acquisitions of:		
Intangible assets (Note 10)	**(147,968,149)**	(174,932,545)
Property and equipment (Note 9)	**(94,159,659)**	(109,104,269)
Net cash used in investing activities	**(233,732,521)**	(273,237,156)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availments of notes payable	**35,927,294,874**	21,236,042,391
Payments of:		
Notes payable	**(25,332,448,413)**	(13,525,314,204)
Dividends (Note 16)	**(1,975,000,000)**	–
Net cash provided by financing activities	**8,619,846,461**	7,710,728,187

(Forward)

	Years Ended December 31	
	2018	2017
EFFECT OF CHANGE IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	**(₱59,568,491)**	₱440
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(248,228,561)**	3,437,551,128
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 6)		
Cash and cash equivalents	**1,809,031,449**	728,729,249
Due from Bangko Sentral ng Pilipinas	**10,948,054,071**	8,890,805,143
Interbank loans receivable	**300,000,000**	–
	13,057,085,520	9,619,534,392
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)		
Cash and cash equivalents	**1,082,125,457**	1,809,031,449
Due from Bangko Sentral ng Pilipinas	**9,526,731,502**	10,948,054,071
Interbank loans receivable	**2,200,000,000**	300,000,000
	₱12,808,856,959	₱13,057,085,520

OPERATING CASH FLOWS FROM INTERESTS		
Interest received	**₱13,645,570,678**	₱11,648,525,520
Interest paid	**(2,063,014,660)**	(1,556,749,786)
	₱11,582,556,018	₱10,091,775,734

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Metrobank Card Corporation (*A Finance Company and General Insurance Agency*) (the Company) was initially incorporated in the Philippines as a credit card company on August 6, 1985, as Unibancard Corporation, with a corporate life of fifty (50) years from the date of incorporation. On June 4, 2002, the Company changed its name to Metrobank Card Corporation after its merger with AB Card and Solid Card. On March 27, 2008, the Company received its license from the Securities and Exchange Commission (SEC) to operate as a finance company. On June 5, 2008, the Bangko Sentral ng Pilipinas (BSP) issued a quasi-banking license to the Company, which allows borrowings from more than 19 lenders for the purpose of funding working capital.

On June 1, 2018, the Insurance Commission (IC) issued a license to the Company authorizing to act as a general life insurance agent of Philippine AXA Life Insurance Corporation (AXA) valid until December 2020. On September 17, 2018, the IC issued a license to the Company authorizing to act as an ordinary non-life insurance agent of Charter Ping An Insurance Corporation (Charter Ping An) (now fully-owned and operated by AXA) valid until December 31, 2020.

The Company offers and issues credit cards branded as Metrobank Visa, Metrobank Mastercard, Philippine Savings Bank (PSBank) Credit Mastercard, Robinsons Mastercard, Toyota Mastercard, Bistro Group VISA, YAZZ, and Victory Liner Premiere prepaid cards. Also, The Company is authorized to offer insurance products (life and non-life insurance products), underwritten by AXA and Charter Ping An. Its principal place of business is located at The MCC Center, 6778 Ayala Avenue, Makati City.

Prior to December 28, 2017, the Company is 60.0%-owned by Metropolitan Bank and Trust Company (Metrobank or the Ultimate Parent Company) and 40.0%-owned by Australia and New Zealand Funds Pty. Ltd. (ANZ). On December 28, 2017, the BSP approved the Ultimate Parent Company's acquisition of the remaining 40% ownership interest of the Company from ANZ. With the BSP's approval, and in accordance with the agreement between the Ultimate Parent Company and ANZ, the acquisition of the first half of the 40% ownership interest of ANZ in the Company was deemed completed for accounting purposes, thus, increasing the Ultimate Parent Company's ownership interest in the Company to 80.0% as of December 31, 2017. On January 8, 2018, the Parent Company obtained 200,000,000 common shares of ANZ, representing 20.0% ownership interest of ANZ in the Company. On September 4, 2018, the Parent Company obtained the remaining 20.0% ownership interest of ANZ in the Company. Effective September 4, 2018, the Company became a wholly owned subsidiary of the Ultimate Parent Company.

This development is supportive of the Ultimate Parent Company's growth strategy to maximize operational efficiencies between the Ultimate Parent Company and the Company, and to further expand on opportunities for collaboration, especially within the Metrobank Group (the Group), while remaining fully committed to deliver superior products and services to existing and new customers.

2. **Summary of Significant Accounting Policies**

Basis of Preparation
The accompanying financial statements of the Company have been prepared on a historical cost basis, except for equity instruments carried at fair value through other comprehensive income (FVOCI), included under 'Other noncurrent assets', and derivatives, which are both measured at fair value. The Company's financial statements are presented in Philippine peso (PHP or ₱), the Company's functional currency, and all values are rounded to the nearest PHP, except when otherwise indicated.

Statement of compliance
The accompanying financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year, except for the adoption of new standards and amendments effective as of January 1, 2018. The Company did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

- PFRS 9, *Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9 for annual periods beginning on or after January 1, 2018. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company has not restated comparative information for 2017 for financial instruments in the scope of PFRS 9. Therefore, the comparative information for 2017 is reported under PAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of PFRS 9 have been recognized directly in 'Retained earnings' as of January 1, 2018 and are disclosed under Transition to PFRS 9 below.

  To reflect the differences between PFRS 9 and PAS 39, PFRS 7, *Financial Instruments: Disclosures*, was updated and the Company has adopted it, together with PFRS 9, for the year beginning January 1, 2018. Changes include transition disclosures shown under Transition to PFRS 9 below and detailed qualitative and quantitative information about the expected credit loss (ECL) calculations such as the assumptions and inputs used are set out in Notes 4, 7 and 23.

  Reconciliation from opening to closing ECL allowance is presented in Notes 7 and 23.

a. *Classification and measurement*
PFRS 9 requires that the Company classifies debt instruments based on the contractual cash flow characteristics of the assets and the business model for managing those assets. These factors determine whether the financial assets are measured at amortized cost, FVOCI, or fair value through profit or loss (FVTPL).

As a result of the application of the classification and measurement requirements of PFRS 9, investment in unquoted equity shares carried at cost under PAS 39 is measured at FVOCI, with no recycling to the statement of income. The Company elected to classify irrevocably the investment in unquoted equity shares as it intends to hold this investment for the foreseeable future. There were no impairment losses recognized in the statement of income for this investment in prior periods.

b. *Impairment*
PFRS 9 requires the Company to record ECL for all loans and other receivables, including unused credit limit.

<u>*Incurred loss versus ECL methodology*</u>
The application of ECL significantly changed the Company's credit loss methodology and models. ECL represent credit losses that reflect an unbiased and probability-weighted amount, which is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The objective of the new impairment standard is to record lifetime losses on all financial instruments, which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, the Company will apply the general approach, wherein ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition.

The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the statement of financial position date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument. In comparison, the present incurred loss model recognizes lifetime credit losses only when there is objective evidence of impairment. The ECL model eliminates the threshold or trigger event required under the incurred loss model, and lifetime ECL are recognized earlier under PFRS 9.

<u>*Staging assessment*</u>
For non-credit-impaired financial instruments:
- Stage 1 is comprised of all non-impaired financial instruments, which have not experienced a SICR since initial recognition. The Company recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all non-impaired financial instruments, which have experienced a SICR since initial recognition. The Company recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:
- Financial instruments are classified as Stage 3, when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The Company recognizes a lifetime ECL for Stage 3 impaired financial instruments.

c. *Transition to PFRS 9*

A reconciliation between the carrying amounts under PAS 39 to the balances reported under PFRS 9 as of January 1, 2018 is as follows:

	PAS 39		ECL	PFRS 9	
	Category	Amount	Remeasurement	Category	Amount
Financial assets					
Cash in banks	L&R[1]	₱1,809,031,449	₱–	AC[2]	₱1,809,031,449
Due from BSP	L&R	10,948,054,071	–	AC	10,948,054,071
Interbank loans receivable	L&R	300,000,000	–	AC	300,000,000
Accounts receivable	L&R	59,683,804,948	(1,791,642,376)	AC	57,892,162,572
	L&R	72,740,890,468	(1,791,642,376)	AC	70,949,248,092
Non-financial assets					
Deferred tax assets		982,367,488	786,847,284		1,769,214,772
Total assets		₱73,723,257,956	(₱1,004,795,092)		72,718,462,864
Financial liabilities					
Accounts payable	AC	₱2,238,342,317	₱–	AC	₱2,238,342,317
Bills payable	AC	34,202,525,612	–	AC	34,202,525,612
Notes payable	AC	20,774,613,898	–	AC	20,774,613,898
Subordinated debt	AC	1,163,519,811	–	AC	1,163,519,811
		58,379,001,638	–		58,379,001,638
Non-financial liabilities					
Provisions		–	831,181,905		831,181,905
Total liabilities		₱58,379,001,638	₱831,181,905		₱59,210,183,543

[1] *Loans and receivables*
[2] *Amortized cost*

The impact of transition to PFRS 9 on unappropriated retained earnings is as follows:

Closing balance under PAS 39 - December 31, 2017	₱6,147,395,141
Recognition of PFRS 9 ECLs	(2,622,824,281)
Deferred tax effect	786,847,284
Opening balance under PFRS 9, before restatement for PFRS 15 - January 1, 2018	₱4,311,418,144
Total change in equity due to adoption of PFRS 9	(₱1,835,976,997)

The following table reconciles the aggregate opening allowance for credit losses under PAS 39 and provision arising from unused credit lines in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, to the ECL allowances under PFRS 9:

	Allowance for Credit Losses under PAS 39/PAS 37 as of December 31, 2017	Remeasurement	ECL under PFRS 9 as of January 1, 2018
Accounts receivable:			
Cardholders	₱1,839,737,108	₱1,791,642,376	₱3,631,379,484
Others	14,380,255	–	14,380,255
	1,854,117,363	1,791,642,376	3,645,759,739
Provisions	–	831,181,905	831,181,905
	₱1,854,117,363	₱2,622,824,281	₱4,476,941,644

d. *Hedge accounting*
The new hedge accounting model under PFRS 9 aims to simplify hedge accounting, align the accounting for hedge relationships more closely with an entity's risk management activities and permit hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks eligible for hedge accounting. As of January 1, 2018, the Company has assessed that the impact of adopting these amendments would result to a recognition of a derivative position with the corresponding mark-to-market (MTM) valuation to FVOCI in the Company's financial position. Any ineffectiveness resulting from effectiveness testing shall be charged to the profit or loss during the term of the cross-currency interest rate swap.

The Company has applied its existing governance framework to ensure that appropriate controls and validations are in place over key processes and judgments in implementing PFRS 9. The Company is continuously refining its internal controls and processes, which are relevant in the proper implementation of PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers*
PFRS 15 supersedes all current revenue recognition requirements under PFRSs. PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers, and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted PFRS 15 using a modified retrospective approach with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts that are not completed as of January 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of 'Retained earnings'. Therefore, the comparative information was not restated and continues to be reported under PAS 18, *Revenue*, International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programs*, and related interpretations.

The effect of adopting PFRS 15 as of January 1, 2018 is as follows (increase/(decrease)):

	Increase/ (Decrease)
Assets	
Deferred tax assets	₱21,444,532
Liabilities	
Deferred revenue	₱71,481,773
Equity	
Retained earnings	(₱50,037,241)

Before the adoption of PFRS 15, a portion of revenue from discounts earned and interchange fees from credit cards is allocated to the reward points. The allocated revenue that corresponds to the total fair value of the reward points is determined by applying statistical analysis, while the fair value of the points issued is deferred and recorded under 'Deferred revenue' and recognized as revenue when the points are redeemed.

Upon the adoption of PFRS 15, a portion of the consideration received from interchange fees from credit cards are allocated to the reward points.

Set out below are the amounts by which each financial statement line item is affected as of and for the year ended December 31, 2018 as a result of the adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on other comprehensive income (OCI) or on the Company's operating, investing and financing cash flows.

Statement of financial position

	Amounts Prepared under		Increase/
	PFRS 15	Previous PFRS	(Decrease)
Assets			
Deferred tax assets (Note 20)	₱1,927,572,853	₱1,927,470,228	₱102,625
Liabilities			
Deferred revenue (Note 13)	₱1,068,800,101	₱1,068,458,019	₱342,082
Equity			
Retained earnings	13,858,744,448	13,858,983,905	(239,457)
Total liabilities and equity			₱102,625

Statement of income

	Amounts Prepared under		Increase/
	PFRS 15	Previous PFRS	(Decrease)
Revenues			
Discounts earned (Note 13)	₱2,411,581,701	₱2,389,891,458	₱21,690,243
Awards revenue (Note 13)	67,890,112	89,922,437	(22,032,325)
			(342,082)
Benefit from Income Tax			
Deferred	165,743,966	165,641,341	102,625
Net income			(₱239,457)

The adoption of the following pronouncements did not have any significant impact on the Company's financial position or performance:

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

Significant Accounting Policies

Current and Noncurrent Classification
The Company presents assets and liabilities in the statement of financial position based on current and noncurrent classification.

An asset or liability is current when it is:

- expected to be realized or intended to be sold or consumed or settled in the normal operating cycle;
- held primarily for the purpose of trading; and
- expected to be realized or due to be settled within twelve (12) months after the statement of financial position date.

An asset is also current when it is cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the statement of financial position date. A liability is also current when there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the statement of financial position date.

All other assets or liabilities are classified as noncurrent. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Foreign Currency Translations

Transactions and balances

Transactions in foreign currency-denominated are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

The Company translates its foreign currency-denominated monetary assets and liabilities using the Philippine Dealing System (PDS) closing rate prevailing at the statement of financial position date; income and expenses are translated at PDS weighted average rates prevailing at transaction dates. Effective April 2018, in compliance with publication of the Bank of the Philippines (BAP), the Company ceased to use PDS closing rates and started to use BAP closing rates, as provided by Bloomberg, in translating its foreign currency-denominated instruments.

Exchange differences arising from reporting foreign currency monetary items at rates different from those at which they were previously recorded, as well as foreign exchange gains or losses arising from foreign currency transactions are credited to or charged against current statement of income in the year on which the rates changed.

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

Fair Value Measurement

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

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid - ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

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

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

Financial Instruments - Initial Recognition

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized in the settlement date - the date that an asset is delivered to or by the Company. Amounts due to banks and customers and loans are recognized when cash is received by the Company or advanced to the borrowers.

Initial recognition of financial instruments

All financial assets are initially measured at fair value. Except for financial assets and liabilities valued at FVTPL, the initial measurement of financial instruments includes transaction costs.

'Day 1' profit or loss

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in the statement of income under 'Miscellaneous income or expense' unless it qualifies for recognition as some other type of asset.

In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit or loss amount.

Financial Instruments - Classification and Subsequent Measurement

Policies applicable beginning January 1, 2018

Starting January 1, 2018, the Company classifies its financial assets in the following categories: financial assets at FVTPL, financial assets at FVOCI, and financial assets at amortized cost while financial liabilities are classified as financial liabilities at FVTPL and financial liabilities at amortized cost. The classification of financial instruments depends on the contractual terms and the business model for managing the instruments.

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

As part of its classification process, the Company assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (SPPI) test. For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g., if there are repayments of principal or amortization of premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more that *de minimis* exposure to risks or volatility in the contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Financial assets at FVTPL

a. *Derivatives recorded at FVTPL*

The Company uses cross-currency interest rate swaps to hedge its foreign currency and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Hedge accounting

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; and
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements, including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the 'Cash flow hedge reserve', while any ineffective portion is recognized immediately in the statement of income.

The Company uses cross-currency interest rate swaps as hedges of its exposure to foreign currency risk in peso-denominated loans. There is no ineffective portion relating to the cross-currency interest rate swaps recognized during the year. Refer to Note 8 for details.

Financial assets at FVOCI
Financial assets at FVOCI include equity instruments. Equity instruments at FVOCI are those that the Company made an irrevocable election to present in the OCI subsequent changes in fair value.

After initial measurement, these financial assets are subsequently measured at fair value. Gains and losses arising from changes in fair value are recognized in OCI and accumulated in 'Net fair value gains on equity instruments at FVOCI' in the statement of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in 'Net fair value gains on equity instruments at FVOCI' is not reclassified to statement of income, but is reclassified to 'Retained earnings'.

The Company has designated its equity instruments as at FVOCI on initial application of PFRS 9.

Financial assets at amortized cost
Financial assets at amortized cost are debt financial assets that meet both of the following conditions:

- the 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 SPPI on the outstanding principal amount.

This accounting policy relates to the Company's 'Cash and cash equivalents' (excluding cash on hand), 'Due from BSP', 'Interbank loans receivable', 'Accounts receivable' and refundable deposits under 'Other assets'.

Accounts receivable include purchases made by the Company's cardholders which are collected on installments and are recorded at the cost of the items purchased plus interest covering the installment period which is initially credited to unearned interest income, shown as a deduction from 'Accounts receivable'.

Deferred acquisition cost, which is presented as part of 'Accounts receivable', represents capitalized expenses related to incremental direct cost associated with the successful origination of credit card facilities, which are amortized over two (2) years, the average relationship life with customers, on a straight-line basis.

After initial measurement, these financial assets at amortized cost are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for expected credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest and penalties' in the statement of income. The expected credit losses are recognized in the statement of income under 'Provision for credit losses'.

Policies applicable prior to January 1, 2018
Before January 1, 2018, the Company classifies its financial assets in the following categories: financial assets at FVTPL, held-to-maturity investments (HTM), AFS investments and loans and receivables. The classification depends on the purpose for which the investments were acquired. Financial liabilities are classified into financial liabilities at FVTPL and financial liabilities at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every statement of financial position date.

Loans and receivables
These are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as other financial assets held for trading, designated as AFS investments or financial assets designated at FVTPL.

This accounting policy relates to the Company's 'Cash and cash equivalents' (excluding cash on hand), 'Due from BSP', 'Interbank loans receivable', 'Accounts receivable' and refundable deposits under 'Other assets'.

Purchases by the Company's cardholders which are collected on installments are recorded at the cost of the items purchased plus interest covering the installment period which is initially credited to unearned interest income, shown as a deduction from accounts receivable.

Deferred acquisition cost, which is presented as part of 'Accounts receivable', represents capitalized expenses related to incremental direct cost associated with the successful origination of credit card facilities, which are amortized over two (2) years, the average relationship life with customers, on a straight-line basis.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the EIR method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest and penalties' in the statement of income. The losses arising from impairment are recognized in 'Provision for credit losses' in the statement of income.

Financial liabilities at amortized cost
Financial liabilities at amortized cost include interest-bearing loans and borrowings. All loans and borrowings are initially recognized at fair value less directly attributable transaction costs and have not have been designated as at FVTPL.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any underwriting and debt issuance costs that are integral part of EIR.

Issued financial instruments or their components are classified as liabilities under ‘Bills payable’, ‘Notes payable’, ‘Subordinated debt’, ‘Accrued interest payable’ and other appropriate financial liability accounts (e.g., ‘Accounts payable’) where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of fixed amount of cash or another financial asset.

Gains and losses are recognized in the statement of income when the liabilities are derecognized, as well as through the amortization process.

Impairment of Financial Assets

Policies applicable beginning January 1, 2018

The adoption of PFRS 9 has changed the Company’s loan loss impairment method by replacing PAS 39’s incurred loss approach with a forward-looking ECL approach. From January 1, 2018, the Company has been recording the allowance for ECL for all loans and other receivables, including unused credit lines.

Overview of the ECL principles

The ECL allowance is based on the credit losses expected to arise on 12-month duration if there was no SICR of the financial asset since initial recognition. Otherwise, if a SICR is observed, then, expected credit loss estimation is extended until the end of the life of the financial asset.

The 12-month ECL represents losses resulting from default events on a financial asset, which may happen within twelve (12) months after the statement of financial position date. The lifetime ECL, on the other hand, represents losses resulting from default events on a financial asset which may happen over its life. When estimating the lifetime ECL for unused credit lines, the Company estimates the expected portion of the loan commitment that will be drawn down over its expected life.

Both lifetime ECL and 12-month ECL are calculated on an account-level..

Definition of ‘default’

The Company defines default when the borrower becomes at least 90 days past due (dpd) or if the account is restructured.

Definition of ‘write-off’

The Company determines the accounts receivable for write-off as those that have reached 180 dpd, except for those that are tagged as rewrite and Directors, Officers, Stockholders, and Related Interests (DOSRI). Rewrite accounts are automatically written-off when it reached 90 dpd, while accounts classified as DOSRI are written-off upon receipt of approval from the Board of Directors (BOD). Write-off of receivables from cardholders, loans and other credit accommodations are subject to the approval of the Executive Committee (EXECOM).

