Metrobank

April 30, 2020

Ms. Janet A. Encarnacion
Head, Disclosure Department
The Philippine Stock Exchange, Inc.
6/F PSE Tower
5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Dear Ms. Encarnacion:

We hereby submit a copy of our SEC Form 17-Q for the period ended March 31, 2020.

Very truly yours,

Marilou C. Bartolome-Cirilo
Senior Vice President/Controller

cc: Philippine Dealing Exchange Corp.
29th Floor, BDO Equitable Tower
8751 Paseo de Roxas, 1226 Makati City

COVER SHEET

							2	0	5	7	3

SEC Registration Number

METROPOLITAN BANK & TRUST COMPANY
AND SUBSIDIARIES

(Company's Full Name)

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

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

Marilou C. Bartolome-Cirilo
(Contact Person)

8898-8805
(Company Telephone Number)

12 **31**
Month *Day*
(Fiscal Year)

17-Q
(Form Type)

Month *Day*
(Annual Meeting)

NONE
(Secondary License Type, If Applicable)

Corporate Finance Department
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Domestic Foreign

As of 03.31.2020
2,994
Total No. of Stockholders

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)

8898-8805
(Telephone Number)

December 31
(Fiscal year ending)

17-Q
(Form Type)

(Amendment Designation, if applicable)

March 31, 2020
(Period Ended Date)

None
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1.	For the quarterly period ended	:	**March 31, 2020**
2.	Commission Identification Number	:	**20573**
3.	BIR Tax Identification No.	:	**000-477-863**
4.	Exact name of issuer as specified in its charter	:	**METROPOLITAN BANK & TRUST COMPANY**
5.	Province, country or other jurisdiction of incorporation or organization	:	**Metro Manila, Philippines**
6.	Industry Classification Code	:	(SEC Use Only)
7.	Address of issuer's principal office	:	Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila
8.	Issuer's telephone number, including area code	:	**(632) 8898-8805**

9. Former name, former address and former fiscal year, if changed since last report: **N/A**

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

Title of Each Class	No. of Shares of Common Stock Outstanding	Amount of Debt Outstanding (Unpaid Subscriptions)
Common Shares	**4,497,415,555 shares**	**None**

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

Yes [x] No [ ]

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

12. Indicate by check mark whether the registrant:

a. Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder and Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [x] No [ ]

b. Has been subject to such filing requirements for the past 90 days.

Yes [x] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Attached are the following:

Interim Condensed Consolidated Statements of Financial Position	-	Annex 1
Interim Condensed Consolidated Statements of Income	-	Annex 2 (page 1 of 2)
Interim Condensed Consolidated Statements of Comprehensive Income	-	Annex 2 (page 2 of 2)
Interim Condensed Consolidated Statements of Changes in Equity	-	Annex 3
Interim Condensed Consolidated Statements of Cash Flows	-	Annex 4
General Notes to Interim Condensed Consolidated Financial Statements	-	Annex 5
Financial Indicators	-	Annex 6

Item 2. Management's Discussion and Analysis of Consolidated Financial Position and Results of Operations - Annex 7

PART II - OTHER INFORMATION

I. Control of Registrant

The following stockholders own more than 5% of the total outstanding number of shares issued as of March 31, 2020:

NAME OF STOCKHOLDER	TOTAL NUMBER OF SHARES HELD	PERCENT TO TOTAL NUMBER OF SHARES ISSUED
GT Capital Holdings, Inc. [a]	1,670,611,010	37.15%
PCD Nominee Corporation (Non-Filipino)*	1,178,748,978	26.21%
PCD Nominee Corporation (Filipino)* [b]	904,038,081	20.10%

* *There is no participant of PCD who is a beneficial owner of more than 5% of the total common shares issued by the Registrant.*

a. *Inclusive of 35,482,859 shares lodged with PCD Nominee Corp.*

b. *Net of 35,482,859 shares owned by GT Capital Holdings, Inc.*

As of March 31, 2020, public ownership on the Bank was at 48.19%. Out of the total shares issued, 26.24% represents foreign ownership.

II. Pending Legal Proceedings

As of March 31, 2020, several suits and claims relating to the Group's lending 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.

III. Board Resolutions

There is no material disclosure that have not been reported under SEC Form 17-C during the period covered by this report.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

METROPOLITAN BANK & TRUST COMPANY
By:

MARILOU C. BARTOLOME-CIRILO
Senior Vice President/Controller

FERNAND ANTONIO A. TANSINGCO
Senior Executive Vice President/Treasurer and Head of Financial Markets Sector

April 30, 2020

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements

As of March 31, 2020 (Unaudited) and December 31, 2019 (Audited)
and for the quarters ended March 31, 2020 and 2019 (Unaudited)

ANNEX 1

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Millions)

		(Unaudited)		(Audited)
		March 31, 2020		December 31, 2019
ASSETS				
Cash and Other Cash Items	₱	**37,375**	₱	32,956
Due from Bangko Sentral ng Pilipinas (BSP)		**152,960**		219,994
Due from Other Banks		**54,520**		54,767
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)		**54,055**		72,174
Investment Securities at				
Fair Value Through Profit or Loss (FVTPL)		**74,228**		61,867
Fair Value Through Other Comprehensive Income (FVOCI)		**254,617**		202,520
Amortized Cost		**236,697**		251,628
Loans and Receivables		**1,435,064**		1,483,568
Property and Equipment		**25,650**		25,700
Investments in Associates and a Joint Venture		**6,472**		6,591
Goodwill		**5,200**		5,200
Investment Properties		**7,763**		7,762
Deferred Tax Assets		**11,976**		10,512
Other Assets		**20,087**		15,574
	₱	**2,376,664**	₱	2,450,813
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities				
Demand	₱	**425,639**	₱	411,873
Savings		**700,313**		665,634
Time		**543,863**		592,897
Long-Term Negotiable Certificates (Note 6)		**43,744**		43,740
		1,713,559		1,714,144
Bills Payable and Securities Sold Under Repurchase Agreements (SSURA) (Note 7)		**169,585**		238,281
Derivative Liabilities		**8,937**		7,427
Manager's Checks and Demand Drafts Outstanding		**8,787**		6,806
Income Taxes Payable		**5,702**		4,188
Accrued Interest and Other Expenses		**7,791**		10,499
Bonds Payable (Note 8)		**85,163**		80,486
Subordinated Debts (Note 9)		**7,662**		7,660
Deferred Tax Liabilities		**63**		108
Non-equity Non-controlling Interest		**5,422**		6,553
Other Liabilities		**50,335**		56,170
		2,063,006		2,132,322
EQUITY				
Equity Attributable to Equity Holders of the Parent Company		**304,542**		309,554
Non-controlling Interest		**9,116**		8,937
		313,658		318,491
	₱	**2,376,664**	₱	2,450,813

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In Millions, Except Earnings Per Share)

		(Unaudited) Quarters Ended March 31		
		2020		2019
INTEREST INCOME ON				
Loans and receivables	₱	**23,333**	₱	23,826
Trading and investment securities		**5,322**		4,265
Deposits with banks and others		**337**		211
		28,992		28,302
INTEREST AND FINANCE CHARGES				
Deposit liabilities		**4,232**		6,267
Bills payable and securities sold under repurchase agreements, bonds payable, subordinated debt and others		**3,343**		3,934
		7,575		10,201
NET INTEREST INCOME		**21,417**		18,101
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES		**5,040**		2,402
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES		**16,377**		15,699
OTHER INCOME				
Service charges, fees and commissions		**3,341**		3,132
Trading, securities and foreign exchange gains - net		**1,378**		1,451
Miscellaneous		**1,499**		1,880
		6,218		6,463
OTHER EXPENSES				
Compensation and fringe benefits		**5,903**		5,434
Occupancy and equipment-related cost		**470**		453
Miscellaneous		**8,132**		7,580
		14,505		13,467
INCOME BEFORE INCOME TAX		**8,090**		8,695
PROVISION FOR INCOME TAX		**1,779**		1,765
NET INCOME	₱	**6,311**	₱	6,930
Attributable to :				
Equity holders of the Parent Company	₱	**6,122**	₱	6,753
Non-controlling interest		**189**		177
	₱	**6,311**	₱	6,930
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 14 of Annex 5)	₱	**1.36**	₱	1.50*