The Company also determines early write-off on its accounts receivable that have not yet reached 180 dpd, but has been evaluated by its Collection Division to be subjected to early write-off. These accounts generally include those from deceased cardholders or accounts with negative skip tracing results.

SICR
The criteria for determining whether credit risk has increased significantly includes quantitative changes in probabilities of default and qualitative factors. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's internal scorecards, the borrower or counterparty is determined to have well-defined credit weaknesses. For exposures without internal scorecards, if contractual payments are more than a specified days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due is determined by counting the number of days since the earliest elapsed due date from which payment of amount due, whether in partial or in full, has not been received. 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 Company shall revert to recognizing a 12-month ECL.

Given that there is a cut-off score upon origination, it is assumed that all booked accounts have satisfied the Company's risk appetite.

In order to determine if an account is subject to 12-month ECL or lifetime ECL, the Company evaluates whether there has been a SICR since initial recognition. The Company uses the credit score to determine whether the loan has significant increase in credit risk and to estimate the ECL. An exposure is considered to have SICR when it has entered the lowest scoreband.

ECL parameters and methodologies
ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default within either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Company segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology.

LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate.

EAD is modelled on historical data and represents an estimate of the outstanding amount of credit exposure at the time a default may occur. For unused credit lines, EAD includes an estimate of any further amount to be drawn at the time of default.

The Company offers credit card facilities, in which the Company has the right to cancel and/or reduce the facilities with one (1) day notice. The Company does not limit its exposure to credit losses to the contractual notice period, but instead, calculates ECL over a period that reflects the Company's expectations of the customer behavior, its likelihood of default and the Company's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Company's expectations, the period over which the Company calculates ECL for these products is two (2) years.

The Company used EIR in discounting the costs and recoveries on its credit card receivables.

Forward-looking information
The Company incorporates forward-looking information in both of its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs. Correlations among variables are evaluated and the final list of variables for the model includes the following:

- Gross Domestic Product (GDP) (current) growth;
- London Interbank Offered Rate (LIBOR); and
- PHP / USD exchange rate.

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Policies applicable prior to January 1, 2018
The Company assesses, at each statement of financial position date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or the group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
For financial assets classified and measured at amortized cost, the Company assesses whether there is an objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

The Company's accounts receivable, which significantly represent receivables from credit cardholders, are assessed for impairment collectively because these receivables are not individually significant.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as to industry, collateral type, past-due status and term. Collective impairment is determined based on the results of the net flow to write-off methodology. Net flow tables are derived from account-level monitoring of monthly peso movements between different stage buckets, from 1 day past due to 180 dpd. The net flow to write-off methodology relies on the last twelve (12) months of net flow tables to establish a percentage ('net flow rate') of accounts receivable that are current or in any state of delinquency (e.g., 30, 60, 90, 120, 150 and 180 dpd) as of statement of financial position date that will eventually result in write-off. The gross provision is then computed based on the outstanding balances of the receivables as of statement of financial position date and the net flow rates determined for the current and each delinquency bucket. This gross provision is reduced by the estimated recoveries, which are also based on historical data, to arrive at the required allowance for credit losses. Historical loss or recovery experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss or recovery experience is based and to remove the effects of conditions in the historical period that do not exist currently.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be recognized based on the original EIR of the asset. If, in the subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the statement of financial position date, the impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. The assets, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery and all collateral, if any, have been realized or if the accounts are 180 dpd. If a future write-off is later recovered, any amounts formerly charged are credited to the statement of income. Past due accounts include accounts with no payments or with payments but less than the minimum amount due on or before the due dates.

Renegotiated loans
Where possible, the Company seeks to restructure loans rather than to take possession of any sort of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan’s original EIR.

<u>Derecognition of financial instruments</u>
Financial asset
A financial asset (or, when applicable, a part of a financial asset or part of a group of financial assets) is derecognized (that is, removed from the Company’s statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either:
  a. the Company has transferred substantially all the risks and rewards of the asset; or
  b. the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset 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 Company’s continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

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

Cash and cash equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash on hand and in banks, amounts due from BSP and interbank loans receivable with original maturities of three (3) months or less from dates of placements and that are subject to insignificant risk of changes in value. Due from BSP includes statutory reserves required by the BSP for debt obligations considered as deposit substitutes.

Property and equipment
Depreciable properties such as building, office condominium units, furniture, fixtures and equipment, transportation equipment, building and leasehold improvements are carried at cost less accumulated depreciation and amortization and accumulated impairment in value, if any. Land is carried at cost less any impairment loss.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against statement of income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated impairment in value, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current statement of income.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The annual depreciation and amortization rates follow:

Building	3.3%
Office condominium units	5.0%
Furniture, fixtures and equipment	20.0% to 33.0%
Transportation equipment	20.0%
Building improvements	20.0% or the life of the building, whichever is shorter
Leasehold improvements	20.0% or the term of the lease, whichever is shorter

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

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

Fully depreciated property and equipment are retained in the accounts until these are no longer used, no further depreciation and amortization is charged to statement of income.

The carrying value of property and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable (see accounting policy on impairment of nonfinancial assets).

Intangible assets

Intangible assets acquired separately, such as license fees and capitalized software, are initially recognized at cost. Following initial recognition, these assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and the expenditure is reflected in the statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. As of December 31, 2018 and 2017, the Company does not have intangible assets with indefinite useful lives.

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

	License fees	Capitalized software
Useful lives	3 to 5 years	2 to 5 years
Amortization method	Amortized on a straight-line basis over the related terms of the contracts	Amortized on a straight-line basis over its useful economic life

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

Project in progress

Research costs are expensed as incurred. Development expenditures on an individual project are recognized when the Company can demonstrate:

a. the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
b. its intention to complete and its ability and intention to use or sell the asset;
c. how the asset will generate future economic benefits;
d. the availability of resources to complete the asset; and
e. the ability to measure reliably the expenditure during development.

Upon completion of development, the project cost is reclassified to 'Capitalized software'. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

Impairment of nonfinancial assets

Property and equipment and intangible assets

At statement of financial position date, or more frequently if events or changes in circumstances indicate that the carrying values may not be recoverable, the carrying values of property and equipment and intangible assets are reviewed for impairment. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units (CGUs) are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs of disposal and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the statement of income. A previously recognized impairment loss is reversed by a credit to current statement of income to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

Equity
Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital'.

Retained earnings represent all current and prior period results of operations as reported in the statements of income, reduced by the amounts of dividends declared.

Dividends on common shares
Dividends on common shares are recognized as liability and deducted from equity when they are approved by the Company's BOD. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Company.

Dividends for the year that are approved by the Company's BOD after the statement of financial position date are disclosed as events after the statement of financial position date.

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

Revenue recognition
Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/service	**Nature and timing of satisfaction of performance obligations, including significant payment terms**	**Revenue recognition under PFRS 15 (applicable from January 1, 2018)**	**Revenue recognition under PAS 18 (applicable before January 1, 2018)**
Discounts earned	Discounts are charges arising from credit availments by the Company's cardholders and other credit companies' cardholders when the	Discounts/interchange fees are recognized as revenue point-in-time when services related to credit card use are being provided.	Discounts are taken up as income upon receipt from member establishments of charges arising from credit availments by the Company's cardholders and

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under PFRS 15 (applicable from January 1, 2018)	Revenue recognition under PAS 18 (applicable before January 1, 2018)
	Company is acting as an acquirer. These discounts are computed based on certain agreed rates. This account also includes interchange income from transactions processed by other acquirers through VISA Inc. (Visa) and MasterCard Incorporated (MasterCard) and fees from cash advance transactions of cardholders.		other credit companies' cardholders when the Company is acting as an acquirer.
Membership fees and dues	Membership fees are periodically charged to cardholders upfront.	Membership fees are deferred and recorded under 'Deferred revenue' and recognized on a straight-line basis over the period the fee entitles the cardholders to use the card.	Membership fees are deferred and recorded under 'Deferred revenue' and recognized on a straight-line basis over the period the fee entitles the cardholders to use the card.
Awards revenue	The Company operates a loyalty points program, which allows customers to accumulate points when they purchase from member establishments using the issued card of the Company. The points accumulate and do not expire.	The Company allocates a portion of the consideration received from interchange fees from credit cards to the reward points. This allocation is based on the estimated stand-alone selling prices. The amount allocated to the customer loyalty program is deferred, and is recognized as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote. The contract liability is included in 'Deferred revenue'.	A proportion of revenue from discounts earned and interchange fees from credit cards is allocated to the reward points. The allocated revenue that corresponds to the total fair value of the reward points is determined by applying statistical analysis. The fair value of the points issued is deferred and recorded under 'Deferred revenue' and recognized as revenue when the points are redeemed.

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under PFRS 15 (applicable from January 1, 2018)	Revenue recognition under PAS 18 (applicable before January 1, 2018)
Miscellaneous income	Miscellaneous income mainly relates to service fees and transaction processing fees. Invoices for these services are issued on a monthly basis and are usually payable within 30 days.	These are recognized as revenue over time as the services are provided.	These are recognized as income when the related services are rendered.

Expense recognition

Expenses are recognized when it is probable that a decrease in future economic benefit related to a decrease in an asset or an increase in liability has occurred and the decrease in economic benefits can be measured reliably. Revenues and expenses that relate to the same transaction or other event are recognized simultaneously.

Operating expenses

Operating expenses constitute costs which arise in the normal course of business and are recognized when incurred.

Loyalty expense

Costs of rewards are recognized as expense and recorded under 'Loyalty expense' when the related loyalty points are redeemed by the cardholder.

Taxes, duties and license fees

This includes all other taxes, local and national, including gross receipt taxes (GRT), documentary stamp taxes (DST), fringe benefit taxes (FBT), license and permit fees that are recognized when incurred.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

Company as lessee

Leases which do not transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term. Contingent rental payable is recognized as an expense in the period in which these are incurred.

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

Retirement benefits
The Company operates a defined benefit retirement plan, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method.

The net retirement liability is the aggregate of the present value of the defined benefit obligation at the end of the statement of financial position date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Retirement expense comprise of service cost and net interest on the net retirement liability.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to statement of income in subsequent years.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting retirement asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve (12) months after the end of the annual statement of financial position date is recognized for services rendered by employees up to the end of the statement of financial position date.

Provisions and contingencies
Provisions are recognized when the Company has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at 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 an interest expense.

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

Income taxes
Income tax on profit and loss for the year comprises current and deferred taxes. Income tax is determined in accordance with tax laws and is recognized in the statement of income, except to the extent that it relates to items directly recognized in OCI.

Current tax
Current tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantially enacted at the statement of financial position date.

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

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences 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 profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.
Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets and 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 statement of financial position date.

Current tax and deferred tax relating to items recognized directly in OCI are also recognized in OCI and not in the statement of income.

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.

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

3. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the financial statements in compliance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosures of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as these become reasonably determinable.

Judgments, estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Judgments

a. *Classification of financial assets*
As discussed in Note 2, beginning January 1, 2018, the Company classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

The Company performs the business model assessment based on observable factors such as:

- Performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- Compensation of business units whether based on the fair value of the assets managed or on the contractual cash flows collected
- Expected frequency, value and timing of sales

In performing the SPPI test, the Company applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, prepayments options, and the period for which the interest rate is set., contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

b. *Contingencies*
The Company is currently involved in various legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the outside legal counsel handling the Company's legal proceedings and is based upon an analysis of potential results. Management does not believe that the outcome of these matters will significantly affect the financial performance of the Company (Note 23).

c. *Fair values of financial instruments*
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. 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. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility for longer-dated derivatives and discount rates, prepayments and default rates assumptions. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair values of the Company's financial instruments are disclosed in Note 5.

<u>Estimates and Assumptions</u>
a. *Estimation of allowance for credit losses on loans and other receivables, including loan commitments*

<u>Beginning January 1, 2018</u>
The Company's ECL calculations are outputs of complex models with a number of underlying assumptions that are considered accounting judgments and estimates include the following:
- The internal scorecards, which assigns PD to the different scorebands;
- The criteria for assessing if there is a SICR and therefore, allowances for these financial assets should be measured on a lifetime ECL;
- The expected life used for revolving credit facilities;
- The development of the ECL models, including the various formulas and the choice of inputs;
- The selection of forward-looking macroeconomic scenarios to derive the economic inputs into the ECL models; and
- The commission rates used to determine the cost attributable to recoveries made by the Company, which are considered in determining the LGD.
- The use of five-year historical data in determining the recoveries in computing for LGD.

<u>Prior to January 1, 2018</u>
The Company reviews impairment of accounts receivables on a monthly basis. Impairment loss on accounts receivable is determined on a collective basis using the net flow to write-off methodology, reduced by estimated recoveries.

Accounts receivable that are 180 dpd are written-off. The net flow to write-off methodology and the recovery rates are based on historical data for the recent twelve (12) months.

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized a different estimate or methodology. Additional credit losses are recorded as provision for credit losses and presented as a separate line item in the statement of income.

The provision for credit losses on accounts receivable is disclosed in more detail in Note 7.

b. *Revenue recognition for customer loyalty program*
Beginning January 1, 2018, the Company estimates the stand-alone price as the fair value of the points awarded under the customer loyalty program. This is derived by getting the discount that the credit cardholder will obtain when points are used, adjusted for both other discount/benefit that the customer will receive without using the points, and the likelihood that usage will be exercised.

Before January 1, 2018, the Company estimates the fair value of the points awarded under the customer loyalty program by applying statistical techniques. Inputs to the models include making assumptions about expected redemption rates, the mix of the products that will be available for redemption in the future, and customer preferences.

As points issued under the program do not expire, such estimates are subject to significant uncertainty. The estimated liability for unredeemed points is disclosed in Note 13.

c. *Estimation of retirement liability*
The cost of the Company's defined benefit retirement plan is determined using an actuarial valuation, which involve various assumptions. These assumptions include the determination of discount rates and future salary increase rates. The defined benefit obligation is highly sensitive to changes in underlying assumptions due to the complexity of the valuation and its long-term nature.

In determining the appropriate discount rate, management considers the market yields on Philippine government bonds with terms consistent with the expected employee benefit payouts as of the statement of financial position date.

Future salary increases are based on expected future inflation rates in the Philippines.

All assumptions are reviewed at each statement of financial position date. The details of assumptions used in the actuarial valuation and amounts of retirement liability as of December 31, 2018 and 2017 are disclosed in Note 19.

4. Financial Risk and Capital Management

Risk is inherent in the Company's operations but is managed through a process of ongoing identification, measurement and monitoring of various risk management parameters, limits and other controls. This process of risk management is critical to the Company's going concern and the Company's management is aware and responsible for the risk exposures relating to the Company's business activities that include, but are not limited to, the following areas:
- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Information security risk

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Company's strategic planning process.

Risk Management Framework

The Company's BOD has overall responsibility for the oversight of the Company's risk management process. Supporting the BOD in this function are BOD-level committees such as the Audit Committee, Risk Oversight Committee (ROC), EXECOM and Management Committee.

The Audit Committee and the ROC are responsible for monitoring the Company's compliance with regulatory requirements, risk management policies and procedures, and for reviewing the adequacy of these policies and procedures in regard to the risks faced by the Company. Both Committees are supported in these functions by the Risk Management, Finance, Compliance and Internal Audit, through the Executive and Management Committees.

The Audit Committee and the ROC are each composed of at least three members of the BOD, at least two (2) of whom are independent directors, including the Chairman, with accounting, auditing or related financial management expertise or experience.

The principal responsibilities of the Audit Committee include annual review and reporting to the BOD on its own performance and to provide oversight of internal, compliance and external audit functions. The ROC is required to identify major credit, operating, liquidity, market risks and other risk issues and shall assess the probability of each risk becoming a reality, estimate its possible effect and cost, and prioritize areas of concern where those risks will most likely occur. Moreover, the ROC ensures that all risk management strategies and policies for all types of risk are developed, properly documented, implemented and effectively communicated to the Company.

The ROC oversees the Risk Management Division (RMD) in strengthening the Company's policies and procedures.

The RMD of the Company is composed of the Head of Acquisition Risk and Strategy Management, Head of Portfolio Risk, Head of Risk Management Analytics (RMA), Head of Operating Risk, Head of Liquidity Risk, and the Business Information Security Officer (BISO), all of whom report to the Head of Risk Management, who then reports directly to the ROC.

The risk management process involves the following:

Chief Financial Officer (CFO)

The CFO oversees all financial aspects of the business operation, which includes directing and overseeing all financial activities of the Company, including preparation of current financial reports, as well as summaries and forecasts for future business growth and general economic outlook. The CFO provides leadership and coordination in the accounting, business planning, management information and budgeting efforts of the Company.

Risk Management Head

The Risk Management Head is accountable for ensuring the efficient and effective governance of significant risks and related opportunities of the business. The Risk Management Head manages and develops a comprehensive process for assessing, identifying, monitoring and reducing pertinent business risks such as credit, market, liquidity and operations that could interfere with the Company's objectives and goals. It is usually the Risk Management Head's responsibility to ensure that the Company is in substantial compliance with its internal operating policies and procedures and any external legal, regulatory or contractual requirements.

Credit Risk

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. The Company manages credit risk by setting limits for individual borrowers, and groups of borrowers and industry segments. The Company also monitors credit exposures, and continuously assesses the creditworthiness of counterparties.

The Company has established the Credit Risk Unit (CRU), composed of Acquisitions Risk and Portfolio Risk, which continues to modernize and streamline the Company's Credit Risk Management practices and processes. The CRU is responsible for establishing credit policies and processes to minimize losses while ensuring the sustainability of the business.

The Credit Risk team is responsible for managing the portfolio through regular monitoring of acquisition, line management and usage programs with the goal of limiting exposure to bad accounts while maximizing revenue. The Credit Risk team is also involved in monitoring and managing the quality of the credit card portfolio through its oversight functions over Fraud, Authorizations, and Collections.

Management Information Systems (MIS) play an integral part in credit risk management. Regular MIS from Credit Risk help the business identify possible sources of risks. Credit policies, which should always be in consultation with business unit, must be supported by MIS reports.

The Company manages credit risk guided by the following principles:

- Strict compliance to credit policies.
- Credit policies should be in consultation with business units and, where appropriate, supported by MIS reports. This covers credit assessment and process, compliance and regulatory requirements and account management.
- Minimize losses by establishing robust credit policies and processes.
- Approval of credit facilities should be based on authorization limits approved by the BOD.
- Expansion to new markets is controlled through credit testing and full use of available credit scoring facilities and credit bureau information.
- Management of portfolio through regular monitoring and analysis of acquisition, line management and usage programs with the goal of controlling exposure to bad accounts while maximizing revenue through effective line management and usage campaigns.
- Delinquent accounts are managed by implementing robust collection strategies and efficient management of collection resources.
- A conscious effort to continuously challenge existing strategies and processes to adapt to changes in the market and maintain the Company's competitiveness.

  To track the performance of the portfolio, CRU develops, implements and reviews the credit strategies, policies, models, processes and MIS.

a. *Credit risk exposure*

Maximum exposure to credit risk after collateral held or other credit enhancements

The tables below provide the analysis of the maximum exposure to credit risk of the Company's financial instruments, excluding those where the carrying values as reflected in the statements of financial position and related notes already represent the financial instrument's maximum exposure to credit risk, before and after taking into account collateral held or other credit enhancements:

	2018			
	Gross Maximum Exposure	**Fair Value of Collateral or Credit Enhancement**	**Net Exposure**	**Financial Effect of Collateral or Credit Enhancement**
Accounts receivable:				
Fully secured cardholders' receivables	**₱175,667,078**	**₱175,667,078**	**₱–**	**₱175,667,078**

	2017			
	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Net Exposure	Financial Effect of Collateral or Credit Enhancement
Accounts receivable:				
Fully secured cardholders' receivables	₱181,634,904	₱181,634,904	₱–	₱181,634,904

Collateral and other credit enhancements

The fair value of hold-out cash deposits, that serve as collateral for certain customers, approximate their carrying value due to their short-term maturities.

Offsetting of financial instruments

The Company does not have financial instruments that can be offset under enforceable master netting agreement or similar agreements.

b. *Concentration risk*

Concentrations arise when a number of counterparties belong to a group controlled by a family or a conglomerate or are engaged in similar business activities or activities in the same geographical region, or have some similar economic, political, or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

While concentration of credit risks are inherent in the Company's business and cannot be totally eliminated, they are limited and reduced through the Company's risk control and diversification strategies. Safeguarding against credit risk concentrations is an important component of the Company's risk management system.

The BOD is responsible for establishing and monitoring compliance with policies governing large exposures and credit risk concentrations of the Company. The BOD reviews these policies regularly (at least annually) to ensure that they remain adequate and appropriate for the Company. Subsequent changes to the established policies are approved by the BOD.