* *Restated to show the effect of stock dividends issued in November 2019.*

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Quarters Ended March 31	
	2020	2019
NET INCOME	₱ **6,311**	₱ 6,930
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		
Items that may not be reclassified to profit or loss:		
Change in net unrealized gain (loss) on equity securities at FVOCI	**(111)**	62
Change in remeasurement gain (loss) on retirement plan	**(987)**	16
	(1,098)	78
Items that may be reclassified to profit or loss:		
Change in net unrealized gain (loss) on investment on debt securities at FVOCI	**(5,263)**	3,423
Change in equity in other comprehensive income (loss) of investees	**(226)**	176
Translation adjustment and others	**614**	(25)
	(4,875)	3,574
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	₱ **338**	₱ 10,582
Attributable to:		
Equity holders of the Parent Company	₱ **126**	₱ 9,723
Non-controlling interest	**212**	859
	₱ **338**	₱ 10,582

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Quarters Ended March 31, 2020 and 2019
(In Million Pesos, Except Par Value and Number of Shares)
(Unaudited)

	Common Stock*	Capital Paid in Excess of Par Value	Surplus	Surplus Reserves	Treasury Stocks	Net Unrealized Gain (Loss) on Investment Securities at FVOCI	Equity in Other Comprehensive Income (Loss) of Investees	Remeasurement Losses on Retirement Plan	Translation Adjustment and Others	TOTAL	Non-Controlling Interest	Total Equity
Balance, January 1, 2020	**₱89,948**	**₱85,252**	**₱144,154**	**₱2,098**	**(₱72)**	**₱2,629**	**₱345**	**(₱5,531)**	**(₱9,269)**	**₱309,554**	**₱8,937**	**₱318,491**
Total comprehensive income (loss) for the period	-	-	6,122	-	-	(5,370)	(224)	(974)	572	126	212	338
Transfer to surplus reserves	-	-	(34)	34	-	-	-	-	-	-	-	-
Cash dividends	-	-	(4,497)	-	-	-	-	-	-	(4,497)	(33)	(4,530)
Acquisition of Parent Company shares held by a mutual fund subsidiary	-	-	-	-	(8)	-	-	-	-	(8)	-	(8)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	(633)	(633)	-	(633)
Balance, March 31, 2020	**₱89,948**	**₱85,252**	**₱145,745**	**₱2,132**	**(₱80)**	**(₱2,741)**	**₱121**	**(₱6,505)**	**(₱9,330)**	**₱304,542**	**₱9,116**	**₱313,658**
Balance, January 1, 2019	**₱79,600**	**₱85,252**	**₱130,550**	**₱1,956**	**(₱67)**	**(₱2,994)**	**(₱27)**	**(₱3,591)**	**(₱7,719)**	**₱282,960**	**₱7,744**	**₱290,704**
Total comprehensive income (loss) for the period	-	-	6,753	-	-	3,428	175	7	(640)	9,723	859	10,582
Cash dividends	-	-	(3,980)	-	-	-	-	-	-	(3,980)	(33)	(4,013)
Acquisition of Parent Company shares held by a mutual fund subsidiary	-	-	-	-	(1)	-	-	-	-	(1)	-	(1)
Balance, March 31, 2019	**₱79,600**	**₱85,252**	**₱133,323**	**₱1,956**	**(₱68)**	**₱434**	**₱148**	**(₱3,584)**	**(₱8,359)**	**₱288,702**	**₱8,570**	**₱297,272**

Capital Stock of the Parent Company as of March 31, 2020 and 2019 consists of (Note 10):
* **COMMON STOCK** at ₱20 par value
Authorized – 6,000,000,000 and 4,000,000,000 shares as of March 31, 2020 and 2019, respectively
Issued – 4,497,415,555 and 3,980,015,036 shares as of March 31, 2020 and 2019, respectively

PREFERRED STOCK at ₱20 par value
Authorized - 1,000,000,000 shares

ANNEX 4

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Millions)

	(Unaudited) Quarters Ended March 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income tax	₱ **8,090**	₱ 8,695
Adjustments for :		
Provision for credit and impairment losses	**5,040**	2,402
Trading and securities gain on investment securities at FVOCI	**(1,543)**	(50)
Depreciation and amortization	**1,195**	886
Share in net income of associates and a joint venture	**(117)**	(348)
Profit from assets sold	**(64)**	(119)
Unrealized market valuation loss on financial assets and liabilities at FVTPL	**1,921**	233
Gain on initial recognition of investment properties and chattel properties acquired in foreclosure	**(60)**	(140)
Amortization of software cost	**180**	144
Amortization of discount on subordinated debt and bonds payable	**73**	30
Dividends	**(38)**	(34)
Changes in operating assets and liabilities:		
Decrease (increase) in :		
Investment securities at FVTPL	**(10,880)**	(27,676)
Loans and receivables	**43,330**	28,761
Other assets	**(5,384)**	(3,603)
Increase (decrease) in:		
Deposit liabilities	**(585)**	24,282
Bills payable-deposit substitutes	**(46,813)**	(2,681)
Manager's checks and demand drafts outstanding	**1,981**	(697)
Accrued interest and other expenses	**(2,708)**	(784)
Non-equity non-controlling interest	**(1,131)**	120
Other liabilities	**(8,352)**	2,458
Net cash used in operations	**(15,865)**	31,879
Dividends received	**38**	34
Income taxes paid	**(1,236)**	(2,050)
Net cash provided by (used in) operating activities	**(17,063)**	29,863
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Investment securities at FVOCI	**(792,581)**	(89,326)
Investments securities at amortized cost	**(496)**	(192)
Property and equipment	**(991)**	(719)
Proceeds from sale of:		
Investment securities at FVOCI	**737,038**	56,915
Property and equipment	**125**	133
Investment properties	**239**	338
Decrease (increase) in interbank loans receivable and SPURA	**(28)**	1,406
Proceeds from:		
Maturity of investment securities at amortized cost	**15,026**	57
Net cash used in investing activities	**(41,668)**	(31,388)
CASH FLOWS FROM FINANCING ACTIVITIES		
Settlements of bills payable	**(1,099,110)**	(1,162,812)
Availments of bills payable and SSURA	**1,077,227**	1,141,041
Settlements of bonds payable	**4,608**	-
Cash dividends paid	**(4,530)**	(4,013)
Payment of principal portion of lease liabilities	**(460)**	-
Acquisition of Parent Company shares by a mutual fund subsidiariy	**(8)**	(1)
Net cash used in financing activities	**(22,273)**	(25,785)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(81,004)**	(27,310)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
Cash and other cash items	**32,956**	**33,091**
Due from BSP	**219,994**	**240,134**
Due from other banks	**54,772**	**45,808**
Interbank loans receivable and SPURA	**67,313**	**39,380**
	375,035	358,413
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash and other cash items	**37,375**	23,678
Due from BSP	**152,960**	225,017
Due from other banks	**54,530**	49,878
Interbank loans receivable and SPURA (Note 13)	**49,166**	32,530
	₱ **294,031**	₱ 331,103

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
GENERAL NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Metropolitan Bank & Trust Company (“Metrobank,” “the Bank” or “the Parent Company”) is a universal bank incorporated in the Philippines on April 6, 1962. The Securities and Exchange Commission (SEC) approved the renewal of its Certification of Incorporation until April 6, 2057 on November 19, 2007.

The Bank’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 Bank 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. The Bank provides services such as deposit products, loans and trade finance, domestic and foreign fund transfers, treasury, foreign exchange, trading and remittances, credit card 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 unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Groups’ annual audited financial statements as at December 31, 2019.

The unaudited interim condensed 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) that have been measured at fair value.

The unaudited interim condensed consolidated financial statements are presented in Philippine Peso (PHP) and all values are rounded to the nearest million pesos (₱000,000) except when otherwise indicated.

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.

Statement of Compliance

The unaudited interim condensed consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS).

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 unaudited interim condensed consolidated financial statements include the financial statements of the Bank and of its subsidiaries and are prepared for the same reporting period as the Bank using consistent accounting policies.