<u>*Concentration of risks of financial assets with credit risk exposure*</u>

An analysis of concentration of risk at the statement of financial position date based on the carrying amount of financial instruments is shown below:

	2018			
	Loans and Receivables	**Loans and Advances to Banks***	**Others****	**Total**
Concentration by industry:				
Personal activities	**₱75,199,438,156**	**₱–**	**₱185,595,765,004**	**₱260,795,203,160**
Philippine government	**–**	**11,726,731,502**	**–**	**11,726,731,502**
Financial intermediaries	**26,004,304**	**1,082,259,131**	**14,307,109**	**1,122,570,544**
	75,225,442,460	**12,808,990,633**	**185,610,072,113**	**273,644,505,206**
Unearned interest and other deferred income	**(4,330,117,097)**	**–**	**–**	**(4,330,117,097)**
Allowance for ECL	**(4,101,798,235)**	**(146,174)**	**–**	**(4,101,944,409)**
	₱66,793,527,128	**₱12,808,844,459**	**₱185,610,072,113**	**₱265,212,443,700**
Concentration by location:				
Metro Manila	**₱34,471,059,510**	**₱12,808,990,633**	**₱83,695,355,373**	**₱130,975,405,516**
Luzon (except Metro Manila)	**25,108,778,259**	**–**	**62,789,664,294**	**87,898,442,553**
Visayas	**8,142,466,156**	**–**	**20,361,911,328**	**28,504,377,484**
Mindanao	**7,503,138,535**	**–**	**18,763,141,118**	**26,266,279,653**
	75,225,442,460	**12,808,990,633**	**185,610,072,113**	**273,644,505,206**
Unearned interest and other deferred income	**(4,330,117,097)**	**–**	**–**	**(4,330,117,097)**
Allowance for ECL	**(4,101,798,235)**	**(146,174)**	**–**	**(4,101,944,409)**
	₱66,793,527,128	**₱12,808,844,459**	**₱185,610,072,113**	**₱265,212,443,700**

**Comprised of Cash in banks, Due from BSP and Interbank loans receivable*
***Comprised of Commitments and contingencies and refundable deposits*

	2017			
	Loans and Receivables	Loans and Advances to Banks*	Others**	Total
Concentration by industry:				
Personal activities	₱65,105,413,353	₱–	₱160,057,196,089	₱225,162,609,442
Philippine government	–	11,248,054,071	–	11,248,054,071
Financial intermediaries	96,424,052	2,109,018,949	14,541,158	2,219,984,159
	65,201,837,405	13,357,073,020	160,071,737,247	238,630,647,672
Unearned interest and other deferred income	(3,663,915,094)	–	–	(3,663,915,094)
Allowance for credit losses	(1,854,117,363)	–	–	(1,854,117,363)
	₱59,683,804,948	₱13,357,073,020	₱160,071,737,247	₱233,112,615,215
Concentration by location:				
Metro Manila	₱30,592,651,981	₱13,357,073,020	₱73,479,687,266	₱117,429,412,267
Luzon (except Metro Manila)	21,491,959,222	–	53,772,800,034	75,264,759,256
Visayas	6,755,976,854	–	16,903,428,331	23,659,405,185
Mindanao	6,361,249,348	–	15,915,821,616	22,277,070,964
	65,201,837,405	13,357,073,020	160,071,737,247	238,630,647,672
Unearned interest and other deferred income	(3,663,915,094)	–	–	(3,663,915,094)
Allowance for credit losses	(1,854,117,363)	–	–	(1,854,117,363)
	₱59,683,804,948	₱13,357,073,020	₱160,071,737,247	₱233,112,615,215

**Comprised of Cash in banks, Due from BSP and Interbank loans receivable*
***Comprised of Commitments and contingencies and refundable deposits*

c. *Credit quality of financial assets*

<u>*Accounts receivable*</u>

Receivables of the Company include those due from cardholders and other receivables.

Previously, the Company classifies and measures the quality of its receivables by the number of days past due as follows:

i. Neither past due nor impaired
Receivables from cardholders where principal payments or contractual interests are current as of statement of financial position date.

ii. Past due but not impaired
Receivables from cardholders where principal payments or contractual interests are 1 to 89 dpd as of statement of financial position date, but the Company believes that impairment is not appropriate based on the cash flows of the available collateral or status of collection of the amounts due to the Company.

Where appropriate, a hold-out deposit is obtained from customers who fail on certain credit policy requirements. These collaterals are hold-out cash deposits with affiliated local banks (see table disclosure on maximum exposure to credit risk for amounts of receivable from customers secured by assignment of deposits).

iii. Impaired receivables
Receivables from cardholders for which the Company determines that it is probable that it will be unable to collect all principal and interest due based on the contractual terms of the receivables. These are receivables from cardholders that are 90 to 179 dpd as of statement of financial position date.

iv. Written off accounts
As a policy, all accounts receivable shall be written-off upon reaching 180 dpd except for those tagged as Rewrite and DOSRI. Rewrite accounts are automatically written-off when it reaches 90 dpd.

Beginning January 1, 2018, the Company classifies and measures the quality of its receivables, together with its corresponding unused credit lines, using their existing internal credit rating grade as follows:

i. Excellent
These are customers that have exhibited the best payment behavior and are generally those without history of past due which have been paying the outstanding balance in full over a period of twelve (12) months.

ii. Very satisfactory
These are customers that have exhibited the good payment behavior and are generally those without history of past due but could have revolved over a period of twelve (12) months.

iii. Satisfactory
These are customers that have shown history of past due but not impaired, and are still within the average level of the credit card portfolio which remains to be profitable.

iv. Poor
These are customers that are past due but not yet impaired and could still be cured by collection mitigation strategies.

v. Default
These are customers that are already impaired. Recovery strategies are needed to reduce exposure to these customers.

Loans and advances to banks and other assets
Financial instruments other than credit card receivables for which the Company has not yet established a credit rating system are classified as unrated. These financial assets include:

a) Cash and cash equivalents
   Cash and cash equivalents include deposits with various banks and interbank loans receivable, and deposit accounts with the BSP. There is a high assurance of timely payment of interest and principal. The Company classifies and measures the quality of its cash and cash equivalents by the internal credit rating grade as follows:

   i. Highest quality
      This rating is given to counterparties with very low probability of going into default and with high degree of stability and very strong debt service capacity. The counterparty exhibits highest quality under virtually all economic conditions. This is given to counterparties with very satisfactory track record and has long-time business relations with the Company.

   ii. Good quality
      This rating is given to counterparties with low probability of going into default in the coming year and has comfort degree of stability and strong market and financial position, with a history of successful performance. The counterparty is also well capitalized and has a good track record and existing business relations with the Company.

   iii. Average
      This rating is given to smaller banks/financial institutions. While probability of default is low, it bears characteristics of some degree of stability and substance. Risk elements are sufficiently pronounced although the counterparty should still be able to withstand normal business cycles. This is given to counterparties with average track record and with relatively new business relations with the Company.

   iv. Below average
      This rating is given to counterparties that have specific risk factors which represent a concern. Operating performance and financial strength may be marginal. The counterparty may find it hard to cope with any significant economic downturn and a default is more than a possibility. This is given to counterparties with below average organizational management and track record.

   v. Poor quality
      This rating is given to high-risk banks/financial institutions with poor financial performance and organizational management. The Company does not recommend that lines be established for counterparties with this rating.

b) Other assets
   This account consists of refundable deposits.

The following tables show the credit quality of the Company's financial assets (amounts in thousands):

	2018			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Accounts receivable				
Excellent	₱42,807,057	₱–	₱–	₱42,807,057
Very satisfactory	12,312,866	–	–	12,312,866
Satisfactory	5,321,320	–	–	5,321,320
Poor	5,186,802	5,519,320	–	10,706,122
Default	–	–	3,517,958	3,517,958
	₱65,628,045	**₱5,519,320**	**₱3,517,958**	**₱74,665,323**

	2018			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Allowance for credit losses				
Excellent	₱137,243	₱–	₱–	₱137,243
Very satisfactory	162,261	–	–	162,261
Satisfactory	173,245	–	–	173,245
Poor	444,148	1,841,462	–	2,285,610
Default	–	–	1,327,724	1,327,724
	₱916,897	**₱1,841,462**	**₱1,327,724**	**₱4,086,083**

	2018			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Unused credit lines				
Excellent	₱153,537,815	₱–	₱–	₱153,537,815
Very satisfactory	16,587,100	–	–	16,587,100
Satisfactory	5,780,810	–	–	5,780,810
Poor	6,882,745	2,660,690	–	9,543,435
Default	–	–	146,605	146,605
	₱182,788,470	**₱2,660,690**	**₱146,605**	**₱185,595,765**

	2018			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Provisions				
Excellent	₱88,256	₱–	₱–	₱88,256
Very satisfactory	104,343	–	–	104,343
Satisfactory	111,407	–	–	111,407
Poor	285,613	326,057	–	611,670
Default	–	–	–	–
	₱589,619	**₱326,057**	**₱–**	**₱915,676**

	2017					
	Accounts Receivable			Cash and Cash Equivalents*	Others**	Total
	Cardholder	Other	Total			
Neither past due nor impaired	₱60,187,322	₱1,092,836	₱61,280,158	₱13,057,073	₱19,521	₱74,356,752
Past due but not impaired	2,862,696	–	2,862,696	–	–	2,862,696
Impaired	1,058,984	–	1,058,984	–	–	1,058,984
	64,109,002	1,092,836	65,201,838	13,057,073	19,521	78,278,432
Unearned interest and other deferred income	(3,663,915)	–	(3,663,915)	–		(3,663,915)
Allowance for credit losses	(1,842,387)	(11,731)	(1,854,118)	–		(1,854,118)
	₱58,602,700	₱1,081,105	₱59,683,805	₱13,057,073	₱19,521	₱72,760,399

**Comprised of Cash in banks, Due from BSP and interbank loans receivable*
***Comprised of refundable deposits*

For cash and cash equivalents, the credit quality of these financial assets fall under Stage 1 where ₱373.8 million cash in banks, ₱2.2 billion interbank loan receivables and ₱9.5 billion due from BSP are considered highest quality. The remaining ₱708.4 million cash in banks falls in Stage 1 as very satisfactory.

As of December 31, 2017, the credit quality of neither past due nor impaired accounts receivable from cardholders based on historical past due incidence is as follows (amount in thousands):

	Amount	Percentage
Current and never past due	₱56,378,550	93.7%
Balances of accounts with 1 to 29 dpd history	2,658,344	4.4
Balances of accounts with 30 to 59 dpd history	570,149	0.9
Balances of accounts with 60 to 89 dpd history	305,347	0.5
Balances of accounts with 90 dpd above history	274,932	0.5
	₱60,187,322	100.0%

As of December 31, 2017, the aging analysis of past due but not impaired accounts receivable from cardholders is as follows (amount in thousands):

	Amount	Percentage
1 to 29 days	₱1,422,135	49.7%
30 to 59 days	810,567	28.3
60 to 89 days	629,994	22.0
	₱2,862,696	100.0%

Fair value of collateral

Of the total aggregate amount of gross past due but not impaired loans, the fair value of collateral held as of December 31, 2017 amounted to ₱6.2 million. These collaterals obtained from credit cardholders are hold-out cash deposits with affiliated local banks. The fair value of these cash deposits approximate their carrying value due to their short-term maturities.

d. *Impairment assessment (beginning January 1, 2018)*

Internal scorecards and PD estimation process

- Credit cards

  Part of the Company's policy on acceptance of each loan is based on the likelihood of a customer to turn delinquent. The Company uses internal rating to estimate quantitatively the likelihood of a customer to turn delinquent.

  The Company uses an Application Scorecard and assigns a score for each credit card application based on the customer's tendency to go "bad". Once approved, an account's behavior through its usage, payment history, and other performance indicators is monitored. These indicators are then utilized to assess a customer's risk specifically its propensity to miss payment and go delinquent through the computation of the Behavioral Score (BScore).

  The Company's Point-in-time (PiT) PD estimates leverages on the Company's existing internal scorecards wherein each score has a corresponding PD depending on the scoreband. For unscored segments, special PD rates based on historical performance, adjusted with forward-looking macroeconomic variable, are assigned. The PiT PDs are then adjusted for PFRS 9 ECL calculations to incorporate forward-looking information.

- Treasury exposures

  The Company's treasury counterparties comprise financial services institutions and banks. For these relationships, the Company analyzes publicly available information, such as financial information and other external data.

LGD
LGD is defined as the amount of loss incurred from a defaulted account expressed as a percentage of loss exposure at the time of default. An LGD model was developed by collecting historical information on defaulted accounts and the observed cash flows, including recoveries and costs, for a five-year period after default. The Company then segments its portfolio based on characteristics that are relevant to the estimation of future cash flows.

The Company uses EIR as discounting factor to obtain the present value of recoveries and cost, which are used to consider the time value of money in determining the LGD per account.

EAD
EAD represents the amount that the borrower owes to the Company at the time of default. This amount also addresses both the borrower's ability to increase its exposure while approaching default and potential payments. The Company segments its credit card portfolio based on key characteristics that predict the probability to use the unused credit limit or the Credit Conversion Factor (CCF). EAD is then calculated based on the factor applied to the unused credit line.

CCF is determined as the change in the total principal balance within the 12-month period over the unused credit line portion of the accounts receivable twelve (12) months prior. The Company segments its CCF values based on the MOB and dpd of the accounts.

To calculate the EAD for a Stage 1 exposure, the Company assesses the possible default events within twelve (12) months for the calculation of the 12-months ECL. For Stage 2 and Stage 3, the EAD is considered for events over the lifetime of the financial instruments.

Credit risk at initial recognition
The Company uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

Forward-looking information
PFRS 9 requires the use of forward-looking assumptions, aside from historical experiences, in measuring ECL. The overlay model was used to adjust the PD calculated from the internal scorecards to a forward-looking PiT PD.

Forecasts of key drivers may be derived by: acquired from affiliated units who monitor such macroeconomic variables, from publicly available forecasts, or from statistical forecasts using historical data.

In determining the appropriate macroeconomic variables used as forward-looking information, the Company used Single Factor Analysis (SFA). Further, the Company also used Multi-Factor Analysis (MFA) to further identify the macroeconomic variable with the most significant impact on PD.

In its ECL model, the Company relies on forward-looking information as economic inputs, such as the following:
- GDP growth;
- LIBOR; and
- PHP / USD exchange rate.

Where modelling of a parameter is carried out on a collective basis, the financial assets are grouped on the basis of shared risk characteristics, which include product type, basis of approval, market segment, vintage and geographical location. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogenous.

12-month ECL and lifetime ECL
12-month ECL is defined as a portion of the lifetime ECL that results from default events on a financial instrument that are possible within twelve (12) months after the reporting date. A 12-month ECL will be provided for accounts with low credit risk or if no significant deterioration was observed.

In the staging criteria, the priority is to categorize the accounts with Stage 2 and Stage 3 ECL which will have lifetime ECL, and all others will have a 12-month ECL.

For credit exposures where there has been a SICR, a loss allowance is required under lifetime ECL. An entity needs to determine the expected life for each instrument, defined as:
- the maximum contractual period (including extensions) over which the entity is exposed to credit risk; and
- the entire period that it is expected to be exposed to credit risk and the credit risk management actions that an entity expects to take once the credit risk on the financial instrument has increased.

The Company assessed the expected life of its credit card portfolio as the period over which cumulative default rate has stabilized, establishing the life of its credit card portfolio at two (2) years or 24 months, which is the period over which cumulative default rate has stabilized.

An account is said to enter Stage 2 or Stage 3, if account has a BScore of 345 and below or is tagged as default (see SICR), respectively.

Change control policy
Any changes in the ECL model shall be subject to the approval of the following depending on the nature and the impact of the changes:
- President
- Chief Risk Officer (CRO)
- ROC / BOD

The inputs and models used for calculating ECL may not always capture all characteristics of the economy, the market, or other factors not addressed by the models. To reflect this, post-modelling qualitative adjustments or overlays may be made which may increase or decrease the ECL.

Management subjects its ECL model for review and validation at least annually to ensure that the factors within the model are up to date and relevant to the Company’s goals and objectives.

The RMD reports the required allowance for ECL on a monthly basis to the CRO. The CRO assesses whether the allowance is adequate and within management’s estimate by determining the reasonableness for the increase (decrease) in the allowance. Once approved by the CRO, the final figures of the allowance for ECL is reported monthly to Senior Management and EXECOM, as well as quarterly during ROC meetings.

The Company has an internal validation team from its Business Intelligence Unit (BIU) and Financial Accounting Unit (FAU) to regularly validate the effectiveness of the model and determine appropriate controls over the process. Refinements in the model depend on the assessment of the internal validation team.

Written off accounts
As a policy, all accounts receivable shall be written-off upon reaching 180 dpd except for those tagged as Rewrite and DOSRI. Rewrite accounts are automatically written-off when it reaches 90 dpd.

Aside from contractual write-off which occurs at 180 dpd, early write-off is considered depending on the circumstances as evaluated by Collections Division. Accounts of deceased cardholders or accounts with negative skip tracing results are endorsed for early write-off.

Other receivables may be endorsed for write-off upon reaching 180 dpd. These loans and other credit accommodations which are considered uncollectible or worthless shall be considered as a loss subject to approval of the EXECOM.

Write-off shall be taken up in the books within the month when the accounts are tagged as write-off or upon the receipt of list of write-off for the month. In the case of accounts classified as DOSRI, write-off in the books shall be upon receipt of the approval from the Board.

e. Impairment assessment (before January 1, 2018)
The Company reviews impairment of accounts receivables on a monthly basis. Impairment loss on accounts receivable is determined on a collective basis using the net flow to write-off methodology, reduced by estimated recoveries.

Accounts receivable that are 180 dpd are written-off. The net flow to write-off methodology and the recovery rates are based on historical data for the recent twelve (12) months.

Market Risk
Market risk is the risk to earnings or capital arising from adverse movements in factors that affect the market value of financial instruments. The Company focuses on two market risk areas, which are interest rate risk and foreign currency risk.

a. Interest rate risk
Interest rate risk is the risk that changes in market interest rates will reduce current or future earnings and/or the economic value. The Company's borrowings consist of a mix of fixed rate notes and monthly repriceable loans, in order to ensure that any adverse effects of interest rate fluctuations are minimized.

The Treasury Unit is primarily responsible in managing the liquidity, as well as the interest rate risk of the Company. The Treasury Unit ensures borrowings from various sources of funds are availed at the cheapest possible cost at acceptable terms. In measuring interest rate risk, the Company employs gap analysis wherein an interest rate gap report is prepared by breaking down the statements of financial position accounts according to their contractual maturities or repricing dates, whichever is applicable. The difference in the amount of assets and liabilities maturing or being repriced in any pre-specified time band would be treated as an indicator of the Company's exposure to the risk of potential changes in net interest income.

A funding policy guides the Company's management in determining appropriate levels of term funding that addresses, among other things, interest rate risk, maturity concentration and funding diversification.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income before income tax (amounts in millions):

	2018			
	Changes in interest rates (in basis points)			
	(100)	**(50)**	**100**	**50**
Change in income before income tax	**₱603.0**	**₱301.5**	**(₱603.0)**	**(₱301.5)**
As percentage of the Company's income before income tax	**8.5%**	**4.2%**	**(8.5%)**	**(4.2%)**

	2017			
	Changes in interest rates (in basis points)			
	(100)	(50)	100	50
Change in income before income tax	₱549.8	₱274.9	(₱549.8)	(₱274.9)
As percentage of the Company's income before income tax	7.5%	3.8%	(7.5%)	(3.8%)

This sensitivity analysis is performed for risk management purposes and assumes no other changes in the repricing structure and loan volumes. Actual changes in net income will vary from the model.

Other than the potential impact on the Company's income before income tax, there is no other effect in equity.

The RMD prepares a quantitative risk model on interest rate risk called the Earnings-at-Risk (EaR). The EaR is used to measure any mismatch between assets and liabilities in terms of interest rate repricing. The RMD developed EaR limit over a 1-year period. The limit is established to reduce the potential exposure of earnings and/or capital from changes in interest rates. Such method of measuring and controlling interest rate risk is applied during the year. The EaR limit approved by the BOD is the 2018 budgeted net interest income and 2017 actual net interest income effective January 1 and June 1, 2018, respectively. For 2017, the EaR limit approved by the BOD is a maximum of 1-month average (approximately 8.3%) of the planned full year net profit after tax.

b. *Foreign currency risk*

Foreign currency risk arises on financial instruments that are denominated in a foreign currency, which is the currency other than the functional currency in which the Company is measured.