The following are the wholly and majority-owned foreign and domestic subsidiaries of the Bank as of March 31, 2020:

Subsidiary	Effective Percentage of Ownership	Country of Incorporation	Functional Currency
Financial Markets:			
Domestic:			
First Metro Investment Corporation (FMIC) and Subsidiaries	99.27	Philippines	PHP
Philippine Savings Bank (PSBank)	88.38	Philippines	PHP
ORIX Metro Leasing and Finance Corporation (ORIX Metro) and Subsidiaries	59.85	Philippines	PHP
Foreign:			
Metropolitan Bank (China) Ltd (MBCL)	100.00	China	Chinese Yuan
Metropolitan Bank (Bahamas) Limited (Metrobank Bahamas)**	100.00	The Bahamas	United States Dollar (USD)
First Metro International Investment Company Limited (FMIIC) and Subsidiary	100.00	Hong Kong	Hong Kong Dollar (HKD)
Remittances:			
Metro Remittance (Hong Kong) Limited	100.00	Hong Kong	HKD
Metro Remittance (Singapore) Pte. Ltd.	100.00	Singapore	Singapore Dollar
Metro Remittance (UK) Limited	100.00	United Kingdom	Great Britain Pound
Metro Remittance (USA), Inc. (MR USA)	100.00	United States of America (USA)	USD
Metro Remittance (Japan) Co., Ltd.	100.00	Japan	Japanese Yen
Metro Remittance (Italia), S.p.A. *	100.00	Italy	Euro
Real Estate:			
Circa 2000 Homes, Inc. *	100.00	Philippines	PHP
Others:			
Philbancor Venture Capital Corporation *	60.00	Philippines	PHP
MBTC Technology, Inc. **	100.00	Philippines	PHP

* In process of dissolution.
** In process of liquidation.

Merger with MCC

On March 13, 2019, the respective BODs of the Parent Company and MCC approved the proposal to merge MCC into the Parent Company which will unlock the value of MCC and help realize the following objectives: (1) improve synergy and cross-sell; (2) increase the profitability and improve capital efficiency; and (3) enable the Parent Company to be more competitive in the credit card business. The proposed merger was ratified by the stockholders of the Parent Company on April 24, 2019, and was approved by the BSP on October 23, 2019. The SEC approved the merger of MCC into the Parent Company effective January 3, 2020.

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full at consolidation. 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 period, if any, are included in the unaudited interim condensed consolidated statement of income and unaudited interim condensed consolidated statement 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' gain (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.

<u>Entity with significant influence over the Group</u>
GT Capital Holdings, Inc. (GT Capital) holds 37.15% and 36.65% of the total shares of the Bank as of March 31, 2020 and December 31, 2019, respectively.

<u>Non-Controlling Interest</u>
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 unaudited interim condensed consolidated statement of income, unaudited interim condensed consolidated statement of comprehensive income and within equity in the unaudited interim condensed 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.

<u>Non-equity Non-controlling Interest</u>
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 are presented separately in the liability section in the unaudited interim condensed 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, securities and foreign exchange gain - net' in the unaudited interim condensed consolidated statement of income.

<u>Changes in Accounting Policies</u>
The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the audited annual consolidated financial statements as of and for the year ended December 31, 2019, except for the adoption of the following amended standards, which became effective beginning January 1, 2020.

Amendments
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. 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.

The adoption of these amended standards did not have significant impact on the financial statements of the Group

Significant Accounting Policies

Leases

In 2019, the Group assesses at contract inception whether a contract is, or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right-of-use the underlying assets.

ROU assets

The Group recognizes ROU assets (included in 'Property and Equipment') at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office space	1 to 29 years
ATM site and equipment	1 to 5 years

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest (included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debt and others) and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments.

The Group's lease liabilities are included in Other Liabilities.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office spaces and ATM sites (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of ATM site and other equipment that are considered to be of low value (i.e., those with value of less than ₱ 250,000). Lease payments on short-term leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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.

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 4.

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 and Subsequent Measurement

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

Classification and Subsequent Measurement
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 it 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.

Financial assets at FVTPL
These are recorded in the statements of financial position at fair value with changes in fair value recognized in 'Trading, securities and foreign exchange gain - net'. Interest earned is recorded in 'Interest Income' 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 (IRS), call options, non-deliverable forwards (NDF) 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, securities and foreign exchange gain - net'.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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: (1) 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 flow 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 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, securities and foreign exchange gain - net’ in the statement of income. The expected credit loss (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 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: (1) 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 SPURA’, ‘Investment securities at amortized cost’ and ‘Loans and receivables’.

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.

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 (SPURA)’, ‘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. These contracts are in the scope of the expected credit loss (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'.

<u>Derecognition of Financial Assets and Liabilities</u>
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.

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If a write-off is later recovered, any amounts formerly charged are credited to "Recovery on Charged-off Assets" under "Miscellaneous Income" in the Statement of Income.

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

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 securities sold under repurchase agreements (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.

Reclassification of Financial Assets

The Group reclassifies its financial assets when there is a change in its business model for managing financial assets. A change in business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. The Group applies the reclassification prospectively from the reclassification date and does not restate any previously recognized gains, losses or interest.

Impairment of Financial Assets

Overview of the ECL principles

ECL represents credit losses that reflect an unbiased and probability weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and time value of money. 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 non-performing loans i.e. credit impaired, in all cases when the borrower becomes more than 90 days (more than 30 days in 2018) 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 and qualitative factors. 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 (i.e. with internal credit rating of 6 due to financial or repayment concerns or lower). 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 30 days past due (1 day past due in 2018), 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. ECL for Stage 3 exposure are computed on a per account, taking into consideration the present value of the expected recoverable cash flows from each transaction.

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.

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.

The Group offers credit card facilities, in which it has the right to cancel and/or reduce the facilities with one-day notice. It does not limit its exposure to credit losses to the contractual notice period, but instead, calculates ECL over a period that reflects its expectations of the customers' behavior, their likelihood of default, and its future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and expectations, the period over which the ECL is calculated for these products is two years. The interest rate used to discount is based on contractual interest rate. 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. The contractual interest rate is used as discounting factor as the Group estimates that this rate is reflective of the EIR.

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.

In 2019, after model reviews and validation, the Company relied on the following as economic inputs in measuring ECL:
- Treasury Bill (T-Bill) Rates
- Philippine Stock Exchange (PSE) All Shares Index
- GDP growth
- External debt
- PSE Financials Index
- GDP Financial intermediation
- Government expenditure

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.

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. 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.

Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of the Group's financial statements are listed below. 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.

Effective beginning on or after January 1, 2021

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 *Financial Instruments* and PFRS 15 *Revenue from Contracts with Customers*.

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 FRSC postponed the original effective date of January 1, 2016 of the said amendments until the IASB 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. Financial Risk Management

Compared with December 31, 2019, there have been no changes in the financial risk exposures that materially affect the financial statements of the Group as of March 31, 2020. The Group has exposures to the following risks from its use of financial instruments: (a) credit; (b) liquidity; and (c) market risks. Related discussions below should be read in conjunction with Note 4, Financial Risk and Capital Management, of the Group's 2019 audited financial statements.

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) 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). The 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. The 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, market segments, 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 RSK and Internal Audit Group, respectively.

Liquidity Risk
Liquidity risk is the current and prospective risk to earnings or capital arising from the 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 the 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 Bank'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 its MCO on a daily basis. The subsidiaries generate their respective MCO reports at least on a monthly basis. The liquidity profile of the Group is reported monthly to the Parent Company's ALCO and 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 on a quarterly basis on a per firm basis, and at least annually on the Group-wide level.

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 currency exchange rates, and other market factors. Market risk originates from its holdings in foreign currencies, debt securities and derivatives transactions.

Depending on the business model for the product, i.e., whether they belong to the trading book or banking book, the Group applies different tools and processes to manage market risk exposures. Risk limits, approved by the BOD, are enforced to monitor and control this risk. RSK, as an independent body under the ROC, performs daily market risk analyses to ensure compliance to policies and limits, while Treasury Group manages the asset/liability risks arising from both banking book and trading operations in financial markets. The ALCO, chaired by the President, manages market risks within the parameters approved by the BOD.

As part of group supervision, the Parent Company regularly coordinates with subsidiaries to monitor their compliance to their respective risk tolerances and to ensure alignment of risk management practices. Each subsidiary has its own risk management unit responsible for monitoring its market risk exposures. The Parent, however, requires regular submission of market risk profiles which are presented to ALCO and ROC in both individual and consolidated forms to provide senior management and ROC a holistic perspective, and ensure alignment of strategies and risk appetite across the Group.

Market Risk - Trading Book
In measuring the potential loss in its trading portfolio, the Parent Company uses Value-at-Risk (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 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 Historical Simulation 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 Back testing Analysis, which examines how frequently both actual and hypothetical daily losses exceed VaR. The result of the daily back testing analysis is reported to the ALCO and ROC monthly.

Subsidiaries with trading books perform daily mark-to-market valuation and VaR calculations for their exposures. Risk exposures are bounded by a system of risk limits and monitoring tools to effectively manage these risks.

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 annually. The results are reported by the Parent Company's Risk Management Group to the BOD through ROC.

Market Risk - Banking Book
The Group has in place their own risk management system and processes to quantify and manage market risks in the banking book. To the extent applicable, these are generally aligned with the Parent's framework/tools.

The Group assesses interest rate risk in the banking book using measurement tools such as Interest Rate Repricing Gap, Earnings-at-Risk (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.

Earnings-at-Risk (EaR) measures the possible decline in the Bank'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 parameter
The Group calculates EAR using Historical Simulation (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 (NII).

The Parent Company generates and monitors daily its EaR exposure while the subsidiaries generate their EaR reports at least monthly.

In addition to EAR, 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. 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.

Aside from the EaR and ΔEVE, the Parent Company and its subsidiaries perform regular sensitivity and stress testing analyses on their banking books to further broaden its 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. 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.

4. **Fair Value Measurement**

<u>Financial Instruments</u>
The methods and assumptions used by the Group in estimating the fair value of financial instruments have been consistently applied in the unaudited interim condensed consolidated financial statements. These 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.

Investment securities - Fair values of debt securities (financial assets at FVTPL, FVOCI and at amortized cost) and equity investments are generally based on quoted market prices. Where the debt securities are not quoted or the market prices are not readily available, the Group obtained valuations from independent parties offering pricing services, used adjusted quoted market prices of comparable investments, or applied discounted cash flow methodologies. For equity securities that are not quoted, remeasurement 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, Foreign Exchange (FX) rates, Credit Default Swap (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 approximates fair value considering that these are due and demandable or with short-term maturities.

The following tables summarize the carrying amounts and fair values of the financial assets and liabilities:

	March 31, 2020 (Unaudited)				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Government	₱8,128	₱8,128	₱-	₱-	₱8,128
Private	8,055	8,055	-	-	8,055
Treasury bills	2,648	2,648	-	-	2,648
Treasury notes and bonds	40,181	40,181	-	-	40,181
BSP	2	2	-	-	2
	59,014	59,014	-	-	59,014
Equity securities	4,168	4,168	-	-	4,168
Derivative assets					
Currency forwards	2,210	-	2,210	-	₱2,210
Interest rate swaps	1,126	-	1,126	-	1,126
Cross currency swaps	7,539	-	7,539	-	7,539
Credit default swaps	83	-	83	-	83
Put option	70	-	70	-	70
Call option	18	-	18	-	18
	11,046	-	11,046	-	11,046
	74,228	63,182	11,046	-	74,228
Investment securities at FVOCI					
Debt securities					
Government	54,134	53,765	369	-	54,134
Private	34,857	25,750	9,107	-	34,857
Treasury notes and bonds	164,057	162,519	1,538	-	164,057
	253,048	242,034	11,014	-	253,048
Equity securities	1,569	1,363	206	-	1,569
	254,617	243,397	11,220	-	254,617
	₱328,845	₱306,579	₱22,266	₱-	₱328,845
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Government	₱20,120	₱20,183	₱314	₱-	₱20,497
Private	4,129	3,035	1,056	-	4,091
Treasury bills	152	153	-	-	153
Treasury notes and bonds	212,296	182,149	10,255	-	192,404
	236,697	205,520	11,625	-	217,145
Loans and receivables - net					
Receivables from customers					
Commercial loans	1,023,490	-	-	1,009,818	1,009,818
Residential mortgage loans	108,423	-	-	118,903	118,903
Credit card	80,152	-	-	80,152	80,152
Auto loans	116,698	-	-	139,714	139,714
Trade	59,350	-	-	59,350	59,350
Others	26,462	-	-	27,477	27,477
	1,414,575	-	-	1,436,192	1,435,414
Unquoted debt securities	630	-	-	647	647
Sales contract receivable	120	-	-	131	131
	1,415,325	-	-	1,437,402	1,436,192
Other assets					
Residual value of leased assets	1,095	-	-	969	969
Miscellaneous	184	-	-	302	302
	1,279	-	-	1,271	1,271
	1,653,301	205,520	11,625	1,437,463	1,654,608

	March 31, 2020 (Unaudited)				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Liabilities Measured at Fair Value					
Financial Liabilities					
Derivative liabilities					
Currency forwards	₱1,250	₱-	₱1,250	₱-	₱1,250
Interest rate swaps	5,775	-	5,775	-	5,775
Cross currency swaps	1,752	-	1,752	-	1,752
Credit default swaps	37	-	37	-	37
Put option	89	-	89	-	89
Call option	34	-	34	-	34
Non-equity non-controlling interest	5,422	-	5,422	-	5,422
	14,359	-	14,359	-	14,359
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱543,863	₱-	₱-	₱545,831	₱545,831
LTNCD	43,744	35,031	8,881	-	43,912
	587,607	35,031	8,881	545,831	589,743
Bills payable and SSURA	169,585	-	-	169,290	169,290
Bonds payable	85,163	82,468	-	4,009	86,477
Subordinated debts	7,662	6,503	-	1,157	7,660
Other liabilities					
Deposits on lease contracts	1,690	-	-	1,518	1,518
Notes payable	2,596	-	-	2,917	2,917
	₱854,303	₱124,002	₱8,881	₱724,722	₱857,605

	December 31, 2019 (Audited)				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Private	₱7,935	₱7,935	₱-	₱-	₱7,935
Government	13,048	13,048	-	-	13,048
Treasury notes and bonds	24,145	24,145	-	-	24,145
Treasury bills	1,662	1,662	-	-	1,662
BSP	2	2	-	-	2
	46,792	46,792	-	-	46,792
Equity securities	6,585	6,585	-	-	6,585
Derivative assets					
Cross currency swaps	6,007	-	6,007	-	6,007
Currency forwards	1,756	-	1,756	-	1,756
Interest rate swaps	711	-	711	-	711
Put option	10	-	10	-	10
Call option	6		6		6
	8,490	-	8,490	-	8,490
	61,867	53,377	8,490	-	61,867
Investments securities at FVOCI					
Debt securities					
Treasury notes and bonds	111,791	110,346	1,445	-	111,791
Government	52,870	52,495	375	-	52,870
Private	36,199	28,487	7,712	-	36,199
	200,860	191,328	9,532	-	200,860
Equity Securities	1,660	1,454	206	-	1,660
	202,520	192,782	9,738	-	202,520
	₱264,387	₱246,159	₱18,228	₱-	₱264,387