Information on the Company's United States Dollar (USD)-denominated monetary assets and liabilities as of December 31, 2018 and 2017 and their PHP equivalents are as follows (amounts in thousands):

	2018		2017	
	USD	**PHP Equivalent**	USD	PHP Equivalent
Financial assets				
Cash in banks	**US$2,618**	**₱137,658**	US$1,704	₱85,099
Accounts receivable	**6,473**	**340,350**	6,585	328,807
	9,091	**478,008**	8,289	413,906

(Forward)

	2018		2017	
	USD	**PHP Equivalent**	USD	PHP Equivalent
Financial liabilities				
Notes payable	**US$5,700**	**₱299,706**	US$10,580	₱528,259
Accrued interest payable	**13**	**706**	26	1,288
	5,713	**300,412**	10,606	529,547
Net foreign currency-denominated assets (liabilities)	**US$3,378**	**₱177,596**	(US$2,317)	(₱115,641)

Financial liabilities above do not include the dollar-denominated floating rate loans hedged into peso fixed rate loans since the cash flow hedge manages the Company's exposure to foreign currency risk (Note 8).

The following tables demonstrate the sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Company's income before income tax (amounts in millions):

	2018			
	Changes in foreign exchange rates (in basis points)			
	(100)	**(50)**	**100**	**50**
Change on annualized net income	**₱177.6**	**₱88.8**	**(₱177.6)**	**(₱88.8)**
As percentage of the Company's net income before income tax	**2.5%**	**1.3%**	**(2.5%)**	**(1.3%)**

	2017			
	Changes in foreign exchange rates (in basis points)			
	(100)	(50)	100	50
Change on annualized net income	₱115.6	₱57.8	(₱115.6)	(₱57.8)
As percentage of the Company's net income before income tax	1.6%	0.8%	(1.6%)	(0.8%)

Liquidity Risk and Funding Management

Liquidity risk and funding management is the ability of the Company to meet financial obligations as they fall due. Liquidity risk is the current and prospective risk to earnings or capital arising from the Company's inability to meet its financial obligations as they fall due.

Liquidity risk and funding management involves setting a strategy, ensuring effective board and senior management oversight, as well as operating under a sound process for measuring, monitoring and controlling liquidity risk. It requires the Company not only to measure its liquidity position on an ongoing basis but also to examine how funding requirements are likely to evolve under various scenarios, including adverse conditions.

A strong liquidity management system in particular is characterized by an effective analysis of net funding requirements under alternative scenarios and diversification of funding sources.

The Company is continuously working on developing diversified funding sources to support its asset growth, as well as to minimize liquidity and interest rate risks.

The Treasury Unit, on a daily basis, monitors the cash position of the Company. The Treasury Unit ensures that the Company has ample liquidity to settle financial obligations that are due as of a given period. The Treasury Unit employs various liquidity or funding tools to determine the expected funding requirements for a particular period.

The RMD prepares the monthly Maximum Cumulative Outflow (MCO) report to measure the liquidity mismatch risk as of a given period. The MCO report provides quantitative information on the potential liquidity risk exposure based on pre-specified time bands. The Company has established MCO limit to aid in controlling liquidity risk. Effective June 2018, the MCO limit is equal to the funding capacity which is equal to total available bank lines. Prior to this change, the MCO limit is equal to the total wholesale borrowing limit less utilized borrowing limit. As of December 31, 2018 and 2017, the Company reported positive and negative MCO limit of ₱35.2 billion corresponding to the total funding and ₱10.8 billion corresponding to 80.0% of the total wholesale borrowing limit less utilized borrowing limit, respectively.

Aside from the MCO report, the RMD also prepares monthly Liquidity Stress testing to augment in measuring potential liquidity risk exposures under different stress scenarios.

The tables below show the MCO report of the Company as of December 31, 2018 and 2017 (amounts in millions):

	2018						
	Up to 1 Month	**1 to 2 Months**	**2 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Beyond 1 Year**	**Total**
Assets	**₱10,662**	**₱6,227**	**₱5,636**	**₱12,072**	**₱12,713**	**₱32,166**	**₱79,476**
Liabilities	**13,928**	**6,646**	**2,485**	**9,560**	**5,949**	**27,423**	**65,991**
Periodic Gap	**(₱3,266)**	**(₱419)**	**₱3,151**	**₱2,512**	**₱6,764**	**₱4,743**	**₱13,485**
Cumulative Gap	**(₱3,266)**	**(₱3,685)**	**(₱534)**	**₱1,978**	**₱8,742**	**₱13,485**	
	2017						
	Up to 1 Month	1 to 2 Months	2 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Assets	₱20,876	₱5,977	₱5,051	₱10,867	₱10,649	₱19,559	₱72,979
Liabilities	13,059	6,368	2,938	9,350	14,896	13,845	60,456
Periodic Gap	₱7,817	(₱391)	₱2,113	₱1,517	(₱4,247)	₱5,714	₱12,523
Cumulative Gap	₱7,817	₱7,426	₱9,539	₱11,056	₱6,809	₱12,523	

The Company includes committed credit line and net cash flows from cross-currency swap interest rate swaps amounting to ₱1.9 million and ₱0.7 million, respectively, in determining the periodic gap during the year.

The tables below summarize the maturity profile of the undiscounted remaining contractual maturities of the Company's financial assets and liabilities as of December 31, 2018 and 2017 (amounts in thousands):

	2018					
	Up to 1 Month	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Beyond 1 Year**	**Total**
Financial Assets						
Cash and cash equivalents	**₱1,082,272**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,082,272**
Due from BSP	**9,526,732**	**–**	**–**	**–**	**–**	**9,526,732**
Interbank loans receivable	**2,200,000**	**–**	**–**	**–**	**–**	**2,200,000**
Accounts receivable:						
Cardholders	**14,397,970**	**33,615,864**	**7,885,348**	**9,359,121**	**9,407,020**	**74,665,323**
Others	**392,222**	**–**	**–**	**–**	**–**	**392,222**
	27,599,196	**33,615,864**	**7,885,348**	**9,359,121**	**9,407,020**	**87,866,549**
Financial Liabilities						
Accounts payable:						
Merchants	**1,525,460**	**–**	**–**	**–**	**–**	**1,525,460**
Others	**599,282**		**–**	**–**	**–**	**599,282**
	2,124,742	**–**	**–**	**–**	**–**	**2,124,742**
Bills payable	**9,736,726**	**5,537,080**	**2,842,998**	**3,081,933**	**8,661,079**	**29,859,816**
Notes payable	**6,827,983**	**4,309,551**	**7,810,679**	**1,748,599**	**10,836,180**	**31,532,992**
Derivative liabilities						
Gross contractual receivable	**–**	**67,283**	**73,470**	**5,401,276**	**2,072,927**	**7,614,956**
Gross contractual payable	**–**	**(123,305)**	**(130,936)**	**(5,575,392)**	**(2,218,625)**	**(8,048,258)**

(Forward)

	2018					
	Up to 1 Month	**1 to 3 Months**	**3 to 6 Months**	**6 to 12 Months**	**Beyond 1 Year**	**Total**
Subordinated debt	**₱–**	**₱18,164**	**₱18,164**	**₱18,164**	**₱1,476,431**	**₱1,530,923**
Accrued interest and other expenses:						
Accrued interest payable	**187,983**	**136,786**	**50,998**	**20,740**	**25,770**	**422,277**
Accrued advertising	**115,999**	**–**	**–**	**–**	**–**	**115,999**
Accrued other expenses	**553,420**	**–**	**–**	**–**	**–**	**553,420**
	19,546,853	**9,945,559**	**10,665,373**	**4,695,320**	**20,853,762**	**65,706,867**
Net undiscounted financial assets (liabilities)	**₱8,052,343**	**₱23,670,305**	**(₱2,780,025)**	**₱4,663,801**	**(₱11,446,742)**	**₱22,159,682**

	2017					
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	Total
Financial Assets						
Cash and cash equivalents	₱1,809,695	₱–	₱–	₱–	₱–	₱1,809,695
Due from BSP	10,948,054	–	–	–	–	10,948,054
Interbank loans receivable	300,000	–	–	–	–	300,000
Accounts receivable:						
Cardholders	12,447,707	22,652,673	3,842,464	8,224,979	16,941,178	64,109,001
Others	976,370	–	–	–	–	976,370
	26,481,826	22,652,673	3,842,464	8,224,979	16,941,178	78,143,120
Financial Liabilities						
Accounts payable:						
Merchants	1,730,262	–	–	–	–	1,730,262
Others	508,081	–	–	–	–	508,081
	2,238,343	–	–	–	–	2,238,343
Bills payable	9,606,904	7,651,563	6,034,025	5,867,496	5,861,222	35,021,210
Notes payable	1,205,211	–	3,439,972	9,133,096	8,036,927	21,815,206
Subordinated debt	–	18,164	36,329	72,657	1,476,073	1,603,223
Accrued interest and other expenses:						
Accrued interest payable	51,656	70,355	69,456	46,496	36,571	274,534
Accrued advertising	88,943	–	–	–	–	88,943
Accrued other expenses	436,140	–	–	–	–	436,140
	13,627,197	7,740,082	9,579,782	15,119,745	15,410,793	61,477,599
Net undiscounted financial assets (liabilities)	₱12,854,629	₱14,912,591	(₱5,737,318)	(₱6,894,766)	₱1,530,385	₱16,665,521

a. *Liquidity risk management and control*

As part of a sound liquidity risk management process and at the same time, to adhere to its policy that is, to maintain adequate liquidity at all times, the Company has established liquidity risk limits. These limits are used to control the risk emanating from the funding activities of the Company. These limits are recommended by the RMD, in coordination with Treasury Unit, reviewed and approved by ALCO and BOD through ROC.

These limits are reviewed periodically, at least annually, to assess its suitability and reasonableness given the current market and economic conditions.

Below are the current Liquidity Risk Limits utilized by the Company in 2017:

MCO Limit	80.0% of aggregate Wholesale Borrowing Limit (WBL) net of unutilized WBL
Current Ratio	1:1
Debt to Equity Ratio	7.5:1
Commitment Guidelines	Less than or equal to 10.0% of the aggregate available credit limits granted to its cardholder
Reserve Requirements mandated by the BSP	20.0% of total deposit substitutes (liabilities)

Effective June 2018, the current Liquidity Risk Limits utilized by the Company are as follow:

MCO Limit	Equal to total available bank lines
Current Ratio	1:1
Debt to Equity Ratio	7.5:1
Commitment Guidelines	Less than or equal to 10.0% of the aggregate available credit limits granted to its cardholder
Reserve Requirements mandated by the BSP	18% of total deposit substitutes (liabilities)

Actual figures are compared with the above liquidity risk limits and any breaches are immediately escalated or reported to the head of Treasury and CFO, as well as, to the ALCO. The Treasury Unit will explain or justify any breaches and likewise recommend corrective measures within a specified period.

Aside from the established limits mentioned above, the Company has adopted a Contingency Funding Plan (CFP) for handling liquidity crisis. The CFP outlines the policies and procedures that shall be followed at the onset, during and after the liquidity crisis. It also provides information on the types of events that may trigger to activate the plan, the roles and responsibilities of members of the crisis management team and critical business units, sources of contingency funds, and communication plan.

The CFP helps the Company to ensure sufficient liquidity is maintained even in times of liquidity crisis. The CFP is reviewed and, if necessary, updated annually.

The Company has various credit line and interbank call loan (IBCL) facilities that it can access to meet liquidity needs. Access to sources of funding is sufficiently available and debt maturing within 12 months may be rolled over with existing lenders. As of December 31, 2018 and 2017, the Company has available credit and IBCL lines amounting to ₱35.2 billion and ₱29.5 billion, respectively.

Liquidity stress testing
The Company also employs different stress scenarios in evaluating the liquidity position as of a given cut-off date. Stress scenarios applied involves the following stress assumptions and parameters:
a. Level of pre-termination of retail promissory notes;
b. Significant decrease in the payment levels of cardholders due to increase in delinquencies; and
c. Decrease in the level of funding access from wholesale market.

Analysis of the resulting gaps serves as an additional tool in managing exposure in case a liquidity stress scenario should happen.

Stress testing report is also prepared monthly by RMD in addition to the MCO reports and liquidity ratios.

Below are the Stress Scenarios currently being employed by Risk Management:
a. 25.0% of Retail PN holders (MD> 30 days) pre-terminates; 25.0% of WBL from other banks not accessible. PDR increases to 12.0% at end of one year, resulting to decrease in monthly collections
b. 50.0% of Retail PN holders (MD> 30 days) pre-terminates; 50.0% of WBL from other banks not accessible. PDR increases to 16.0% at end of one year, resulting to decrease in monthly collections

c. 75.0% of Retail PN holders (MD> 30 days) pre-terminates; 75.0% of WBL from other banks not accessible. PDR increases to > 16.0% at end of one year, resulting to decrease in monthly collections

Capital Management
Capital management pertains to utilizing efficient processes and or measures to ensure adequate capital is maintained at all times.

The Company's capital management objectives are:

- to maintain sufficient capital, at all times, to meet the minimum regulatory capital requirements set by the BSP;
- to maintain adequate capital that will support the Company's business growth;
- to maintain an adequate capital buffer, at all times, to cover for risk from potential stress events and to attain the desired internal capital adequacy ratio; and
- to ensure that the Company meets the debt to equity ratio as required in the Omnibus Notes Facility Agreement.

As a financial institution, the Company is required to meet the minimum capital adequacy ratio and maintain adequate capital commensurate to the risk of its business and operations.

Accordingly, the Company should likewise be adequately capitalized to enable it to effectively discharge its functions and withstand any foreseeable problems. In addition, as one of the principal objectives of supervision is the protection of cardholders and creditors, banking regulators monitor the adequacy of capital of the Company to ensure that capital recognized in capital adequacy measures is readily available for those creditors.

The BOD ensures that the above objectives are met by the Company in any given time while the management ensures BOD-approved capital management policies are adhered to.

Regulatory qualifying capital
Under existing BSP regulations, the determination of the Company's compliance with regulatory requirements and ratios is based on the amount of the Company's 'unimpaired capital' (regulatory net worth) as reported to the BSP, which is determined on the basis of regulatory accounting policies which differ from PFRS in some respects.

In addition, the risk-based capital adequacy ratio (CAR) of the Company with quasi-banking operations, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.0%. Qualifying capital and risk-weighted assets are computed based on BSP regulations. Risk-weighted assets consist of total assets less cash on hand, amounts due from BSP, loans covered by hold-out or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP. Under BSP Circular No. 360, effective July 1, 2003, the CAR is to be inclusive of a market risk charge.

On January 15, 2013, the BSP issued Circular No. 781, Basel 3 Implementing Guidelines on Minimum Capital Requirements. The guidelines revised the risk-based capital adequacy framework and introduced other minimum capital ratios such as Common Equity Tier 1 (CET1) ratio and Tier 1 Capital ratio of 6.0% and 7.5%, respectively. A capital conservation buffer of 2.5% comprised of CET1 shall also be imposed. BSP Circular No. 781 took effect on January 1, 2014. On November 29, 2018, the BSP released a circular implementing the Basel III Counter cylical Capital

Buffer (CCyB). Current CCyB is zero percent (0%) subject to upward adjustment as determined by the Monetary Board when systemic conditions warrant up to a maximum of 2.5%.

The CAR of the Company as reported to BSP is shown in the table below (amounts in millions, except for ratio):

	2018	2017
CET1 capital	**₱12,413**	₱12,047
Tier 1 capital	**₱12,413**	₱12,047
Tier 2 capital	**1,911**	1,805
Gross qualifying capital	**₱14,324**	₱13,852
Credit risk-weighted assets	**₱74,622**	₱64,169
Operational risk-weighted assets	**24,328**	21,363
Total risk weighted assets	**₱98,950**	₱85,532
CET1 ratio	**12.5%**	14.1%
Tier 1 ratio	**12.5%**	14.1%
Risk-based CAR	**14.5%**	16.2%

The regulatory qualifying capital of the Company consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprise paid-up common stock, unappropriated retained earnings including current year profit, appropriated retained earnings less required deductions such as unsecured credit accommodations to DOSRI. Tier 2 is composed of Fixed-Rate Unsecured Subordinated Notes (Note 14).

As of December 31, 2018 and 2017, the Company met and complied with the CAR requirements set by the BSP.

The issuance of BSP Circular No. 639 covering the Internal Capital Adequacy Assessment Process (ICAAP) in 2009 supplements the BSP's risk-based capital adequacy framework under BSP Circular No. 538. In compliance with this new circular, the Group has adopted and developed its ICAAP framework to ensure that appropriate level and quality of capital are maintained by the Group. Under this framework, the assessment of risks extends beyond the Pillar 1 set of credit, market and operational risks and onto other risks deemed material by the Group. The level and structure of capital are assessed and determined in light of the Group's business environment, plans, performance, risks and budget; as well as regulatory pronouncements. The Company follows the Group's ICAAP framework and submits the result of its assessment to the Ultimate Parent Company. The BSP requires submission of an ICAAP document on a group-wide basis every March 31.

The Company maintains strong credit standings and capital ratios in order to support its business and maximize stockholder value. The Company is required to maintain a maximum debt-to-equity ratio (total liabilities over equity) of 7.5 times based on the audited financial statements as required in the Company's Omnibus Notes Facility Agreement with various banks. Debt-to-equity ratio of the Company as of December 31, 2018 and 2017 is computed as follows (in millions, except for ratios):

	2018	2017
Total Liabilities (TL)	**₱67,976**	₱61,393
Total Equity (TE)	**₱14,826**	₱13,639
Debt-to-Equity Ratio (TL/TE)	**4.6**	4.5

The Company, as a finance company, is also subject to the capital requirement under Sections 2(b) and 6(c) of Republic Act (RA) No. 8556 (The Financing Company Act of 1998). RA No. 8556 prescribes finance companies that at least forty percent (40.0%) of the voting stock of the corporation shall be owned by citizens of the Philippines and should maintain a minimum paid up capital of ₱10.0 million for financing companies located in Metro Manila.

In case the finance company has a branch, agency extension office or unit, additional paid up capital will be required as follows:

Location of a Branch, Agency Extension Office or Unit	Additional Capital Requirement
Metro Manila and other 1st class cities	₱1,000,000
Other classes of cities	500,000
Municipalities	250,000

As of December 31, 2018 and 2017, the Company is one hundred percent (100.0%) and eighty percent (80.0%), respectively, owned by Metrobank, a wholly owned Filipino company. For both years, the Company has a paid-up capital of ₱1.0 billion, which already covers the additional capital requirement for its extension office in Cebu City, Davao City and Pasay City. As of December 31, 2018 and 2017, the Company is in full compliance with the capital requirements of RA No. 8556.

Operational Risk

Operational risk is the risk arising from day-to-day operational activities which may result from inadequate or failed internal processes, people and systems or from external events, including legal and reputational risks but excludes strategic risks.

The Operating Risk Head is responsible for:

a. The overall management of operational risk that may pose threat to the Company's business, profitability, reputation, customers, and staff;
b. The effective operational risk management of all business initiatives, inter and intra department processes;
c. The development of an appropriate risk management environment and structure for the Company; and
d. The effectiveness of the areas of business continuity management.

The operational risk management process consists of a staged approach involving establishing the context, risk identification, risk analysis, risk management and mitigation strategies and risk monitoring and review.

Establishing the context provides the Company strategic organizational context of the local business environment. This will assist in determining the appropriate resources for risk management activities, ensuring compliance with the law and enable alignment of the Company's strategies, so the risks that present the greatest risk or impact to the Company are identified and managed effectively.

Risk identification allows the Company to identify the end-to-end risks facing the business. It is important to understand operational risks relative to the area, process, business initiative, product, service or project being examined. Risks identified need to be analyzed in terms of likelihood and consequence of their occurrence.

Where risks are acceptable, the Company records risk acceptance and indicates requirements for testing and monitoring of controls. Where the outcome of the risk analysis step reveals an unacceptable risk, the Company implements risk mitigation and control strategies to eliminate or minimize the risk within acceptable limits.

Risk monitoring and review is the final stage of the risk assessment process where ongoing monitoring, review and reporting are done to ensure changing circumstances are managed in line with risk priorities. This includes the ongoing review of the risk management program to ensure its continued suitability, adequacy, and effectiveness.

Information Security Risk

The Business Information Security Office is responsible for overseeing conduct of independent risk assessment and governance of the Company's information security program, including oversight of information technology risk. This includes establishing, implementing, monitoring and improving controls to ensure protection of the Company's information assets, as well as maintaining and improving the overall information security awareness of the organization.

The unit also oversees the overall implementation and compliance of the Company to the Payment Card Industry Data Security Standards (PCI DSS) as mandated by the payment brands. The PCI DSS compliance program aims to pursue certification in the near future and maintain full compliance thereafter. In coordination with Internal Audit, annual compliance reviews are performed and results are submitted to Visa and MasterCard.

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5. **Fair Value Measurement**

The methods of assumptions used by the Company in estimating the fair value of its financial instruments are as follow:

Cash and Cash Equivalents (includes Cash, Due from BSP and Interbank Loans Receivable)

Carrying amounts approximate fair values in view of the relatively short-term maturities of these instruments.