	December 31, 2019 (Audited)				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	₱227,438	₱200,742	₱11,585	₱-	₱212,327
Government	20,213	20,554	338	-	20,892
Private	3,877	2,482	1,367	-	3,849
Treasury bills	100	101	-	-	101
	251,628	223,879	13,290	-	237,169
Loans and receivables-net					
Receivables from customers					
Commercial loans	₱1,049,544	₱-	₱-	₱1,039,249	₱1,039,249
Auto loans	116,434	-	-	137,168	137,168
Residential mortgage loans	109,292			133,645	133,645
Trade loans	63,093	-	-	63,093	63,093
Credit card	82,449			82,449	82,449
Others	39,812	-	-	40,858	40,858
	1,460,624	-	-	1,496,462	1,496,462
Unquoted debt securities	630	-	-	647	647
Sales contract receivable	142	-	-	146	146
	1,461,396	-	-	1,497,255	1,497,255
Other assets	185	-	-	257	257
	1,713,209	223,879	13,290	1,497,512	1,734,681
Non-Financial Assets					
Investment properties	7,762	-	-	14,283	14,283
Residual value of leased assets	1,135	-	-	1,001	1,001
	8,897	-	-	15,284	15,284
	₱1,722,106	₱223,879	₱13,290	₱1,512,796	₱1,749,965
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross currency swaps	₱3,772	₱-	₱3,772	₱-	₱3,772
Interest rate swaps	2,235	-	2,235	-	2,235
Currency forwards	1,401	-	1,401	-	1,401
Call option	12	-	12	-	12
Put option	6	-	6	-	6
Credit default swaps	1	-	1	-	1
Non-equity non-controlling interest	6,553	-	6,553	-	6,553
	₱13,980	₱-	₱13,980	₱-	₱13,980
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱592,897	₱-	₱-	₱594,991	₱594,991
LTNCD	43,740	35,122	9,042	-	44,164
	636,637	35,122	9,042	594,991	639,155
Bills payable and SSURA	238,281	-	-	243,017	243,017
Bonds payable	80,486	82,297	-	-	82,297
Subordinated debts	7,660	6,502	-	1,195	7,697
Other liabilities					
Deposits on lease contract	1,725	-	-	1,440	1,440
Notes payable	2,592	-	-	2,677	2,677
	₱967,381	₱123,921	₱9,042	₱843,320	₱976,283

5. **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 are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross interest income and interest 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 may vary from period to period and 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 as of and for the periods ended March 31, 2020 and 2019.

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
Period Ended March 31, 2020 (Unaudited)							
Results of Operations							
Net interest income (expense)							
Third party	**₱5,255**	**₱11,883**	**₱-**	**₱2,811**	**₱336**	**₱1,132**	**₱21,417**
Intersegment	**(147)**	**(8,856)**	**-**	**(884)**	**9,887**	**-**	**-**
Net interest income after intersegment transaction	**5,108**	**3,027**	**-**	**1,927**	**10,223**	**1,132**	**21,417**
Non-interest income	**1,672**	**198**	**14**	**1,801**	**1,285**	**1,131**	**6,101**
Revenue - net of interest expense	**6,780**	**3,225**	**14**	**3,728**	**11,508**	**2,263**	**27,518**
Non-interest expense	**5,028**	**3,400**	**1**	**933**	**5,837**	**4,346**	**19,545**
Income (loss) before share in net income of associates and a joint venture	**1,752**	**(175)**	**13**	**2,795**	**5,671**	**(2,083)**	**7,973**
Share in net income of associates and a joint venture	**-**	**33**	**-**	**-**	**-**	**84**	**117**
Benefit from (provision for) income tax	**(451)**	**497**	**-**	**(1,042)**	**(11)**	**(772)**	**(1,779)**
Non-controlling interest in net income of consolidated subsidiaries	**-**	**-**	**-**	**-**	**-**	**(189)**	**(189)**
Net income (loss)	**₱1,301**	**₱355**	**₱13**	**₱1,753**	**₱5,660**	**(₱2,960)**	**₱6,122**

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
Statement of Financial Position							
Total assets	**₱218,457**	**₱1,045,112**	**₱-**	**₱639,839**	**₱149,567**	**₱323,689**	**₱2,376,664**
Total liabilities	**₱96,476**	**₱1,012,232**	**₱-**	**₱635,157**	**₱253,302**	**₱65,839**	**₱2,063,006**
Other Segment Information							
Capital expenditures	**₱113**	**₱29**	**₱-**	**₱34**	**₱15**	**₱638**	**₱829**
Depreciation and amortization	**₱81**	**₱48**	**₱-**	**₱14**	**₱561**	**₱671**	**₱1,375**
Provision for credit and impairment losses	**₱2,742**	**₱2,140**	**₱-**	**₱-**	**₱76**	**₱82**	**₱5,040**

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
Period Ended March 31, 2019 (Unaudited)							
Results of Operations							
Net interest income (expense)							
Third party	₱4,247	₱13,191	₱-	₱1,592	(₱1,593)	₱664	₱18,101
Intersegment	(160)	(10,588)	-	1,208	9,540	-	-
Net interest income (expense) after intersegment transaction	4,087	2,603	-	2,800	7,947	664	18,101
Non-interest income	1,637	369	75	1,012	1,231	1,791	6,115
Revenue - net of interest expense	5,724	2,972	75	3,812	9,178	2,455	24,216
Non-interest expense	3,736	1,707	6	519	6,150	3,751	15,869
Income (loss) before share in net income of associates and a joint venture	1,988	1,265	69	3,293	3,028	(1,296)	8,347
Share in net income of associates and a joint venture	-	23	-	-	-	325	348
Provision for income tax	(503)	(80)	-	(696)	(44)	(442)	(1,765)
Non-controlling interest in net income of consolidated subsidiaries	-	–	-	-	-	(177)	(177)
Net income (loss)	₱1,485	₱1,208	₱69	₱2,597	₱2,984	(₱1,590)	₱6,753
Statement of Financial Position							
Total assets	₱184,861	₱1,043,310	₱-	₱531,222	₱147,171	₱346,934	₱2,253,498
Total liabilities	₱67,359	₱993,215	₱-	₱538,212	₱243,383	₱114,057	₱1,956,226
Other Segment Information							
Capital expenditures	₱101	₱8	₱-	₱21	₱34	₱642	₱806
Depreciation and amortization	₱182	₱31	₱-	₱15	₱438	₱668	₱1,334
Provision for credit and impairment losses	₱1,800	₱419	₱-	₱-	₱139	₱44	₱2,402

Non-interest income consists of service charges, fees and commissions, profit from assets sold, trading, securities and foreign exchange gain - 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 cost, amortization of software costs and miscellaneous expense.

6. Long-Term Negotiable Certificates of Deposit (LTNCD)

On January 10, 2020, the BSP approved the Parent Company's application to issue up to ₱25.0 billion LTNCD over a period of one year from BSP approval.

As of March 31, 2020 and December 31, 2019, total outstanding LTNCDs of the Group amounted to ₱43.74 billion. Significant terms of the LTNCDs issued by the Parent Company have been disclosed in the 2019 audited financial statements.

7. Securities Sold Under Repurchase Agreement

Following are the carrying values of the investment securities pledged and transferred under SSURA transactions of the Group (included under Bills Payable and Securities Sold under Repurchase Agreements):

	March 31, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Transferred Securities	**SSURA**	Transferred Securities	SSURA
Investment securities at				
Amortized cost	**₱84,663**	**₱62,416**	₱71,073	₱53,635
FVOCI	**29,800**	**24,283**	46,678	37,857
FVTPL	**29,197**	**28,654**	-	-
	₱143,660	**₱115,353**	₱117,751	₱91,492

8. Bonds Payable

This account consists of the following scripless fixed rate bonds:

				Carrying value	
Issue Date	Maturity Date	Interest Rate	Face Value	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)
Parent Company					
November 9, 2018	November 9, 2020	7.15%	₱10,000	**₱9,978**	₱9,962
December 17, 2018	November 9, 2020	7.15%	18,000	**17,960**	17,952
April 11, 2019	April 11, 2022	6.30%	17,500	**17,395**	17,384
July 3, 2019	July 3, 2021	5.50%	11,250	**11,190**	11,178
October 24, 2019	April 24, 2023	4.50%	13,750	**13,644**	13,634
			70,500	**70,167**	70,110
PSBank					
July 24, 2019	July 24, 2021	5.60%	6,300	**6,261**	6,255
February 4, 2020	February 4, 2023	4.50%	4,650	**4,610**	-
			10,950	**10,871**	6,255
ORIX Metro					
November 15, 2019	November 15, 2021	4.55%	4,160	**4,125**	4,121
			P85,610	**₱85,163**	₱80,486

PSBank Fixed Rate Bonds due 2023

On February 4, 2020, PSBank issued ₱4.65 billion fixed rate bonds with issue price at 100% face value, which bear an interest rate of 4.50% per annum and will mature on February 4, 2023. The interest of the bonds for the entire term are payable quarterly in arrears February 4, May 4, August 5 and November 4 of each year, commencing on May 4, 2020. Total bond issuance costs amounted to ₱42.3 million.

Significant terms of the other bonds issued have been disclosed in the 2019 audited financial statements.

9. Subordinated Debts

Details of the Group's subordinated debt follow:

			March 31, 2020 (Unaudited)		December 31, 2019 (Audited)	
Issue Date	**Maturity Date**	**Face Value**	**Carrying Value**	**Market Value**	Carrying Value	Market Value
August 8, 2014	August 8, 2025	₱ 6,500	**₱6,496**	**₱6,503**	₱6,494	₱6,502
December 20, 2013	December 20, 2023	1,170	**1,166**	**1,157**	1,166	1,195
		₱7,670	**₱7,662**	**₱7,660**	₱7,660	₱7,697

Significant terms of the Peso Notes outstanding as of December 31, 2019 have been disclosed in the 2019 audited financial statements.

On January 3, 2020, the Parent Company absorbed the ₱1.17 billion subordinated debt of MCC relative to the merger as discussed in Note 2.

On February 19, 2020, the BOD of the Parent Company approved the exercise of the call option on the ₱6.5 billion 2025 Peso Notes on August 8, 2020 in accordance with its terms and conditions subject to BSP approval.

10. Capital Stock

The movement in issued shares follows:

	Shares		Amount	
	March 31, 2020	December 31, 2019	**March 31, 2020**	December 31, 2019
Authorized				
Common stock - ₱20.00 par value	**6,000,000,000**	6,000,000,000		
Preferred stock - ₱20.00 par value	**1,000,000,000**	1,000,000,000		
Common stock issued and outstanding				
Balance at beginning of the year	**4,497,415,555**	3,980,015,036	**₱89,948**	₱79,600
Issuance of stock dividends	**-**	517,400,519	**-**	10,348
Balance at the end of the period	**4,497,415,555**	4,497,415,555	**₱89,948**	₱89,948

As of March 31, 2020 and December 31, 2019, treasury shares totaling 1,053,227 and 959,257, respectively, represent shares of the Parent Company held by mutual fund subsidiary of FMIC.

Details of the Bank's cash dividend distributions in 2020 and 2019 follow:

Date of Declaration	Per Share	Total Amount (In Millions)	Record date	Payment date
February 19, 2020	₱1.00	₱4,497	March 6, 2020	March 20, 2020
February 13, 2019	₱1.00	₱3,980	March 1, 2019	March 14, 2019

On February 13, 2019, the BOD of the Parent Company approved (a) the amendment of the AOI to increase the authorized capital stock from ₱100.0 billion to ₱140.0 billion and (b) 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 which were ratified by the stockholders representing at least 2/3 of the outstanding capital stock on April 24, 2019. These were approved by the BSP on August 8, 2019 and by the SEC on October 4, 2019. Following this, the authorized capital stock of the Parent Company increased from ₱100.0 billion to ₱140.0 billion consisting of 6.0 billion common shares and 1.0 billion preferred shares, both with par values of ₱20.0 per share. On October 16, 2019, the Parent Company received the SEC Order fixing the Record Date of the 13% stock dividend on

October 31, 2019. The 13% stock dividend was issued on November 26, 2019 with record date on October 31, 2019. On November 19, 2019, the PSE approved the listing of such stock dividend.

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.

Significant information on capital issuances have been disclosed in the 2019 audited financial statements.

11. **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.

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 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, RPTMC (through RPTC) and RPTC 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 bi-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 and relationship of the parties involved in the transaction; (b) terms of the transaction 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; (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 others 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, including transactions of subordinates 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 Bank, PSBank, FMIC and ORIX Metro.

BSP Circular Nos. 560 and 654 provide the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks which require 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% while a separate individual limit of 25.00% for those engaged in energy and power generation, of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% or 12.50%, respectively, 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 March 31, 2020 and December 31, 2019, 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 11.28% and 16.59%, respectively, of the Parent Company's net worth. The Parent Company has no outstanding loans, other credit accommodations and guarantees to subsidiaries and affiliates engaged in energy and power generation

Details on significant related party transactions of the Group as of March 31, 2020, December 31, 2019 and March 31, 2019 follow (transactions with subsidiaries have been eliminated in the unaudited interim condensed consolidated financial statement):

Category	Amount	Terms and Conditions/Nature
Transactions Affecting Statements of Financial Position		
March 31, 2020 (Unaudited)		
Entity with Significant Influence Over the Group		
Outstanding Balance:		
Deposit liabilities*	**₱3,346**	With annual fixed interest rates ranging from 0.00% to 2.50% including time deposits with maturity terms from 10 to 32 days
Bills payable*	**106**	Peso borrowings subject to annual fixed interest rates of 2.13% with maturity term of 32 days
Volume:		
Deposit liabilities	**975**	Generally similar to terms and conditions above
Bills payable	**(106)**	Generally similar to terms and conditions above
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	**₱2,200**	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 0.00% to 3.38% with maturity terms from 1 to 366 days
Investment securities at		
FVTPL	**117**	Treasury notes and private bonds purchased from FMIC
Amortized cost	**2,369**	Treasury note purchased from FMIC
Receivables from customers*	**7,398**	Unsecured, with ECL of ₱1.7 million With annual fixed interest rates from 2.90% to 5.15% and maturity terms from 1 day to 3 years
Accounts receivable	**116**	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees
Other receivables	**3**	Accrued rent receivable from PSBank and ORIX
Derivative assets	**503**	Swaps bought with various terms
Deposit liabilities*	**4,147**	With annual fixed interest rates ranging from 0.00% to 2.13% including time deposits with maturity terms from 1 to 180days
Bills payable*	**60**	Peso borrowings subject to annual fixed interest rates ranging from 2.00% to 4.63% with maturity terms from 91 to 365 days
Treasury stock	**80**	Parent Company's shares held by FMIC's mutual fund subsidiary
Dividends declared	**254**	Dividend declared by PSBank

Category	Amount	Terms and Conditions/Nature
Volume:		
Interbank loans receivable	**(4,678)**	Generally similar to terms and conditions above
Receivables from customers	**(8,681)**	Generally similar to terms and conditions above
Accounts receivable	**(78)**	Generally similar to terms and conditions above
Deposit liabilities	**(82)**	Generally similar to terms and conditions above
Bills payable	**(79)**	Generally similar to terms and conditions above
Contingent		
Derivatives	**6,473**	Swaps bought with various terms
Securities transactions		
Purchases	**3,922**	Outright purchases of investment securities at FVTPL and FVOCI
Sales	**3,856**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**2,660**	Outright purchases of foreign currency
Sell	**1,140**	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivable from customers*	**₱708**	Unsecured with minimal ECL and annual fixed interest rates ranging from 5.20% to 6.85% and maturity terms from 273 to 360 days
Accounts receivable	**1**	Non-interest bearing receivable on rental fees
Deposit liabilities*	**1,623**	With annual fixed interest rates ranging from 0.00% to 2.63% including time deposits with maturity terms from 31 to 35 days
Volume:		
Receivables from customers	**(599)**	Generally similar to terms and conditions above
Deposit liabilities	**208**	Generally similar to terms and conditions above
Securities transactions		
Outright purchases	**502**	Outright purchases of FVTPL securities and FVOCI investments
Outright sales	**1,445**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**188**	Outright purchase of foreign currency
Sell	**2**	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	**₱33,736**	Secured - ₱6.9 billion and unsecured – ₱26.8 billion, with ECL of ₱11.4 million and with annual fixed interest rates ranging from 3.88% to 5.20% and maturity terms from 28 days to 5 years
Assets held under joint operations	**219**	Parcels of land and former branch sites of the Parent Company contributed to joint operations
Deposit liabilities*	**23,500**	With annual fixed rates ranging from 0.00% to 2.75% including time deposits with maturity terms from 7 to 357 days
Bills payable*	**30**	Peso-denominated borrowings with annual fixed interest rates ranging from 3.50% to 4.00% and maturity terms from 182 to 189 days
Volume:		
Receivables from customers	**1,509**	Generally similar to terms and conditions above
Accounts receivable	**(2)**	Generally similar to terms and conditions above
Deposit liabilities	**9,610**	Generally similar to terms and conditions above
Bills payable	**30**	Generally similar to terms and conditions above
Contingent		
Unused commercial LCs	**23**	LC transactions with various terms
Securities transactions		
Outright sales	**51**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**48**	Outright purchases of foreign currency
Sell	**75**	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	**₱81**	Secured – ₱59.0 million, unsecured – ₱21.5 million, no impairment. With annual fixed interest rate ranging from 0.00% to 10.00% and maturity terms from 1 to 15 years
Deposit liabilities	**208**	With various terms and with minimum annual interest rate of 0.00%
Volume:		
Receivables from customers	**(4)**	Generally similar to terms and conditions above
Deposit liabilities	**41**	Generally similar to terms and conditions above