Accounts Receivable - Cardholders

The fair values of accounts receivable from straight payment transactions and short-term installment approximate carrying amounts, net of allowance, while the fair values of long-term installment receivables are estimated using the discounted cash flow methodology, using current incremental lending rates ranging from 5.4% to 7.5% and 3.2% to 5.7% in 2018 and 2017, respectively, for similar types of receivables.

Effective October 2018, the Company determines its applicable lending rate on its long-term installment receivables using PHP Bloombreg Valuation (BVAL) rates, which replaces the previously used Philippine Dealing System Treasury (PDST) reference rates, in compliance with the requirements of BAP.

Accounts Receivable - Others, Other Assets, Accounts Payable and Accrued Interest Payable

The carrying amounts, net of allowance, approximate their fair values due to either the demand feature or the relatively short-term maturities of these receivables and payables. Refundable deposits are carried at cost and are not significant to the Company's portfolio of assets.

Equity Instruments at Fair Value through Other Comprehensive Income
The fair value of the unquoted shares is estimated using the guideline publicly-traded company method, which utilizes publicly available information from publicly-traded comparable companies that are the same or similar to the unlisted company being valued.

Bills Payable, Notes Payable and Subordinated Debt
The carrying value approximates fair value for borrowings with relatively short maturities. For certain borrowings which are long-term in nature, fair values are estimated using the discounted cash flow methodology, using current incremental lending rates ranging from 2.9% to 7.2% and 0.9% to 6.3% in 2018 and 2017, respectively, for similar types of borrowings.

Derivative Instruments
Fair values are estimated based on discounted cash flow technique. The Company used various observable market inputs including the credit quality of the counterparty, foreign exchange spot and forward rates, interest rate curves and forward rate curves. As of December 31, 2018, the fair value of derivative liability positions is net of a credit valuation adjustment attributable to derivative counterparty default risk.

The following tables summarize the carrying amount and fair values of the financial assets and liabilities, analyzed based on the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique (amounts in thousands):

	2018				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Financial assets for which fair values are disclosed:					
Accounts receivable:					
Cardholders	**₱66,233,408**	**₱–**	**₱–**	**₱74,158,369**	**₱74,158,369**
Financial asset measured at fair value:					
Equity instruments at FVOCI	**28,158**	**–**	**–**	**28,158**	**28,158**
	₱66,261,566	**₱–**	**₱–**	**₱74,186,527**	**₱74,186,527**

	2018				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Financial liabilities for which fair values are disclosed:					
Bills payable	**₱28,985,876**	**₱–**	**₱–**	**₱28,945,905**	**₱28,945,905**
Notes payable	**31,317,426**	**–**	**–**	**30,817,412**	**30,817,412**
Subordinated debt	**1,164,611**	**–**	**–**	**1,144,598**	**1,144,598**
	₱61,467,913	**₱–**	**₱–**	**₱60,907,915**	**₱60,907,915**
Financial liabilities measured at fair value:					
Derivative liabilities:					
Cross-currency interest rate swaps	**₱99,372**	**₱–**	**₱99,372**	**₱–**	**₱99,372**

	2017				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Financial assets for which fair values are disclosed:					
Accounts receivable:					
Cardholders	₱58,590,969	₱–	₱–	₱62,400,625	₱62,400,625
Financial liabilities for which fair values are disclosed:					
Bills payable	₱34,202,526	₱–	₱–	₱34,518,260	₱34,518,260
Notes payable	20,774,614	–	–	21,026,842	21,026,842
Subordinated debt	1,163,520	–	–	1,200,216	1,200,216
	₱56,140,660	₱–	₱–	₱56,745,318	₱56,745,318

During the years ended December 31, 2018 and 2017, there were no transfers of financial instruments between Level 1 and Level 2, and no transfer in and out of Level 3.

Significant Unobservable Inputs
As of December 31, 2018, quantitative information about the Company's fair value measurements using significant unobservable inputs (Level 3), specifically the unquoted equity instruments at FVOCI, follows:

Fair Value at December 31	Valuation Technique(s)	Unobservable Input(s)	Range	Reasonably Possible Alternative Assumption	Sensitivity of the Fair Value to the Input
₱28,157,760	Guideline publicly-traded company method	Price to earnings ratio	13.8:1 to 18.4:1	+5%	₱1,407,823
				-5%	(1,407,947)
		Discount for lack of marketability	30%	+5%	(2,011,326)
				-5%	2,011,202

The Company estimates the fair value of the unquoted equity instruments using the 'benchmark multiples' of comparable publicly-traded companies. The identification of comparable companies considers the similarities between the subject company being valued and the guideline companies in terms of industry, market, product line or service type, growth, etc. The Company also determines an appropriate discount adjustment for the lack of marketability of these unquoted equity shares based on empirical evidence gathered from available public market research.

The use of reasonably possible alternative assumptions in the significant unobservable inputs will affect the fair value of the unquoted equity instruments and the OCI (before tax) as presented above.

6. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand	**₱12,500**	₱12,500
Cash in banks (Note 21)	**1,082,259,131**	1,809,018,949
	1,082,271,631	1,809,031,449
Due from BSP (Note 12)	**9,526,731,502**	10,948,054,071
Interbank loans receivable	**2,200,000,000**	300,000,000
	12,809,003,133	13,057,085,520
Allowance for credit losses	**(146,174)**	–
	₱12,808,856,959	₱13,057,085,520

Cash in banks include time deposit accounts, current and savings deposit accounts and foreign currency deposits with related parties (Note 21). In 2018 and 2017, time deposit, savings account and foreign currency deposits bear annual interest rates of 0.3% to 1.5% and 0.5% to 1.5%, respectively.

Due from BSP is a noninterest-bearing demand deposit account. In compliance with existing BSP regulations, the Company maintains a required statutory reserve for its debt obligations considered as deposit substitutes. As of December 31, 2018 and 2017, the total statutory reserves, as reported to the BSP, amounted to ₱9.5 billion and ₱10.9 billion, respectively (Note 12).

In 2018 and 2017, interbank loans receivable have terms of 1 to 5 days and 1 to 7 days, respectively. In 2018 and 2017, interbank loans receivable bears annual interest rates of 2.5% to 5.0% and 1.5% to 3.4%, respectively.

The allowance for credit losses recognized under 'Cash and cash equivalents' pertain only to 'Cash in banks.' No allowance for credit losses were recognized for 'Due from BSP' and 'Interbank loans receivable' as of December 31, 2018.

As of December 31, 2018, an analysis of changes in the gross carrying amount and the corresponding allowance for credit losses for cash in bank is as follows:

Gross carrying amount	
Balance at beginning of year	₱1,809,018,949
Movements in receivable balance (excluding write-offs)	(726,759,818)
Balance at end of year	₱1,082,259,131
Allowance for credit losses	
Balance at beginning of year	₱–
Provision during the year	146,174
Balance at end of year	₱146,174

There were no transfers to stages 2 and 3 in 2018.

Interest income earned on cash and other cash items, included under 'Interest income from banks' in the statements of income follow:

	2018	2017
Interbank loans receivable	**₱3,433,758**	₱10,079,316
Short-term deposits	**14,134,658**	3,681,497
Deposits with banks	**102,081**	77,858
	₱17,670,497	₱13,838,671

7. Accounts Receivable

This account consists of receivables from:

	2018	2017
Cardholders	**₱74,665,323,027**	₱64,109,001,276
Others (Note 21)	**392,222,447**	976,369,804
	75,057,545,474	65,085,371,080
Deferred acquisition cost	**167,896,986**	116,466,325
Unearned interest and other deferred income	**(4,330,117,097)**	(3,663,915,094)
	70,895,325,363	61,537,922,311
Allowance for credit losses	**(4,101,798,235)**	(1,854,117,363)
	₱66,793,527,128	₱59,683,804,948

Total accounts receivable as shown in the statements of financial position follow:

	2018	2017
Current portion	**₱58,455,080,198**	₱48,623,885,940
Noncurrent portion	**8,338,446,930**	11,059,919,008
	₱66,793,527,128	₱59,683,804,948

As of December 31, 2018 and 2017, the Company has outstanding installment credit card receivables and unearned interest income amounting to ₱37.0 billion and ₱30.6 billion, and ₱4.3 billion and ₱3.7 billion, respectively.

The Company recognized interest income from regular and installment credit card receivables amounting to ₱8.7 billion and ₱5.0 billion in 2018, respectively, and ₱7.5 billion and ₱4.2 billion in 2017, respectively.

Credit card receivables include past due accounts amounting to ₱3.5 billion and ₱3.9 billion as of December 31, 2018 and 2017, respectively.

Deferred acquisition cost represents capitalized commissions paid to third-party brokers for successfully originated credit card accounts. These are amortized over two (2) years, which is the average relationship life with customers, on a straight-line basis. Deferred acquisition costs as at December 31 are as follows:

	2018	2017
Balances at beginning of the year	**₱116,466,325**	₱113,603,056
Acquisition during the year	**186,921,270**	155,292,629
Amortization during the year	**(135,490,609)**	(152,429,360)
Balances at end of year	**₱167,896,986**	₱116,466,325

Others include accrued interest receivables, advances to officers and employees and receivables from the Ultimate Parent Company (Note 21).

BSP Reporting
The BSP considers that loan concentration of credit risk exists when the total loan exposure to a particular industry or economic sector exceeds 30.0% of total loan portfolio. As of December 31, 2018 and 2017, 100.0% and 99.8% of the Company's accounts receivable are classified under personal activities, respectively.

As of December 31, 2018 and 2017, nonperforming loans (NPLs) not fully covered by allowance for credit losses follow:

	2018	2017
Total NPLs	**₱1,186,074,196**	₱1,058,983,805
Less NPLs fully covered by allowance for credit losses	**161,731**	262,955
	₱1,185,912,465	₱1,058,720,850

NPLs are classified as impaired and refer to loans or receivables whose principal and/or interest is unpaid for 90 days or more after due date.

Allowance for Credit Losses
As of December 31, 2018, an analysis of changes in the gross carrying amount and the corresponding allowance for credit losses for the following exposures is as follows:

	Receivables from Cardholders			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Balance at beginning of year	₱56,276,961,989	₱5,146,054,773	₱2,685,984,514	₱64,109,001,276
New exposures	1,556,803,763	–	–	1,556,803,763
Transfers to Stage 1	4,110,364,625	(4,098,235,789)	(12,128,836)	–
Transfers to Stage 2	(9,324,540,651)	9,392,140,427	(67,599,776)	–
Transfers to Stage 3	(667,511,909)	(5,001,340,980)	5,668,852,889	–
Movements in receivables balance (excluding write-offs)	13,675,966,960	80,702,058	(777,586,377)	12,979,082,641
Accounts written-off	–	–	(3,979,564,653)	(3,979,564,653)
Balance at end of year	**₱65,628,044,777**	**₱5,519,320,489**	**₱3,517,957,761**	**₱74,665,323,027**
Allowance for ECL				
Balance at beginning of year	₱835,255,803	₱1,738,824,428	₱1,058,771,919	₱3,632,852,150
New exposures	22,474,365	–	–	22,474,365
Transfers to Stage 1	1,407,883,725	(1,401,208,164)	(6,675,561)	–
Transfers to Stage 2	(498,398,744)	532,674,021	(34,275,277)	–
Transfers to Stage 3	(47,874,780)	(1,673,201,194)	1,721,075,974	–
Movements in receivables balance (excluding write-offs)	388,939,557	43,331,258	(90,065,151)	342,205,664
Accounts written-off	–	–	(3,979,564,653)	(3,979,564,653)
Impact on year-end ECL of exposures transferred during the year	(1,191,383,495)	2,601,042,066	2,658,456,987	4,068,115,558
Balance at end of year	**₱916,896,431**	**₱1,841,462,415**	**₱1,327,724,238**	**₱4,086,083,084**

	Other Receivables			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount				
Balance at beginning of year	₱976,369,804	₱–	₱–	₱976,369,804
New exposures	596,948	–	–	596,948
Transfers to Stage 3	(596,948)	–	596,948	–
Amounts written off	–	–	(29,985,270)	(29,985,270)
Movements in receivable balance (excluding write-offs)	(794,629,318)	–	239,870,283	(554,759,035)
Balance at end of year	**₱181,740,486**	**₱–**	**₱210,481,961**	**₱392,222,447**

	Other Receivables			
	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL				
Balance at beginning of year	₱–	₱–	₱14,380,256	₱14,380,256
Movements in receivable balance (excluding write-offs)	–	–	30,723,217	30,723,217
Impact on year-end ECL of exposures transferred between stages during the year	–	–	596,948	596,948
Amounts written off	–	–	(29,985,270)	(29,985,270)
Balance at end of year	**₱–**	**₱–**	**₱15,715,151**	**₱15,715,151**

For the year ending December 31, 2018, the Company recognized provision for credit losses on accounts receivables from cardholders and other receivables amounting to ₱4.4 billion and ₱31.5 million, respectively.

As of December 31, 2017, changes in the allowance for credit losses are as follows:

	Cardholders	Others	Total
Balances at beginning of year	₱1,833,486,513	₱12,992,304	₱1,846,478,817
Provision for credit losses	3,530,074,908	30,098,710	3,560,173,618
Accounts written-off	(3,523,824,313)	(28,710,759)	(3,552,535,072)
Balances at end of year	₱1,839,737,108	₱14,380,255	₱1,854,117,363

At the current level of allowance for credit losses, management believes that the Company has sufficient allowance to cover any losses that may be incurred from the non-collection or non-realization of its accounts receivable.

Section 9(f) of RA No. 8556 requires that a 100.0% allowance for credit losses should be set up for the following:

a. Clean loans and advances past due for a period of more than six months;
b. Past due loans secured by collateral such as inventories, receivables, equipment and other chattels that have declined in value by more than 50.0%, without the borrower offering additional collateral for the loans;
c. Past due loans secured by real estate mortgage title to which is subject to an adverse claim rendering settlement through foreclosure doubtful;
d. When borrower and his co-maker or guarantor, are insolvent or where their whereabouts are unknown, or their earnings power is permanently impaired;
e. Accrued interest receivable that remain uncollected after six months from the maturity date of such loans to which it accrues; and
f. Accounts receivable past due for 361 days or more.

As of December 31, 2018 and 2017, the Company's allowance for credit losses for accounts receivable is in compliance with the requirements of RA No. 8556.

8. Hedging Activities and Hedging Instruments

In 2018, the Company entered into cross-currency interest rate swaps with the Ultimate Parent Company and other various foreign counterparty banks (syndicated) to hedge the interest rate and foreign currency risks arising from its dollar-denominated loans. Under the cross-currency interest rate swap agreements, the Company hedged its dollar-denominated floating rate loans into peso fixed rate loans.

The fair value of cross-currency interest rate swaps recorded as 'Derivative liabilities' and its notional amount amounted to US$137.3 million and ₱7.3 billion, respectively, as of December 31, 2018. The notional amount, recorded at a gross, is the amount of the derivative's underlying liability, reference rate of index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the end of the year. The cross-currency interest rate swaps outstanding as of December 31, 2018 has inception, effective and maturity dates as follow:

	Inception / Effective Date	Maturity Date
Cross-currency interest rate swap 1	June 19, 2018	June 18, 2021
Cross-currency interest rate swap 2	September 17, 2018	September 17, 2021
Cross-currency interest rate swap 3	December 28, 2018	December 27, 2019

The Company designated the cross-currency interest rate swaps at inception dates as effective hedging instruments under cash flow hedge. Based on the respective deals above, the Company, on a quarterly basis, paid fixed annual interest rates ranging from 6.6% to 7.2%, on the peso principals and received floating annual interest at three-month LIBOR plus 0.8% to 1.0% interest spread on the USD principals.

The cross-currency interest rate swaps are initially recognized at a fair value of zero (0) at inception date since the cash flow hedge was designated for hedge accounting. Such derivative financial instruments are subsequently remeasured at fair value.

The credit risk standing of the Company and the counterparty-banks are both good, and at reporting date, there are no known or significant events or circumstances that would adversely affect the credit risk standings of both counter parties. The terms of the hypothetical derivative match the critical terms of the hedged item.

The Company identified the possible sources of ineffectiveness:
- the timing of the interest payments wherein actual interest payments for the underlying loan and the swap; and
- the maturity date of the underlying loan does not coincide with the maturity date of the cross-currency interest rate swaps or non-renewal of the cross-currency interest rate swaps.

The Company does neither foresee nor intend to change the timing of the interest payments. Also, non-renewal of cross-currency interest rate swaps shall only transpire if and only if the market conditions on renewal date becomes favorable to the company. There were no other sources of ineffectiveness in these hedge relationships as of December 31, 2018.

An economic relationship exists between the hedged items and hedging instrument as the critical terms of the loan and the derivative match.

Hedge effectiveness is assessed at inception of the hedge, at each reporting date, and upon a significant change in the circumstances affecting the hedge effectiveness. At reporting date, hedge ratio is calculated for the hedging instrument. As of the inception and reporting date, the hedge ratio is 1:1 or 100%.

As of December 31, 2018, the Company has the following instruments with maturities of 1 to 5 years to hedge exposures to changes in interest rates and foreign exchange currency rates:

Cross-currency interest rate swaps	
Nominal amount	₱7,316,000,000.0
Average foreign exchange rate	53.0
Average fixed interest rate	6.9%

The amounts relating to items designated as hedging instruments and hedge ineffectiveness in as of and for the year ending December 31, 2018 were as follows:

	Nominal Amount	Carrying Amount	Changes in Fair Values	Changes in the Value of the Hedging Instrument Recognized in OCI	Hedge Ineffectiveness Recognized in Statement of Income	Amount Reclassified from the 'Cash flow reserve' to Statement of Income
Cross-currency interest rate swaps	**₱7,316,000,000**	**(₱99,372,282)**	**(₱99,372,282)**	**₱2,996,372**	**₱–**	**(₱96,375,910)**

The Company's financial instruments designated as hedged items in cash flow hedge relationships follow:

	Change in Value used for Calculating Hedge Ineffectiveness	Cash Flow Hedge Reserve
Floating rate dollar-denominated notes	(₱2,996,372)	(₱2,996,372)

The hedged items are recorded under 'Notes payable' (Note 12).

9. Property and Equipment

The components of and movements in this account are as follows:

	2018						
	Land	**Building**	**Building Improvements**	**Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Leasehold Improvements**	**Total**
Cost							
Balances at beginning of year	**₱283,410,974**	**₱222,745,925**	**₱130,472,876**	**₱425,661,247**	**₱213,091,077**	**₱75,295,609**	**₱1,350,677,708**
Acquisitions	**–**	**–**	**7,778,163**	**27,926,234**	**58,130,616**	**324,646**	**94,159,659**
Disposals	**–**	**–**	**–**	**(29,080,869)**	**(28,631,437)**	**(575,167)**	**(58,287,473)**
Balances at end of year	**283,410,974**	**222,745,925**	**138,251,039**	**424,506,612**	**242,590,256**	**75,045,088**	**1,386,549,894**
Accumulated depreciation and amortization							
Balances at beginning of year	**–**	**73,579,714**	**116,070,245**	**317,703,714**	**111,389,227**	**73,047,459**	**691,790,359**
Depreciation and amortization	**–**	**7,424,864**	**6,959,790**	**43,656,688**	**42,325,057**	**754,554**	**101,120,953**
Disposals	**–**	**–**	**–**	**(29,072,456)**	**(22,048,806)**	**(575,167)**	**(51,696,429)**
Balances at end of year	**–**	**81,004,578**	**123,030,035**	**332,287,946**	**131,665,478**	**73,226,846**	**741,214,883**
Net book value at end of year	**₱283,410,974**	**₱141,741,347**	**₱15,221,004**	**₱92,218,666**	**₱110,924,778**	**₱1,818,242**	**₱645,335,011**

	2017						
	Land	Building	Building Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost							
Balances at beginning of year	₱283,410,974	₱222,745,925	₱124,903,327	₱383,205,522	₱210,443,992	₱74,563,674	₱1,299,273,414
Acquisitions	–	–	5,569,549	51,274,345	51,528,440	731,935	109,104,269
Disposals	–	–	–	(8,818,620)	(48,881,355)	–	(57,699,975)
Balances at end of year	283,410,974	222,745,925	130,472,876	425,661,247	213,091,077	75,295,609	1,350,677,708
Accumulated Depreciation and Amortization							
Balances at beginning of year	–	66,154,850	107,482,395	281,597,891	111,901,979	69,848,093	636,985,208
Depreciation and amortization	–	7,424,864	8,587,850	44,879,064	38,363,974	3,199,366	102,455,118
Disposals	–	–	–	(8,773,241)	(38,876,726)	–	(47,649,967)
Balances at end of year	–	73,579,714	116,070,245	317,703,714	111,389,227	73,047,459	691,790,359
Net book value at end of year	₱283,410,974	₱149,166,211	₱14,402,631	₱107,957,533	₱101,701,850	₱2,248,150	₱658,887,349

As of December 31, 2018 and 2017, the Company has fully depreciated property and equipment that are still in use with original cost amounting to ₱463.5 million and ₱496.9 million, respectively. Gain on sale of property and equipment amounted to ₱1.8 million and ₱0.7 million in 2018 and 2017, respectively (Note 17).