Category	Amount	Terms and Conditions/Nature
December 31, 2019 (Audited)		
Entity with Significant Influence Over the Group		
Outstanding Balance:		
Deposit liabilities*	**₱2,371**	With annual fixed interest rates ranging from 0.00% to 3.00% including time deposits with maturity terms from 10 to 30 days
Bills payable*	**212**	Peso borrowings subject to annual fixed interest rate ranging from 3.63% to 4.00% with maturity term of 60 days
Volume:		
Deposit liabilities	**1,891**	Generally similar to terms and conditions above
Bills payable	**8**	Generally similar to terms and conditions above
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	**₱6,878**	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 0.00% to 4.00% with maturity terms from 7 days to 366 days
Investments securities at		
FVTPL	**125**	Treasury notes and private bonds purchased from FMIC
Amortized cost	**2,368**	Treasury note purchased from FMIC
Receivables from customers*	**16,079**	Secured - ₱14.1 million and unsecured - ₱16.0 billion, with ECL of ₱1.7 million; with annual fixed interest rates ranging from 2.94% to 4.25% and maturity terms from 6 days to 3 years
Accounts receivable	**194**	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees
Derivative assets	**726**	Cross-currency swaps with various terms
Deposit liabilities*	**4,229**	With annual fixed interest rates ranging from 0.00% to 3.00% including time deposits with maturity terms from 6 to 126 days
Bills payable*	**139**	Peso borrowings subject to annual fixed interest rates ranging from 3.00% to 5.88% with maturity terms from 90 to 365 days
Treasury stock	**72**	Parent Company's shares held by FMIC's mutual fund subsidiary
Dividends declared	**1,073**	Dividends declared by PSBank and MB Bahamas
Volume:		
Interbank loans receivable	**2,244**	Generally similar to terms and conditions above
Receivables from customers	**2,394**	Generally similar to terms and conditions above
Accounts receivable	**(139)**	Generally similar to terms and conditions above
Deposit liabilities	**954**	Generally similar to terms and conditions above
Bills payable	**12**	Generally similar to terms and conditions above
Bonds payable	**(81)**	Generally similar to terms and conditions above
Contingent		
Derivatives	**8,473**	Cross-currency swaps with various terms
Securities transactions		
Purchases	**13,100**	Outright purchases of investment securities at FVTPL, FVOCI and at amortized cost
Sales	**77,841**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**28,461**	Outright purchases of foreign currency
Sell	**18,638**	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivable from customers *	**₱1,307**	Unsecured with ECL of ₱0.01 million; with annual fixed interest rate ranging from 5.00% to 6.85% and maturity terms from 94 to 360 days
Accounts receivable	**1**	Non-interest bearing receivable on rental fees
Deposit liabilities*	**1,415**	With annual fixed interest rates ranging from 0.00% to 3.63% including time deposits with maturity terms from 31 to 35 days
Dividends declared	**169**	Dividends declared by PALIC, SMFC and TSI
Volume:		
Receivable from customers	**604**	Generally similar to terms and conditions above
Accounts receivable	**(1)**	Generally similar to terms and conditions above
Deposit liabilities	**579**	Generally similar to terms and conditions above
Securities transactions		
Outright sales	**1,664**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**168**	Outright purchases of foreign currency
Sell	**374**	Outright sale of foreign currency

Category	Amount	Terms and Conditions/Nature
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	**₱32,227**	Secured - ₱6.6 billion and unsecured - ₱25.6 billion, with ECL of ₱11.4 million; with annual fixed interest rates ranging from 3.88% to 5.20% and maturity terms from 28 days to 5 years
Accounts receivable	**2**	Credit card receivables, current and non-revolving
Assets held under joint operations	**219**	Parcels of land and former branch sites of the Parent Company contributed to joint operations
Deposit liabilities*	**13,890**	With annual fixed interest rates ranging from 0.00% to 3.50% including time deposits with maturity terms from 1 day to 357 days
Volume:		
Receivable from customers	**2,755**	Generally similar to terms and conditions above
Accounts receivable	**(1)**	Generally similar to terms and conditions above
Deposit liabilities	**69**	Generally similar to terms and conditions above
Bills payable	**(51)**	Generally similar to terms and conditions above
Contingent		
Unused commercial LC's	**5**	LC transactions with various terms
Securities transactions		
Outright sales	**572**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**308**	Outright purchases of foreign currency
Sell	**1,140**	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	**₱85**	Secured - ₱62.5 million unsecured - ₱22.1 million, no impairment, with annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms from 1 to 15 years
Deposit liabilities	**167**	With various terms and with minimum annual interest rate of 0.00%
Volume:		
Deposit liabilities	**1**	Generally similar to terms and conditions above

Transactions Affecting Statements of Income

March 31, 2020 (Unaudited) - Amount		
Entity with Significant Influence Over the Group		
Interest expense	**₱2**	On deposit liabilities and bills payable
Subsidiaries		
Interest income	**₱76**	On receivables from customers and interbank loans receivables
Service charges, fees and commissions	**4**	Income on transactional fees, including underwriting fees
Trading and securities gain - net	**44**	Net gain from securities transactions
Foreign exchange loss - net	**(8)**	Net loss from foreign exchange transactions
Leasing income	**7**	From leasing agreements with various lease terms
Miscellaneous income	**49**	Information technology and other fees
Interest expense	**22**	On deposit liabilities, bills payable and bonds payable
Associates		
Interest income	**₱10**	On receivables from customers
Leasing income	**4**	From leasing agreements with various lease terms
Other Related Parties		
Interest income	**₱247**	On receivables from customers
Leasing income	**6**	From leasing agreements with various lease terms
Interest expense	**11**	On deposit liabilities and bills payable
Key Personnel		
Interest income	**₱1**	On receivables from customers

March 31, 2019 (Unaudited) - Amount		
Entity with Significant Influence Over the Group		
Interest expense	₱3	On deposit liabilities and bills payable
Subsidiaries		
Interest income	₱191	On receivables from customers and interbank loans receivables
Service charges, fees and commissions	11	Income on transactional fees, including underwriting fees
Trading and securities gain - net	2	Net gain from securities transactions
Foreign exchange gain - net	44	Net gain from foreign exchange transactions
Leasing income	14	From leasing agreements with various lease terms
Miscellaneous income	95	Information technology and other fees
Interest expense	6	On deposit liabilities, bills payable and bonds payable

Category	Amount	Terms and Conditions/Nature
Associates		
Interest income	**₱9**	On receivables from customers
Leasing income	**5**	From leasing agreements with various lease terms
Interest expense	**1**	On deposit liabilities
Other Related Parties		
Interest income	**₱263**	On receivables from customers
Foreign exchange gain - net	**1**	Net gain from foreign exchange transactions
Leasing income	**5**	From leasing agreements with various lease terms
Interest expense	**225**	On deposit liabilities and bills payable
Key Personnel		
Interest income	**₱1**	On receivables from customers

* including accrued interest

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. Together with the sale of investment properties; borrowings; contingent accounts including derivative transactions; outright purchases and sales of FVTPL and FVOCI investments; foreign currency buy and sell; leasing of office premises; securing of insurance coverage on loans and property risks; and other management services rendered, these are conducted in the normal course of business and at arms-length transactions. The amounts and related volumes and changes are presented in the summary above.