10. **Intangibles, Equity Instrument at FVOCI and Other Assets**

This account consists of:

	2018	2017
Intangible assets	**₱435,241,375**	₱535,390,286
Refundable deposits	**14,307,109**	14,541,158
Miscellaneous	**11,168,212**	18,031,267
	₱460,716,696	₱567,962,711

The composition of and movements of intangible assets are as follows:

	2018		
	Capitalized Software and License Fees	**Project in Progress**	**Total**
Cost			
Balances at beginning of year	**₱921,887,305**	**₱103,677,992**	**₱1,025,565,297**
Acquisitions	**134,999,425**	**12,968,724**	**147,968,149**
Reclassifications	**61,698,494**	**(61,698,494)**	**–**
Write-offs	**(122,716,113)**	**–**	**(122,716,113)**
Balance at end of year	**995,869,111**	**54,948,222**	**1,050,817,333**
Accumulated amortization			
Balances at beginning of year	**490,175,011**	**–**	**490,175,011**
Amortization	**181,508,945**	**–**	**181,508,945**
Write-offs	**(56,107,998)**	–	**(56,107,998)**
Balances at end of year	**615,575,958**	**–**	**615,575,958**
Net book value at end of year	**₱380,293,153**	**₱54,948,222**	**₱435,241,375**

	2017		
	Capitalized Software and License Fees	Project in Progress	Total
Cost			
Balances at beginning of year	₱887,207,671	₱43,275,274	₱930,482,945
Acquisitions	106,062,945	68,869,600	174,932,545
Reclassifications	8,466,882	(8,466,882)	–
Write-offs	(79,850,193)	–	(79,850,193)
Balance at end of year	921,887,305	103,677,992	1,025,565,297
Accumulated Amortization			
Balances at beginning of year	400,067,808	–	400,067,808
Amortization	169,957,396	–	169,957,396
Write-offs	(79,850,193)	–	(79,850,193)
Balances at end of year	490,175,011	–	490,175,011
Net book value at end of year	₱431,712,294	₱103,677,992	₱535,390,286

<u>Capitalized Software and License Fees</u>
Capitalized software includes costs related to software purchased by the Company for use in operations. License fees represent the amount paid for the privilege to use software modules and manuals.

Project in Progress
As of December 31, 2018 and 2017, the Company reclassified cost of individual projects, which were completed and available-for-use, amounting to ₱61.7 million and ₱8.5 million, respectively, to capitalized software and license fees.

Equity Instrument at FVOCI
Equity instrument at FVOCI pertains to the Company's investment in external credit collection agency, which amounted to ₱28.2 million and nil as of December 31, 2018 and 2017, respectively.

11. **Accounts Payable**

This account consists of:

	2018	2017
Payable to merchants	**₱1,525,460,186**	₱1,730,261,526
Others:		
Financial:		
Advance payments from cardholders	**202,726,727**	179,776,309
Payable to suppliers and service providers (Note 21)	**195,184,830**	172,201,698
Payable to Visa/MasterCard	**191,033,191**	151,141,200
Collection fees	**1,684,408**	1,445,199
Miscellaneous	**8,652,859**	3,516,385
	599,282,015	508,080,791
Nonfinancial:		
Withholding taxes payable	**157,881,970**	156,475,804
GRT payable	**89,805,830**	77,866,571
DST payable	**71,286,626**	5,226,411
Payable to SSS/Pag-ibig	**2,253,124**	2,080,984
	321,227,550	241,649,770
	₱2,445,969,751	₱2,479,992,087

Payable to merchants represent the amount due to various member establishments for the Company's acquiring transactions. Settlement occurs one (1) day after the transaction date.

Miscellaneous payable consists of stale checks.

12. **Bills and Notes Payable**

Bills Payable
Bills payable consists of deposit substitutes amounting to ₱29.0 billion and ₱34.2 billion as of December 31, 2018 and 2017, respectively.

The total bills payable as shown in the statements of financial position follow:

	2018	2017
Current portion of promissory notes issued to:		
Consumers	**₱14,169,804,813**	₱18,161,110,053
Corporates	**6,776,021,938**	10,703,758,757
	20,945,826,751	28,864,868,810
Interbank loans payable	**52,583,451**	–
	20,998,410,202	28,864,868,810
Noncurrent portion of promissory notes issued to:		
Consumers	**3,942,279,863**	4,282,842,301
Corporates	**4,045,185,598**	1,054,814,501
	7,987,465,461	5,337,656,802
	₱28,985,875,663	₱34,202,525,612

As of December 31, 2018 and 2017, deposit substitutes have maturities of 2 days to 7 years, and 15 days to 7 years, respectively. Deposit substitutes bear annual interest rates ranging from 0.9% to 7% and 1.4% to 5.3% in 2018 and 2017, respectively.

Under the existing BSP regulations, the Company's deposit substitutes are subject to statutory reserves of 18.0% in 2018 and 20.0% 2017, respectively. The total statutory reserves maintained by the Company, as reported to the BSP, are disclosed in Note 6.

Interbank loans payable bear annual interest rates ranging from 0.9% to 7% and 2.5% to 3.2% in 2018 and 2017, respectively.

As of December 31, 2018 and 2017, the unamortized issuance costs on bills payable amounted to ₱70.6 million and ₱59.5 million, respectively.

Amortization of issuance costs amounting to ₱57.6 million and ₱47.3 million in 2018 and 2017, respectively, were charged to 'Interest expense' in the statements of income.

Notes Payable

This account consists of:

	Maturities	Interest Rates	2018	2017
Current interest-bearing notes (net of unamortized issuance costs):				
Peso-denominated notes:				
Omnibus notes from local banks:				
₱16.9 billion loan facility	**2019**	**3.9% to 5.8%**	**₱16,870,278,329**	
₱1.4 billion loan facility	**2019**	**5.3% to 5.3%**	**1,432,618,316**	
₱1.9 billion loan facility	**2019**	**6.3%**	**1,879,270,382**	
₱3.7 billion loan facility	**2018**	**2.8% to 3.4%**		₱3,550,000,000
₱8.0 billion loan facility	**2018**	**2.8% to 3.3%**		7,500,000,000
₱2.5 billion loan facility	**2018**	**3.1% to 3.9%**		2,000,000,000
₱0.1 billion loan facility	**2018**	**2.9%**		100,000,000
Dollar-denominated notes:				
Loans from ANZ:				
US$20.0 million credit facility Agreement	**2018**	**2.4%**		353,504,400
US$5.0 million credit facility Agreement	**2019**	**3.3%**	**184,030,000**	

(Forward)

	Maturities	Interest Rates	2018	2017
Loans from MUFG				
US$2.2 million short-term loan	**2019**	**3.3%**	**₱115,676,000**	
			20,481,873,027	₱13,503,504,400
Noncurrent interest-bearing notes (net of unamortized issuance costs):				
Peso-denominated notes:				
Omnibus notes from local banks:				
₱2.0 billion loan facility	**2019**	**6.3%**		1,897,032,479
Loans from local banks:				
5Y bilateral loans	**2020**	**4.8%**	**500,000,000**	
5Y bilateral loans	**2021**	**4.8%**	**1,300,000,000**	
5Y bilateral loans	**2021**	**5.5%**	**960,000,000**	
7Y bilateral loans	**2022**	**5.0%**	**1,000,000,000**	
5Y bilateral loans	**2019**	**5.3%**		1,441,712,257
5Y bilateral loans	**2020**	**4.8%**		498,685,722
5Y bilateral loans	**2021**	**4.7%**		1,295,531,216
7Y bilateral loans	**2021**	**5.5%**		967,639,812
5Y bilateral loans	**2022**	**5.0%**		995,753,012
Dollar-denominated notes:				
Loans from MBTC:				
US$37.3.0 million credit facility agreement	**2021**	**6.6% to 6.9%**	**1,948,661,826**	
Loans from ANZ:				
US$100.0 million credit facility agreement	**2021**	**7.2%**	**5,126,891,214**	
US$5.0 million credit facility agreement	**2019**	**3.3%**		174,755,000
			10,835,553,040	7,271,109,498
			₱31,317,426,067	₱20,774,613,898

Unamortized issuance costs amounted to ₱38.8 million and ₱17.6 million as of December 31, 2018 and 2017, respectively. In 2018 and 2017, amortization of issuance costs amounting to ₱7.5 million and ₱2.8 million, respectively, were charged to 'Interest expense' in the statements of income.

Following are the significant terms and conditions of the Company's peso- and dollar-denominated notes payable:

Bilateral loans
Interests are due upon maturity and monthly for short-term notes and quarterly to semi-annually for long-term notes, respectively. The principal is due upon maturity of the notes. All loans are unsecured and subject to the following standard default provisions that would make the loan due and demandable upon:

- technical defaults, subject to curing period; or
- default in payment, loan is immediately due and demandable.

In April 2014, the Company's BOD and management decided to exercise its right to redeem the ₱2.0 billion corporate notes maturing in 2015. This was refinanced via bilateral loans totaling ₱2.5 billion maturing in 2019 and 2021.

Loans from Metrobank
Unsecured loans with quarterly interest payments subject to the following standard default provisions that would make the loan due and demandable upon:

- use of proceeds other than purpose; or
- default in payment.

Loans from ANZ
This is composed of unsecured loans with interest payable upon maturity and quarterly for short-term notes and long-term notes, respectively. The loans are subject to the following undertakings and provisions:

- information undertakings, the Company must provide its financial statements and notify events with material adverse effect on the Company;
- negative pledge provision with an exception to the securitization of credit card receivables;
- provision to not enter into merger, disposal of assets or to make substantial change to the general nature of the business;
- other general undertakings such as compliance of laws and payment of taxes; and
- acceleration clause, the loan becomes due and demandable upon occurrence of an event of default.

Loans syndication arranged by ANZ
This represents unsecured loans with interest payable quarterly, from fifteen (15) Singaporean, Japanese and Taiwanese banks. The loans are subject to the follows undertaking and provisions:

- information undertakings, the Company must provide its financial statement and notify events with material adverse effect on Company, through ANZ, acting as agent
- negative pledge provision with permitted applications
- the loans may be prepaid on any interest payment date with prior notice, without penalty
- provision on merger or corporate reconstruction only with the Company or its parent is surviving entity, and will not result in material adverse effect
- other general undertakings such as compliance of laws and payment of taxes; and
- acceleration clause, the loan becomes due and demandable upon occurrence of an event of default

Omnibus agreements
The Omnibus Agreements with various local banks include a cross-default clause wherein it provides that if the Company fails to pay any amount due under any other agreement of document evidencing, guaranteeing or relating to the indebtedness of the Company or other occurrence of event of default or material breach on the part of the Company under any agreement or document, the liability shall be declared due and payable. The loans are unsecured and are obtained to finance credit card receivables.

Interest expense on the Company's borrowings consists of:

	2018	2017
Bills payable	**₱1,113,961,787**	₱997,257,851
Notes payable	**965,551,914**	578,960,259
Subordinated debt (Note 14)	**74,377,365**	73,579,668
Cross-currency interest rate swap cost (Note 7)	**56,906,855**	–
	₱2,210,797,921	₱1,649,797,778

13. Revenue from Contracts with Customers

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	2018			2017		
	Point-in-time	**Over time**	**Total**	Point-in-time	Over time	Total
Discounted earned	**₱2,411,581,701**	**₱–**	**₱2,411,581,701**	₱2,240,489,274	₱–	₱2,240,489,274
Membership fees and dues	**–**	**882,661,306**	**882,661,306**	–	841,001,235	841,001,235
Awards revenue	**67,890,112**	**–**	**67,890,112**	120,774,947	–	120,774,947
Miscellaneous income	**932,110,429**	**–**	**932,110,429**	814,602,639	–	814,602,639
	₱3,411,582,242	**₱882,661,306**	**₱4,294,243,548**	₱3,175,866,860	₱841,001,235	₱4,016,868,095

The changes and movements in contract liabilities are as follows:

	2018				
	Awards Revenue	**Membership Fees and Dues**	**Recoveries from Debt Sale**	**Others**	**Total**
Balance at January 1, 2018, as previously reported	**₱556,038,301**	**₱381,453,995**	**₱118,318,393**	**₱–**	**₱1,055,810,689**
Effect of the adoption of PFRS 15	**71,481,773**	**–**	**–**	**–**	**71,481,773**
Balance as at January 1, 2018, as restated	**627,520,074**	**381,453,995**	**118,318,393**	**–**	**1,127,292,462**
Deferred during the year	**162,508,344**	**847,356,676**	**–**	**512,430**	**1,010,377,450**
Recognized to income during the year	**(67,890,112)**	**(882,661,306)**	**(118,318,393)**	**–**	**(1,068,869,811)**
Balances at end of year	**₱722,138,306**	**₱346,149,365**	**₱–**	**₱512,430**	**₱1,068,800,101**

	2017				
	Awards Revenue	Membership Fees and Dues	Recoveries from Debt Sale	Others	Total
Balances at beginning of year	₱629,401,177	₱416,640,519	₱–	₱–	₱1,046,041,696
Deferred during the year	47,412,071	805,814,711	118,318,393	–	971,545,175
Recognized to income during the year	(120,774,947)	(841,001,235)	–	–	(961,776,182)
Balances at end of year	₱556,038,301	₱381,453,995	₱118,318,393	₱–	₱1,055,810,689

On October 1, 2017, the Company entered into a Debt Sale Agreement with Collectius AG c/o Stena (Switzerland) AG (Collectius) to sell its written-off receivables for ₱394.4 million. The agreement includes a provision for buy-back period until December 31, 2018 in an amount not exceeding 30% of the selling price as a result of certain conditions as enumerated in the agreement.

As of December 31, 2017, the Company deferred 30% of the selling price. For the year ending December 31, 2018, such conditions were satisfied and the deferred selling price amounting to ₱118.3 million were recognized as revenue under 'Recoveries of accounts written-off.'

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2018 are, as follows:

	2018	2017
Within one year	**₱346,661,795**	₱499,772,388
More than a year	**722,138,306**	556,038,301
	₱1,068,800,101	₱1,055,810,689

The remaining performance obligations expected to be recognized in more than one year relate to the customer loyalty program. The customer loyalty points have no expiration and redemptions can go beyond one year. All other remaining performance obligations, which include membership fees and dues, are expected to be recognized within one year.

In 2018 and 2017, the cost of redemption of loyalty points, recognized under 'Loyalty expense', amounted to ₱180.2 million and ₱140.1 million, respectively.

14. **Subordinated Debt**

On February 28, 2013, the Company's BOD approved the issuance of ₱1.17 billion worth of Fixed-Rate Unsecured Subordinated Notes Eligible as Tier 2 Capital due 2023, callable in 2018 (the Notes) pursuant to the BSP Circular No. 280 and No. 781, Series of 2001 and 2013, as amended.

Among the significant terms and conditions of the issuance of the Notes pursuant to the authority granted by the BSP to the Company on October 22, 2013 follow:

a. Issue price at 100.0% of face value.

b. The Notes bear interest at 6.21% per annum from and including December 20, 2013 and thereafter. Interest will be payable quarterly in arrears at the end of each interest period on March 20, June 20, September 20 and December 20 in each year, except for the last interest period which will end on the maturity date.

   Unless previously redeemed, the Notes will be redeemed at their principal amount on the maturity date of December 20, 2023.

c. The Notes will constitute direct, unsecured and subordinated obligations of the Company, and will, at all times, rank *pari passu* and without any preference among themselves and at least equally with all other present and future unsecured and subordinated obligations of the Company, except obligations mandatorily preferred by law.

d. Noteholders are prohibited by the BSP from having the Notes redeemed at their option prior to its maturity. Noteholders, may sell their Notes in the secondary market, however, this is subject to the limitation that the Notes shall be sold only to qualified buyers. Any sale or transfer of the Notes in the secondary market is then subject to market prices and the limitation on the number of allowable holders.

e. The Notes contain provisions relating to loss absorption upon the occurrence of a non-viability trigger event of the Company or Metrobank as determined by the BSP, pursuant to which the Company may be required immediately and irrevocably (without the need for the consent of the holders of the Notes) to effect a write-off in whole or in part of the outstanding principal and accrued and unpaid interest in respect of the Notes or, in the case of non-viability of Metrobank, the Notes may be converted to such number of common shares of the Company.

f. If a non-viability trigger event occurs, a Noteholder will have no claim against the Company at all in respect of any Notes or any portion of the Notes that have been written down and/or terminated.

The Notes shall not be used as collateral for any loan made by the Company or any of its affiliates.

As of December 31, 2018 and 2017, the unamortized issuance costs on the subordinated debt amounted to ₱5.4 million and ₱6.5 million, respectively.

Amortization of issuance costs amounting to ₱1.1 million in 2018 and 2017 were charged to 'Interest expense' in the statements of income (Note 12).

15. **Accrued Interest, Taxes and Other Expenses**

This account consists of:

	2018	2017
Accrued interest (Note 21)	**₱422,277,137**	₱274,533,877
Accrued advertising	**115,998,622**	88,942,636
Accrued taxes	**20,939,322**	31,355,681
Accrued rewards	**12,194,405**	21,739,660
Accrued other expenses	**520,286,396**	414,399,863
	₱1,091,695,882	₱830,971,717

The table below shows the breakdown of accrued other expenses:

	2018	2017
Compensation and fringe benefits (Note 21)	**₱202,306,607**	₱164,953,281
Service fee	**119,442,437**	100,244,063
Communications expense (Note 21)	**84,268,993**	64,118,587
Rental and office-related expenses (Note 21)	**61,673,662**	52,900,032
Computer-related expenses (Note 21)	**21,997,322**	10,139,270
Maintenance cost	**8,229,332**	6,188,993
Management and professional fees (Note 21)	**8,174,377**	3,829,571
Membership fees	**6,941,681**	2,646,592
Miscellaneous expenses	**7,251,985**	9,379,474
	₱520,286,396	₱414,399,863

16. **Equity**

The details of the Company's capital stock as of December 31, 2018 and 2017 are as follows:

	Shares	Amount
Capital stock - ₱1.0 par value		
Authorized	₱2,000,000,000	₱2,000,000,000
Issued and outstanding		
Balance at beginning and end of year	1,000,000,000	1,000,000,000

Retained Earnings

Under the Corporation Code of the Philippines (the Code), a stock corporation is prohibited from retaining surplus profits in excess of 100.0% of its paid-in capital stock, except when:

a. Justified by definite corporate expansion projects or programs approved by the BOD; or
b. The corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its or his consent, and such consent has not yet been secured; or
c. It can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies.

The Company retains profit in line with its capital management policy (see Note 4).

Appropriations
On December 14, 2018, the BOD approved the re-appropriation of retained earnings in the amount of ₱6.0 billion for the planned issuance of stock dividends in 2019, meet the requirements set by SEC on capital retention in excess of paid-up capital, the BSP on capital ratios set under Basel III rules, and existing creditors on maintaining debt-to-equity ratio of 7.5:1 per loan covenant.

On March 1, 2018, the BOD approved the net appropriation of retained earnings in the amount of ₱11.6 billion for the following:

- Appropriation of retained earnings as capital reserves amounting to ₱3.8 billion. The appropriation, in line with the capital management policy (Note 4), is aimed at strengthening the Company's capital to comply with the debt to equity ratio of 7.5:1 per loan covenants and to meet the CAR with due consideration of the impact of adopting the ECL model under PFRS 9.
- Appropriation of retained earnings for the issuance of cash dividends in 2018 amounting to ₱1.8 billion.
- Appropriation of retained earnings for the issuance of stock dividends in 2018 amounting to ₱6.0 billion.

On February 17, 2017, the BOD approved the net appropriation of retained earnings in the amount of ₱6.6 billion as capital reserves. The appropriation, in line with the capital management policy (Note 4), is aimed at strengthening the Company's capital to comply with the debt-to-equity ratio of 7.5:1 per loan covenants and to meet the CAR with due consideration of the impact of adopting the ECL under PFRS 9. The amount includes re-appropriation of ₱3.7 billion and additional appropriation of ₱2.9 billion in 2017.

Cash dividends
The following cash dividends were declared and paid in 2018.

	Dividend				
Date of Declaration	Per Share	Total Amount	Record Date	Amount Paid	Payment Date
June 29, 2018	₱1.975	₱1,975,000,000	June 29, 2018	₱1,975,000,000	August 29, 2018

No cash dividends were declared in 2017.

The computation of retained earnings available for dividend declaration in accordance with SEC Memorandum Circular No. 11, issued in December 2008, differs to a certain extent as compared with the computation per BSP guidelines.

17. Miscellaneous Income and Expenses

Miscellaneous income consists of:

	2018	2017
Gross international fees	**₱374,980,756**	₱288,159,708
Over credit limit fees	**245,278,028**	251,345,712
Service fees	**145,249,363**	125,604,974
Transaction processing fees	**62,633,175**	57,005,377
Rental income (Notes 18 and 21)	**30,285,556**	33,616,951
Foreign exchange gain	**59,568,491**	42,740,027
Business process outsourcing fees	**2,565,459**	7,458,397
Gain on sale of property and equipment (Note 9)	**1,804,243**	749,650
Others	**9,745,358**	7,921,843
	₱932,110,429	₱814,602,639

Gross international fees represent fees arising from foreign currency transactions of cardholders.

Over credit limit fees represent charges to cardholders when their outstanding balance exceeded the credit limit allowed by the Company.

Service fees represent income arising from other services performed by the Company in fulfilling cardholder's request such as re-printing of statement of accounts (SOAs), card replacements, retrieval of transaction receipts and other fees not directly associated to credit card transactions

Transaction processing fees represent income from processing maintaining accounts, 'cash 2 go' availments and redemption of rewards.

Others include interest income on employee loans various income generating charges.

Miscellaneous expenses consist of:

	2018	2017
Collection fees	**₱168,006,078**	₱154,927,602
Maintenance costs (Note 21)	**151,958,296**	113,670,420
Verification costs	**78,707,883**	58,098,623
Membership fees (Note 21)	**5,032,435**	3,804,042
Insurance (Note 21)	**4,946,400**	4,931,357
Recruitment costs	**4,627,707**	5,387,155
Employee relations expenses	**3,149,213**	2,765,852
Others	**55,702,837**	39,807,912
	₱472,130,849	₱383,392,963

Collection fees pertains to expenses incurred for the services rendered by collection agencies in the collection of payments from delinquent and written-off accounts that were endorsed to the collection agency partners of the Company.

Verification costs represents expenses incurred for the credit investigation procedures, such as ocular verification, encoding services, cost of enquiries for potential cardholders and merchants that are outsourced by the Company from third party agencies.

Others consists of unrealized foreign exchange losses, engagement expenses, retail transaction fees, fines, penalties and other charges, operating losses, Philpass charges and software licenses.

18. Leases

Company as Lessee

The Company entered into lease agreements with its Ultimate Parent Company for five (5) years which ended on December 31, 2016 (with annual escalation of 5%) and for one year which ended on September 15, 2017 for the premises that the Company uses in Metropolitan Park and Metrobank Plaza, respectively. In addition, the Company has an existing three (3) year lease agreement with the Ultimate Parent Company for the use of office premises in the latter's Cebu and Davao branches. The Company signed a new lease renewal offer for five (5) years (with annual escalation of 5%) for the premises that the Company uses in Metropolitan Park.

The Company also entered into lease agreements to lease units of point-of-sale terminals for a minimum period of three to five years. These are cancellable and can be terminated after the specified period stated in the lease agreements.

The future minimum lease commitments under operating lease are as follows:

	2018	2017
Within one year	**₱104,803,766**	₱220,063,689
After one year but not more than five years	**120,359,658**	318,299,270
	₱225,163,424	₱538,362,959

In 2018 and 2017, rental expense included under 'Rent, light and water' in the statements of income amounted to ₱234.1 million and ₱169.9 million, respectively. There were no direct costs incurred in relation to these leases.

Company as Lessor
The Company entered into a lease agreement with ANZ and a non-related party for two (2) years which ended on January 16, 2018 with an annual escalation rate of 5.0% for the use of office space for sales and service retail branch. This lease agreement was no longer renewed.

As of December 31, 2018 and 2017, the future minimum lease commitments within one year under operating lease amounted to nil and ₱0.7 million, respectively.

In 2018 and 2017, rental income from the lease agreement were included under 'Miscellaneous income' amounted to ₱12.7 million and ₱18.1 million, respectively (Note 21). There were no direct costs incurred in relation to these leases.

19. **Retirement Liability**

The Company has a funded noncontributory defined benefit retirement plan covering all of its officers and regular employees. The funds are being administered by the Trust Banking Group (TBG) of Metrobank under the supervision of the Retirement Committee.

The Retirement Committee is responsible for giving direction to the Trustee on the investment of the assets of the fund. The Retirement Committee defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants.

When defining the investment strategy, the Retirement Committee takes into account the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure or investment policy.

The Retirement Committee delegates the implementation of the investment policy in accordance with the investment strategy, as well as various principles and objectives to an Investment Committee, which also consists of members of the Board of Trustees, a Director and a Controller. The Controller oversees the entire investment process.

Under the existing regulatory framework, Republic Act No. 7641, *Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The principal actuarial assumptions used in determining the retirement liability for the Company's retirement plan as of December 31, 2018 and 2017 are as follow:

	2018	2017
Discount rate	**7.3%**	5.7%
Future salary increases:		
For officers	**8.0%**	8.0%
For staff	**₱1,993**	₱1,995
Average years of service	**8.0 years**	7.8 years
Average remaining working life	**10.0 years**	12.0 years
Retirement age	**55.0 years**	55.0 years

The changes in retirement liability, present value of defined benefit obligation and fair value of plan assets follow:

2018

		Retirement Expense				Remeasurement Losses on Retirement Plan						
	January 1, 2018	**Current Service Cost**	**Past Service Cost**	**Net Interest**	**Subtotal***	**Return on Plan Assets (Excluding Amount Included in Net Interest)**	**Actuarial Changes Arising from Experience Adjustments**	**Actuarial Changes Arising from Changes in Financial Assumptions**	**Subtotal**	**Benefits Paid**	**Contribution by Employer**	**December 31, 2018**
Present value of defined benefit obligation	**₱939,757,441**	**₱106,213,767**	**₱54,692,329**	**₱52,991,556**	**₱213,897,652**	**₱–**	**₱19,188,291**	**(₱171,765,333)**	**(₱152,577,042)**	**(₱26,965,566)**	**₱–**	**₱974,112,485**
Fair value of plan assets	**(711,671,934)**	**–**	**–**	**(44,020,765)**	**(44,020,765)**	**68,064,298**	**–**	**–**	**68,064,298**	**30,052,525**	**(143,600,000)**	**(801,175,876)**
Net defined benefit liability	**₱228,085,507**	**₱106,213,767**	**₱54,692,329**	**₱8,970,791**	**₱169,876,887**	**₱68,064,298**	**₱19,188,291**	**(₱171,765,333)**	**(₱84,512,744)**	**₱3,086,959**	**(₱143,600,000)**	**₱172,936,609**

** Presented under ‘Compensation and fringe benefits’ in the statements of income.*

2017

		Retirement Expense				Remeasurement Losses on Retirement Plan						
	January 1, 2017	Current Service Cost	Past Service Cost	Net Interest	Subtotal*	Return on Plan Assets (Excluding Amount Included in Net Interest)	Actuarial Changes Arising from Experience Adjustments	Actuarial Changes Arising from Changes in Financial Assumptions	Subtotal	Benefits Paid	Contribution by Employer	December 31, 2017
Present value of defined benefit obligation	₱967,290,103	₱114,924,093	₱–	₱46,244,000	₱161,168,093	₱–	(₱10,517,122)	(₱144,809,860)	(₱155,326,982)	(₱33,373,773)	₱–	₱939,757,441
Fair value of plan assets	(536,530,653)	–	–	(29,063,780)	(29,063,780)	10,325,172	–	–	10,325,172	35,274,708	(191,677,381)	(711,671,934)
Net defined benefit liability	₱430,759,450	₱114,924,093	₱–	₱17,180,220	₱132,104,313	₱10,325,172	(₱10,517,122)	(₱144,809,860)	(₱145,001,810)	₱1,900,935	(₱191,677,381)	₱228,085,507

** Presented under ‘Compensation and fringe benefits’ in the statements of income.*

The Company expects to contribute ₱176.9 million to its defined benefit retirement plan in 2019.

The major categories of plan assets and their corresponding percentage to the fair values of total plan assets follow:

	2018		2017	
	Amount	**%**	Amount	%
Deposits in bank	**₱122,163,234**	**15.3**	₱136,018,027	19.1
Equity securities	**147,000**	**–**	159,000	–
Debt securities:				
Government	**519,091,547**	**64.8**	439,102,626	61.7
Private	**85,900,075**	**10.7**	60,945,223	8.6
Unit investment trust fund	**61,672,810**	**7.7**	64,914,502	9.1
Loans	**5,940,000**	**0.7**	5,940,000	0.8
Others	**6,261,210**	**0.8**	4,592,556	0.7
	₱801,175,876	**100.0%**	₱711,671,934	100.0%

All equity and debt securities held have quoted prices in active market. The fair value of other assets and liabilities, which include accrued interest receivable and trust fee payables, approximate their carrying amount due to the short-term nature of these accounts.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the statement of financial position date, assuming all other assumptions were held constant:

		Increase (Decrease)	
	Possible fluctuations	**2018**	2017
Discount rate			
	1.0%	**(₱83,172,299)**	(₱96,700,129)
	(1.0%)	**94,964,781**	112,344,933
Future salary increase rate			
	1.0%	**77,708,444**	85,158,667
	(1.0%)	**(73,331,371)**	(74,821,159)
Turnover rate			
	1.3%	**(14,403,185)**	(50,313,707)
	(0.8%)	**15,605,650**	27,796,186

Shown below is the maturity analysis of undiscounted benefits payments:

	2018	2017
Less than one year	**₱32,572,855**	₱33,119,199
More than one year to five years	**273,547,226**	162,284,157
More than five years to 10 years	**866,995,714**	618,584,338
More than 10 years to 15 years	**1,204,121,916**	1,100,306,260
More than 15 years to 20 years	**1,918,362,854**	2,059,346,670
More than 20 years	**1,123,523,559**	1,482,404,562

The average duration of the defined benefit obligation as of December 31, 2018 and 2017 is 14.8 years and 16.3 years, respectively.

20. **Income Taxes**

Income taxes include corporate income tax, as discussed below, and final taxes paid at the rate of 20.0% and 7.5% on peso-denominated and foreign currency-denominated cash in banks, respectively, which is a final withholding tax on gross interest income.

The Regular Corporate Income Tax (RCIT) rate is 30.0% and interest allowed as deductible expense is reduced by 33.0% of interest income subjected to final tax.

The National Internal Revenue Code (NIRC) of 1997 also provides for rules on the imposition of Minimum Corporate Income Tax (MCIT) of 2.0% on the gross income as of the end of the taxable year beginning on the fourth (4^{th}) taxable year immediately following the taxable year in which the Company commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three immediately succeeding taxable years.

In addition, the NIRC of 1997 allows the Company to deduct from its taxable income for the current year its accumulated net operating losses for the immediately preceding three consecutive taxable years.

Current tax regulations also provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expense that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company is limited to the actual EAR paid or incurred but not to exceed 1.0% of net revenue. In 2018 and 2017, EAR expenses amounted to ₱1.6 million and ₱1.0 million, respectively.

Deferred Tax Assets - Net

The components of net deferred tax assets follow:

	2018	2017
Deferred tax assets on:		
Allowance for credit losses (Note 7)	**₱1,226,363,991**	₱556,235,209
Provision for credit losses (Note 23)	**274,702,684**	–
Deferred revenue (Note 13)	**320,500,410**	316,743,207
Retirement liability (Note 19)	**51,880,983**	68,425,652
Accrued expenses	**47,970,510**	37,564,659
Unamortized past service cost	**49,003,927**	51,160,667
Unrealized foreign exchange loss	**10,996,036**	–
	1,981,418,541	1,030,129,394
Deferred tax liabilities on:		
Unrealized gain from equity instruments	**(3,476,592)**	–
Deferred acquisition cost (Note 7)	**(50,369,096)**	(34,939,898)
Unrealized foreign exchange gain	–	(12,822,008)
	(53,845,688)	(47,761,906)
	₱1,927,572,853	₱982,367,488

Management believes that the current level of deferred tax assets will be utilized in the future.

A reconciliation of the Company's statutory income tax to effective income tax follows:

	2018	2017
Statutory income tax	**₱2,130,962,131**	₱2,188,034,686
Tax effects of:		
Nondeductible expenses	**135,959**	3,464,928
Income subjected to final tax	**(254,531)**	(1,009,674)
Effective income tax	**₱2,130,843,559**	₱2,190,489,940

21. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company's related parties include:

- Ultimate Parent Company:
  - Metropolitan Bank and Trust Company

- Affiliates or other related parties, which are associates, subsidiaries, and joint ventures of the Parent Company. Affiliates with which the Company has related party transactions in 2018 and 2017 follow:
  - Charter Ping An Insurance Corporation
  - Federal Land, Inc.
  - First Metro Investment Corporation
  - Metro Remittance Center, Inc.
  - Metro Remittance (Hongkong) Ltd.
  - Metro Remittance (Italia), S.p.A.
  - Metro Remittance (Japan) Co. Ltd.
  - Metro Remittance (Singapore) Pte. Ltd.
  - Metro Remittance (UK) Ltd.
  - Metro Remittance (USA), Inc.
  - ORIX Metro Leasing and Finance Corporation
  - Philippine Axa Life Insurance Corporation
  - Philbancor Venture Capital Corporation
  - Philippine Savings Bank
  - SMBC Metro Investment Corporation
  - Taal Land, Inc.
  - Toyota Cubao, Inc.
  - Toyota Financial Services Philippines Corporation
  - Toyota Manila Bay Corporation
  - Toyota Motor Philippines Corporation

- Post-employment benefit plans for the benefit of the Company's employees.

- Key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members.

The Company has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

The Company has a Related Party Committee (RPC) which is created to assist the BOD in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that business resources of the Company are not misappropriated or misapplied. After appropriate review, the RPC discloses all information and endorses to the BOD with recommendations, the proposed related party transactions. The members of the RPC are appointed annually by the BOD. Currently, the RPC is composed of two (2) independent directors (including the Chairman of the Committee); two (2) regular directors; and the head of Compliance and Internal Audit (as Secretary). The RPC meets on a quarterly basis or as the need arises.

The RPC's review of proposed related party transactions covers the following:

a. Identity of the parties involved in the transaction or relationship;
b. Terms of the transaction or relationship and whether these are no less favorable than terms generally available to an unrelated third party under the same circumstances;
c. Business purpose, timing, rationale and benefits of the transaction or relationship;
d. Approximate monetary value of the transaction and the approximate monetary value of the related party's interest in the transaction;
e. Valuation methodology used and alternative approaches to valuation of the transaction;
f. Information concerning potential counterparties in the transaction;
g. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the transaction;
h. Impact to a director's independence; and
i. Extent that such transaction or relationship would present an improper conflict of interest.

In the ordinary course of business, the Company has transactions with Metrobank and other related companies. The major transactions include availments of loans, short-term cash placements and other regular banking transactions. The branch network of Metrobank and PSBank also acts as servicing units of the Company for the acceptance of payments from cardholders. Metrobank and PSBank charge the Company for every payment and processing of transaction which are recorded under 'Distribution costs' and 'Computer-related expenses' in the statements of income, respectively.

The following table presents the balances of material intercompany transactions of the Company as of and for the years ended December 31, 2018 and 2017 (amounts in thousands):

	December 31, 2018		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Ultimate Parent Company			
Cash and cash equivalents		**₱468,235**	Current and savings account, and foreign currency deposits with annual interest rates of 0.5% and 0.1%, respectively.
Deposits	**₱927,566,357**		
Withdrawals	**(928,493,406)**		
Short-term placements			
Placements	**15,358,000**	–	Short-term deposits with annual interest rate of 1.50% and term of 5 days.
Maturities	**(15,358,000)**		
Interbank loans receivable			Various overnight placements with terms of 1 to 3 days and bear annual interest rates ranging from 3.0% to 4.9%.
Placements			
Maturities			

(Forward)

Category	December 31, 2018 Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Accounts receivable	(₱70,419,748)	₱26,004	Billings on merchant discount subsidy, outsourcing fees, Point-of-Sale (POS) rentals and charges for use of Visa Banking Identification Number (BIN)
Accounts payable	–	–	Service fees on availments of bills payable
Accrued expense payable	1,820	2,375	Accrual of expenses from rentals, membership fees, distribution cost, utilities and other maintenance costs
Accrued interest payable	(20,524)	22,633	Accrued interest payable on interest-bearing notes
Bills payable		–	Overnight borrowings with annual interest rates ranging from 2.6% to 5.1% and terms of 1 to 5 days.
Availments	6,711,000		
Maturities	(6,711,000)		
Notes payable		(6,860,624)	
Availments	5,461,624		Interest-bearing note with an annual interest rate of 3.4 to 4.3% and term of 1 to 3 years.
Maturities	(8,399,000)		
Derivative liabilities	(28,510)	(28,510)	Cross-currency interest rate swaps with annual fixed interest rates ranging from 6.6% to 6.9% and terms of 3 years.
Interest income	4,229		Interest earned on bank deposits and overnight lending
Merchant discount	10,621		Income earned on merchant discount subsidy
Miscellaneous income	12,775		Income earned on outsourcing fees
Interest expense	186,929		Interest expense, service fees and facility agent fees on interbank loans payable and interest-bearing notes
Rent, light and water	39,889		Rentals and utility expenses from leased premises at Metropolitan Park and Metrobank Plaza
Computer-related expense	28,433		Transaction processing charges
Communications	–		Telephone and courier card delivery charges
Distribution cost	56,785		Over-the-counter charges for the accommodation of cardholder payments
Security, messengerial and janitorial	37		Administrative expenses
Miscellaneous expense	8,358		Other membership and maintenance fees
Affiliates			
Cash and cash equivalents		48,895	Current and savings account, and foreign currency deposits with annual interest rates of 0.5% and 0.1%, respectively.
Deposits	5,693,432		
Withdrawals	(5,696,852)		
Short-term placements		–	Short-term deposits and various overnight placements with terms of 1 to 3 days and bear annual interest rates ranging from 2.5% to 3.0%.
Placements	–		
Maturities	–		
Accounts receivable	1,950	4,717	Accounts receivable from corporate credit card transactions
Prepaid expenses and other current assets	131,400	82,176	Advance payment for insurance premiums
Bills payable		346,632	Overnight borrowings with annual interest rate ranging from 3.0% to 5.0% and terms of 1 to 6 days.
Availments	10,392,111		
Maturities	(39,562,000)		
Notes payable		–	Interest-bearing note with an interest of 8.5% and term of 5 years (gross of unamortized issuance cost)
Availments	39,562,000		
Maturities	(39,562,000)		
Accrued interest payable	801	1,434	Accrued interest payable on deposit substitutes and interest-bearing notes
Accrued expense payable	(418)	873	Over-the-counter charges for the accommodation of cardholder payments and other accrued expenses
Interest income	11,166		Interest earned on bank deposits and overnight lending
Membership fees and dues	1,635		Annual membership fee for corporate credit cards
Interest expense	30,216		Interest expense on interbank loans payable, deposit substitutes and interest-bearing notes
Distribution cost			Over-the-counter charges for the accommodation of cardholder payments
Rent, light and water	835		Rentals and utility expenses
Insurance expense	5,388		Insurance expenses

(Forward)

Category	December 31, 2017 Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Ultimate Parent Company			
Cash and cash equivalents		₱1,395,256	Current and savings account, and foreign currency deposits with annual interest rates of 0.5% and 0.1%, respectively.
Deposits	₱831,356,969		
Withdrawals	(830,258,981)		
Short-term placements		1,000,000,000	
Placements	1,000,000,000		Short-term deposits with annual interest rate of 1.50% and term of 5 days.
Maturities	–		
Interbank loans receivable		–	Various overnight placements with terms of 1 to 3 days and bear annual interest rates ranging from 2.5% to 2.7%.
Placements	5,440,000,000		
Maturities	(5,440,000,000)		
Accounts receivable	(16,791)	96,424	Billings on merchant discount subsidy, outsourcing fees, Point-of-Sale (POS) rentals and charges for use of Visa Banking Identification Number (BIN)
Accounts payable	10,388	13,206	Service fees on availments of bills payable
Accrued expense payable	(29,006)	4,195	Accrual of expenses from rentals, membership fees, distribution cost, utilities and other maintenance costs
Accrued interest payable	1,387	2,109	Accrued interest payable on interest-bearing notes
Bills payable		–	Overnight borrowings with annual interest rates ranging from 2.5% to 3.0% and terms of 1 to 5 days.
Availments	21,600,000		
Maturities	(23,900,000)		
Notes payable		–	
Availments	–		Interest-bearing note with an annual interest rate of 2.45% and term of 15 days.
Maturities	(500,000)		
Interest income	791		Interest earned on bank deposits and overnight lending
Merchant discount	14,685		Income earned on merchant discount subsidy
Miscellaneous income	7,458		Income earned on outsourcing fees
Interest expense	34,813		Interest expense, service fees and facility agent fees on interbank loans payable and interest-bearing notes
Rent, light and water	38,151		Rentals and utility expenses from leased premises at Metropolitan Park and Metrobank Plaza
Computer-related expense	25,403		Transaction processing charges
Communications	301		Telephone and courier card delivery charges
Distribution cost	68,293		Over-the-counter charges for the accommodation of cardholder payments
Security, messengerial and janitorial	33		Administrative expenses
Miscellaneous expense	2,824		Other membership and maintenance fees
Significant Investor			
Cash and cash equivalents		21,256	
Deposits	18,155,094		Current and savings account, and foreign currency deposits.
Withdrawals	(18,186,415)		
Accrued expense payable	296	1,720	Accrual of management and other professional fees and check writer transactions
Accrued interest payable	(235)	717	Accrued interest payable on interest-bearing notes
Notes payable		1,623,095	Interest-bearing notes with annual interest rate ranging from 2.40% to 3.30% and terms of 20 to 1,098 days
Availments	410,599		
Maturities	(379,693)		
Miscellaneous income	14,438		Income earned on leased office space at Metrobank Card Center
Interest expense	5,994		Interest expense, service fees and facility agent fees on interbank loans payable and interest-bearing notes
Affiliates			
Cash and cash equivalents		52,315	Current and savings account, and foreign currency deposits with annual interest rates of 0.5% and 0.1%, respectively.
Deposits	6,078,879		
Withdrawals	(6,066,950)		
Short-term placements		300,000	Short-term deposits and various overnight placements with terms of 1 to 5 days and bear annual interest rates ranging from 2.5% to 3.3%.
Placements	16,538,000		
Maturities	(16,238,000)		

(Forward)

Category	December 31, 2017 Amount/ Volume	 Outstanding Balance	Nature, Terms and Conditions
Accounts receivable	(₱154)	₱6,455	Accounts receivable from corporate credit card transactions
Prepaid expenses and other current assets	252	673	Advance payment for insurance premiums
Bills payable		1,027,815	Overnight borrowings with annual interest rate ranging from 2.5% to 3.16% and terms of 1 to 5 days.
Availments	31,078,000		
Maturities	(31,078,000)		
Accrued interest payable	928	2,235	Accrued interest payable on deposit substitutes and interest-bearing notes
Accrued expense payable	(675)	455	Over-the-counter charges for the accommodation of cardholder payments and other accrued expenses
Membership fees and dues	1,635		Annual membership fee for corporate credit cards
Interest expense	25,644		Interest expense on interbank loans payable, deposit substitutes and interest-bearing notes
Distribution cost	4,405		Over-the-counter charges for the accommodation of cardholder payments
Rent, light and water	2,571		Rentals and utility expenses
Insurance expense	4,931		Insurance expenses

Terms and Conditions of Transactions with Related Parties

Outstanding balances as of December 31, 2018 and 2017 are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. An impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

In 2018 and 2017, no provisions for credit losses were provided for receivables from related parties.

Transactions with Post-Employment Benefit Plan

Included in the Company's retirement plan assets are time deposits with Metrobank and investments in unit investment trust fund that are being managed by the TBG of Metrobank.

The total carrying value and fair value of the retirement plan assets as of December 31, 2018 and 2017 are disclosed in Note 19.

Remuneration of Directors and Other Key Management Personnel

The remuneration of directors and key management personnel (included under 'Compensation and fringe benefits' and 'Management and professional fees' in the statements of income) are as follow:

	2018	2017
Salaries and wages and other short-term benefits	**₱205,416,623**	₱151,404,769
Retirement benefits	**26,965,566**	32,597,987
Management fees	**–**	18,000,000
Directors fees	**6,140,000**	9,745,000
	₱238,522,189	₱211,747,756

The Company's key management personnel includes vice-presidents and above.

There is no agreement between the Company and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Company's retirement plan.

BSP Regulatory Reporting
In the ordinary course of business, the Company has various transactions with its affiliates 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 Company, these transactions 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 70.0% must be secured, should not exceed the amount of their respective unencumbered deposits and book value of their respective investments in the Company. In the aggregate, loans to DOSRI generally should not exceed the lower of the Company's total regulatory capital or 15.0% of the total loan portfolio.

On March 15, 2004, the BSP issued BSP Circular No. 423 which provides for the amended definition of DOSRI accounts. The following table shows information relating to DOSRI loans as reported to the BSP:

	2018	2017
Total outstanding DOSRI loans	**₱101,242,492**	₱193,558,735
Percent of DOSRI loans to total loans	**0.14%**	0.30%
Percent of unsecured DOSRI loans to total DOSRI loans	**0.16%**	0.14%
Percent of past due DOSRI loans to total DOSRI loans	**0.16%**	0.14%
Percent of nonperforming DOSRI loans to total DOSRI loans	**0.16%**	0.14%

Under BSP Circular No. 423, loans and other credit accommodations and guarantees secured by assets are considered as non-risk by the MB and therefore, excluded from DOSRI individual and aggregate ceilings.

BSP Circular No. 560 provides that the total outstanding loans, other credit accommodation and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.0% of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.0% of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.0% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank. As of December 31, 2018 and 2017, the total outstanding loans, other credit accommodations and guarantees to each of the Company's affiliates and certain DOSRI did not exceed 10.0% of the net worth of the Company, and the unsecured portion of which did not exceed 5.0% of such net worth.

22. **Financial Performance**

As of December 31, 2018 and 2017, the basic ratios which measure the financial performance of the Company are as follows:

	2018	2017
Return on average equity	**34.9%**	46.2%
Net interest margin on average earning assets	**14.0%**	14.3%
Return on average assets	**6.3%**	7.5%

23. **Commitments and Contingencies**

In the normal course of operations, the Company has outstanding commitments to extend credit to credit cardholders, which are not reflected in the financial statements. Even though these obligations are not recognized on the statement of financial position, they contain credit risk and, therefore, formed part of the overall risk of the Company.

As of December 31, 2018 and 2017, credit cardholders' unused credit lines amounted to ₱185.6 billion and ₱160.1 billion, respectively.

An analysis of changes in the gross carrying amount and the corresponding provision arising from unused credit lines is as follows:

	Unused Credit Lines			
	Stage 1	Stage 2	Stage 3	Total
Outstanding exposure				
Beginning exposure	₱155,104,351,896	₱2,524,664,180	₱342,568,701	₱157,971,584,777
New exposures	19,503,230,867	–	–	19,503,230,867
Transfers to Stage 1	4,033,736,864	(3,995,637,301)	(38,099,563)	–
Transfers to Stage 2	(5,321,847,427)	5,353,297,952	(31,450,525)	–
Transfers to Stage 3	(559,610,336)	(315,998,815)	875,609,151	–
Movements in unused credit lines (excluding write-offs)	10,028,608,605	(905,636,326)	(913,770,020)	8,209,202,259
Accounts written-off	–	–	(88,252,899)	(88,252,899)
Exposure at end of year	**₱182,788,470,469**	**₱2,660,689,690**	**₱146,604,845**	**₱185,595,765,004**
Provisions				
Beginning exposure	₱522,949,780	₱308,232,125	₱–	₱831,181,905
New exposures	181,609,089	–	–	181,609,089
Transfers to Stage 1	508,647,214	(508,647,214)	–	–
Transfers to Stage 2	(87,551,710)	87,551,710	–	–
Movements in unused credit lines	(59,313,524)	68,478,643	–	9,165,119
Impact on year-end ECL of exposures transferred during the year	(476,722,167)	370,441,666	–	(106,280,501)
Exposure at end of year	**₱589,618,682**	**₱326,056,930**	**₱–**	**₱915,675,612**

Various suits and claims by the Company against cardholders, and vice-versa remain unsettled as of December 31, 2018 and 2017. The estimates of the probable cost for the resolution of claims have been developed in consultation with the aid of the outside legal counsel handling the Company's defense in these matters and are based upon analysis of potential results. Management does not believe that the outcome of these matters will affect the results of operations. It is probable, 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.

24. **Standards Issued but Not Yet Effective**

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. The adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Company is currently assessing the impact of adopting PFRS 16. As lessee, it will affect the lease contract with the Ultimate Parent Company for the office space being leased at Metropark building, Cebu and Davao.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Effective beginning on or after January 1, 2020

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred Effectivity

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

25. Subsequent Events

Appropriations

On March 8, 2019, the BOD approved the appropriation of retained earnings in the amount of ₱7.0 billion as capital reserves. The appropriation, in line with the capital management policy, will ensure that the Company will meet requirements set by the SEC on capital retention, the BSP on capital ratios, and existing loan covenants on maintaining debt-to-equity ratio to be within the maximum of 7.5:1.

1. Appropriation of retained earnings for capital retention on the Tier 2 notes in compliance with BSP's capital adequacy ratio amounting to ₱1.0 billion.
2. Appropriation of retained earnings for compliance with BASEL III net stable funding ratio amounting to ₱5.5 billion
3. Appropriation of retained earnings for capital expenditure projects amounting to ₱500.0 million, which are expected to be completed within the next two (2) years.

26. Approval of Release of Financial Statements

The accompanying comparative financial statements of the Company were authorized and approved for issuance by the BOD on March 8, 2019.

27. Notes to the Statement of Cash Flows

The changes in liabilities arising from financing activities in 2018 and 2017 are as follows:

			Non-cash Changes		
	January 1, 2018	**Cash Flows**	**Amortization of Debt Issuance Costs**	**Foreign Exchange Movement**	**December 31, 2018**
Notes payable	**₱20,774,613,897**	**₱10,594,846,461**	**₱7,534,200**	**(₱59,568,491)**	**₱31,317,426,067**
Subordinated debt	**1,163,519,811**	**–**	**1,091,324**	**–**	**1,164,611,135**

			Non-cash Changes		
	January 1, 2017	Cash Flows	Amortization of Debt Issuance Costs	Foreign Exchange Movement	December 31, 2017
Notes payable	₱13,103,850,400	₱7,710,728,186	₱2,774,897	(₱42,739,586)	₱20,774,613,897
Subordinated debt	1,162,428,486	–	1,091,325	–	1,163,519,811

28. Supplementary Information Required Under Revenue Regulations 15-2010

In 2018, the Company reported and/or paid the following taxes which are included under 'Taxes, duties and license fees' in the statement of income:

GRT	**₱956,711,006**
DST	**207,795,367**
Local taxes	**33,665,170**
Fringe benefit tax	**15,288,308**
License fee	**7,572,945**
Others	**15,647,489**
	₱1,236,680,285

Withholding Taxes
As of December 31, 2018, total remittances and balance of withholding taxes are as follows:

	Total Remittances	Balance
Expanded withholding tax	₱656,337,826	₱87,147,756
Withholding tax on compensation and benefits	218,292,696	9,360,783
Withholding value-added tax	7,002,033	106,888
Final withholding tax	319,858,947	61,266,543
	₱1,201,491,502	₱157,881,970

SGV
Building a better working world

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Metrobank Card Corporation
MCC Center
6778 Ayala Avenue, Makati City

We have audited the financial statements of Metrobank Card Corporation (*A Finance Company and General Insurance Agency*) (the Company) as of and for the year ended December 31, 2018, on which we have rendered the attached report dated March 8, 2019.

In compliance with Securities Regulation Code Rule 68, As Amended (2011), we are stating that the Company has one (1) stockholder owning more than one hundred (100) shares.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
SEC Accreditation No. 1510-AR-1 (Group A),
September 18, 2018, valid until September 17, 2021
Tax Identification No. 216-950-288
BIR Accreditation No. 08-001998-107-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332523, January 3, 2019, Makati City

March 8, 2019

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Metrobank Card Corporation
The MCC Center
6778 Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Metrobank Card Corporation (*A Finance Company and General Insurance Agency*) (the Company) as of and for the year ended December 31, 2018 and have issued our report thereon dated March 8, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Retained Earnings Available for Dividend Declaration and List of Philippine Financial Reporting Standards effective as of December 31, 2018 are presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ray Francis C. Balagtas

Ray Francis C. Balagtas
Partner
CPA Certificate No. 108795
SEC Accreditation No. 1510-AR-1 (Group A),
September 18, 2018, valid until September 17, 2021
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BIR Accreditation No. 08-001998-107-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332523, January 3, 2019, Makati City

March 8, 2019

SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2018

Unappropriated Retained Earnings, Beginning	₱6,147,395,141
Prior year adjustments	(1,886,014,238)
Less: Non-actual/unrealized income, net of tax	
Unrealized foreign exchange gain – net (except those attributable to Cash and Other Cash Items)	(22,915,036)
Effect of deferred income tax	(1,900,026,597)
Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*	2,338,439,270
Add: Net income during the period closed to Retained Earnings	4,972,363,545
	7,310,802,815
Less: Nonactual/unrealized income, net of tax	
Unrealized foreign exchange gain – net (except those attributable to Cash and Other Cash Items)	(42,740,027)
Effect of deferred income tax	(165,743,966)
	7,102,318,822
Less: Dividends paid during the period	(1,975,000,000)
Reversal of Appropriations of Retained Earnings during the period	600,000,000
Total Retained Earnings, End Available for Dividend	₱5,727,318,822

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2018

	2018	2017
Current ratio	**149.33%**	130.32%
Debt-to-equity ratio	**458.49%**	450.14%
Asset-to-equity ratio	**558.49%**	550.14%
Interest rate coverage ratio	**421.30%**	542.08%
Profitability ratios:		
Return on assets	**6.30%**	7.53%
Return on equity	**34.94%**	46.24%

SCHEDULE OF OTHER FINANCIAL RATIOS
DECEMBER 31, 2018

	2018	2017
Total real estate investments to total assets	**0.53%**	0.60%
Total receivables to total assets	**80.67%**	79.55%
Total DOSRI receivables to net worth	**0.68%**	0.95%

LIST OF PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS)
EFFECTIVE AS OF DECEMBER 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable	Not Early Adopted
Framework for the Preparation and Presentation of Financial Statements		✓			
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓			
PFRSs Practice Statement Management Commentary		✓			
Philippine Financial Reporting Standards					
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓	
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓	
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓	
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓	
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓	
	Amendments to PFRS 1: Government Loans			✓	
	Amendment to PFRS 1: Meaning of Effective PFRSs	✓			
PFRS 2	Share Based Payment			✓	
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓	
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓	
	Amendment to PFRS 2: Definition of Vesting Condition			✓	
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PFRS 3 (Revised)	Business Combinations			✓	
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓	
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓	
PFRS 4	Insurance Contracts			✓	
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓	
	Amendments to PFRS 4: Applying PFRS 9 with PFRS 4			✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓	
	Amendment to PFRS 5: Changes in Methods of Disposal			✓	
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓	
PFRS 7	Financial Instruments: Disclosures	✓			
	Amendments to PFRS 7: Transition	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓			
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓			
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓			
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓			
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓			
	Amendments to PFRS 7: Additional Hedge Accounting Disclosures (and Consequential Amendments) Resulting from the Introduction of the Hedge Accounting Chapter in PFRS 9	✓			
	Amendments to PFRS 7: Servicing Contracts and Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓	
PFRS 8	Operating Segments			✓	
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓	
	Amendment to PFRS 8: Aggregation of Segments, Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓	
PFRS 9	Financial Instruments	✓			
	Financial Instruments: Classification and Measurement of Financial Assets	✓			
	Financial Instruments: Classification and Measurement of Financial Liabilities	✓			
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓			
	Reissue to incorporate a hedge accounting chapter and permit early application of the requirements for presenting in other comprehensive income the "own credit" gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of PFRS 9	✓			
	Prepayment Features with Negative Compensation			✓	
PFRS 10	Consolidated Financial Statements			✓	
	Amendments to PFRS 10: Transition Guidance			✓	
	Amendments to PFRS 10: Investment Entities			✓	
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture			✓	
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓	
PFRS 11	Joint Arrangements			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		**Adopted**	**Not Adopted**	**Not Applicable**	**Not Early Adopted**
	Amendments to PFRS 11: Transition Guidance			✓	
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓	
PFRS 12	Disclosure of Interest in Other Entities			✓	
	Amendments to PFRS 12: Transition Guidance			✓	
	Amendments to PFRS 12: Investment Entities			✓	
	Amendments to PFRS 12: Clarification of the Scope of the Standard			✓	
PFRS 13	Fair Value Measurements	✓			
	Amendment to PFRS 13: Short-term Receivables and Payables	✓			
	Amendment to PFRS 13: Portfolio Exception			✓	
PFRS 14	Regulatory Deferral Accounts			✓	
PFRS 15	Revenue from contracts with customers	✓			
PFRS 16	Leases				✓
Philippine Accounting Standards					
PAS 1 (Revised)	Presentation of Financial Statements	✓			
	Amendment to PAS 1: Capital Disclosure	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓	
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓			
	Amendments to PFRS 10: Investment Entities – Applying the consolidation exception			✓	
	Amendments to PAS 1: Disclosure Initiative	✓			
PAS 2	Inventories			✓	
PAS 7	Statement of Cash Flows	✓			
	Amendments to PAS 7: Disclosure Initiative	✓			
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable	Not Early Adopted
PAS 10	Events after the Reporting Period	✓			
PAS 11	Construction Contracts			✓	
PAS 12	Income Taxes	✓			
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓			
	Amendments to PAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses	✓			
PAS 16	Property, Plant and Equipment	✓			
	Amendment to PAS 16: Revaluation Method – Proportionate Restatement of Accumulated Depreciation on Revaluation			✓	
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓	
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓	
PAS 17	Leases	✓			
PAS 19 (Revised)	Employee Benefits	✓			
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓			
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution	✓			
	Amendments to PAS 19: Discount Rate: Regional Market Issue	✓			
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓	
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓			
	Amendment: Net Investment in a Foreign Operation			✓	
PAS 23 (Revised)	Borrowing Costs			✓	
PAS 24 (Revised)	Related Party Disclosures	✓			
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓	
PAS 27 (Amended)	Separate Financial Statements	✓			
	Amendments for investment entities			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓	
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓	
	Amendments to PAS 28: Investment Entities – Applying the Consolidation Exception			✓	
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓	
	Long-term Interests in Associates and Joint Ventures			✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓	
PAS 31	Interests in Joint Ventures			✓	
PAS 32	Financial Instruments: Disclosure and Presentation	✓			
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓	
	Amendment to PAS 32: Classification of Rights Issues			✓	
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓			
PAS 33	Earnings per Share			✓	
PAS 34	Interim Financial Reporting			✓	
	Amendment to PAS 34: Disclosure of information 'Elsewhere in the Interim financial report'			✓	
PAS 36	Impairment of Assets	✓			
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓			
PAS 38	Intangible Assets	✓			
	Amendments to PAS 38 : Proportionate Restatement of Accumulated Depreciation on Revaluation			✓	
	Amendments to PAS 38 : Revaluation Method – Proportionate Restatement Of Accumulated Amortization			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable	Not Early Adopted
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓	
PAS 40	Investment Property			✓	
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property			✓	
	Amendments to PAS 40: Transfers of Investment Property			✓	
PAS 41	Agriculture			✓	
	Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants			✓	
Philippine Interpretations					
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓	
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓	
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓			
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓	
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓	
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓	
IFRIC 8	Scope of PFRS 2			✓	
IFRIC 9	Reassessment of Embedded Derivatives			✓	
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓	
IFRIC 10	Interim Financial Reporting and Impairment			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable	Not Early Adopted
IFRIC 11	PFRS 2- Group and Treasury Share Transactions (Replaced by amendments to PFRS 2)			✓	
IFRIC 12	Service Concession Arrangements			✓	
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓	
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓	
IFRIC 15	Agreements for the Construction of Real Estate			✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓	
IFRIC 17	Distributions of Non-cash Assets to Owners			✓	
IFRIC 18	Transfers of Assets from Customers			✓	
IFRIC 19	Extinguishing Financial Liabilities with Equity Investment			✓	
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓	
IFRIC 21	Levies			✓	
IFRIC 22	Foreign Currency Transactions and Advance Consideration				✓
IFRIC 23	Uncertainty over Income Tax Treatments				✓
SIC - 7	Introduction of the Euro			✓	
SIC - 10	Government Assistance - No Specific Relation to Operating Activities			✓	
SIC - 15	Operating Leases - Incentives			✓	
SIC - 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓	
SIC - 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓			
SIC - 29	Service Concession Arrangements: Disclosures			✓	
SIC - 31	Revenue - Barter Transactions Involving Advertising Services			✓	
SIC - 32	Intangible Assets - Web Site Costs			✓	