As of March 31, 2020 and December 31, 2019, government bonds with total face value of 60.0 million classified as 'Investment securities at amortized cost' are pledged by PSBank to the Parent Company to secure the latter's payroll account with PSBank. Also, as of March 31, 2020 and December 31, 2019, the Parent Company has assigned to PSBank government securities with total face value of 4.0 billion, classified as 'Investment securities at amortized cost', to secure PSBank deposits to the Parent Company.

<u>Transactions with retirement plans</u>

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 ₱23.5 million and ₱22.2 million in March 31, 2020 and 2019, respectively. As of March 31, 2020 and 2019, the Parent Company sold securities totaling ₱9.9 million and ₱2.6 billion, respectively, to its related party retirement plans and recognized ₱0.2 million and ₱17.0 million trading loss, respectively and has also purchased securities totaling ₱562.7 million as of March 31, 2019. Further, as of March 31, 2020 and December 31, 2019, the total outstanding deposit liabilities of the Group to these related party retirement funds amounted to ₱195.2 million and ₱103.6 million, respectively. Interest expense on deposit liabilities amounted to ₱1.3 million and ₱15.6 million in March 31, 2020 and 2019, respectively.

As of March 31, 2020 and December 31, 2019, the related party retirement plans also hold investments in: (a) the equity shares of various companies within the Group amounting to ₱160.5 million and ₱278.8 million, respectively, with unrealized trading losses of ₱134.9 million and ₱20.1 million, respectively; (b) mutual funds and trust funds of various companies within the Group amounting to ₱257.9 million and ₱672.4 million, respectively, with unrealized trading loss of ₱22.9 million and unrealized trading gain of ₱19.5 million, respectively; and (c) the Peso fixed rate bonds of the Parent Company amounting to ₱3.7 billion, with unrealized trading gains of ₱94.9 million and ₱109.1 million, respectively. Further, for the period ended March 31, 2020 and 2019, realized net trading gains for disposals of various investments in equity shares, mutual and trust funds amounted to ₱8.1 million and ₱25.2 million, respectively. The related party retirement plans also recognized dividend income of ₱0.3 million for the period ended March 31, 2020.

12. Notes to Statements of Cash Flows

The amounts of interbank loans and receivables and SPURA, gross of allowance for credit losses, considered as cash and cash equivalents follow:

	March 31	
	2020	2019
Interbank loans receivables and SPURA	**₱54,056**	₱42,475
Interbank loans receivables and SPURA not considered as cash and cash equivalents	**(4,890)**	(3,095)
	₱49,166	₱39,380

13. 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 unaudited interim condensed consolidated financial statements. No material losses are anticipated to be recognized as a result of these transactions.

The following is a summary of contingencies and commitments at their peso-equivalent contractual amounts arising from off-balance sheet items:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Trust Banking Group accounts	**₱448,116**	₱491,659
Commitments		
Credit card lines	**212,393**	209,766
Undrawn - facilities to lend	**14,506**	21,980
Unused commercial letters of credit	**37,869**	44,036
Bank guaranty with indemnity agreement	**10,552**	9,904
Credit line certificate with bank commission	**5,649**	5,984
Outstanding shipside bonds/airway bills	**3,236**	1,931
Inward bills for collection	**1,611**	991
Outward bills for collection	**1,218**	850
Outstanding guarantees	**642**	139
Confirmed export letters of credits	**393**	935
Late deposits/payments received	**243**	1,539
Others	**14,416**	12,933
	₱750,844	₱802,647

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. 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 Regional Trial Court (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. In addition, foreign proceedings are ongoing on the cases which were filed in the United States of America 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 provisioning. Relative to this incident, the Monetary Board (MB) approved the imposition of certain sanctions to the Bank (which was lifted on July 18, 2019) 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.

In June 2019, Ms. Lopez was found guilty of qualified theft and was sentenced accordingly. Two more convictions followed in September 2019 and October 2019. Ms. Lopez is serving her prison sentence at the Correctional Institute for Women as her convictions are already final and unappealable. Two counts of qualified theft are still pending with the RTC. In the civil case, the RTC issued judgment ordering Ms. Lopez to restitute the Bank.

Several suits and claims relating to the Group's lending 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.

14. 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):

	For the Period Ended March 31		For the Year Ended
	2020	2019	December 31, 2019
	(Unaudited)		(Audited)
a. Net income attributable to equity holders of the Parent Company	**₱6,122**	₱6,753	₱28,055
b. Weighted average number of outstanding common shares of the Parent Company	**4,496**	4,496	4,496
c. Basic/diluted earnings per share (a/b)	**₱1.36**	₱1.50*	₱6.24

* Restated to show the effect of the stock dividends issued in November 2019.

As of March 31, 2020 and 2019 and December 31, 2019, there were no outstanding dilutive potential common shares.

The following basic ratios measure the financial performance of the Group:

	For the Period Ended March 31		For the Year Ended
	2020	2019	December 31, 2019
	(Unaudited)		(Audited)
Return on average equity	**7.98%**	9.45%	9.47%
Return on average assets	**1.01%**	1.20%	1.20%
Net interest margin on average earning assets	**4.06%**	3.84%	3.84%

15. Other Matters

The Group has no significant matters to report on the following during the period ended March 31, 2020:

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 interim operations;
c. Issuances, repurchases and repayments of debt and equity securities except for the issuance of the ₱4.65 billion fixed rate bonds of PSBank as discussed in Note 8;
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 10; and
e. Effect of changes in the composition of the Group during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations except as discussed in Note 2.

16**.** **Subsequent Event**

a. On March 18, 2020, the BOD of the Parent Company approved the amendment of the Articles of Incorporation to create a new class of preferred shares as follows: (a) nine hundred forty million (940,000,000) non-voting preferred shares at a par value of twenty pesos (₱20.00) each and (b) six billion (6,000,000,000) voting preferred shares at a par value of twenty centavos (₱0.20) each. Preferred shares shall have preference over common shares in the distribution of dividends and shall have such other features as may be determined by the BOD at the time of issuance, to the extent permitted by applicable law.

b. On April 21, 2020, the BOD of PSBank declared a 7.50% regular cash dividend for the first quarter of 2020 amounting to ₱320.14 million or ₱0.75 per share payable on May 21, 2020 to all stockholders of record as of May 7, 2020.

c. On April 24, 2020 and April 30, 2020, the P8.0 and P3.4 billion LTNCD of the Parent Company and PSBank, respectively, matured.

ANNEX 6

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
FINANCIAL INDICATORS
AS OF AND FOR THE PERIOD ENDED MARCH 31, 2020 AND 2019

RATIO		FORMULA	2020	2019
a)	Liquidity Ratio	Liquid Assets / Total Assets	36.37%	36.37%
b)	Loans to Deposits Ratio	Total Loans / Total Deposit Liabilities	84.60%	86.31%
c)	Debt to Equity Ratio	Total Liabilities / Total Equity Attributable to Equity Holders of the Parent Company	677.41%	677.59%
d)	Asset to Equity Ratio	Total Assets / Total Equity Attributable to Equity Holders of the Parent Company	780.41%	780.56%
e)	Return on Average Equity	Net Income Attributable to Equity Holders of the Parent Company / Average Equity	7.98%	9.45%
f)	Return on Average Assets	Net Income Attributable to Equity Holders of the Parent Company / Average Assets	1.01%	1.20%
g)	Net Interest Margin on Average Earning Assets	Net Interest Income / Average Earning Assets	4.06%	3.84%
h)	Operating Efficiency Ratio	Total Operating Expenses / Net Operating Income	52.71%	55.61%
i)	Interest Coverage Ratio	Earnings Before Interest and Taxes / Interest Expense	206.81%	185.23%
j)	Net Profit Margin	Net Income / Total Gross Income	17.93%	19.93%
k)	Capital Adequacy Ratio	Total Qualifying Capital / Total Risk-Weighted Assets	17.55%	17.38%
l)	Common Equity Tier 1 Ratio	Net Tier 1 Capital / Total Risk-Weighted Assets	16.29%	14.99%

METROPOLITAN BANK & TRUST COMPANY
SEC FORM 17 – Q
FOR THE PERIOD ENDED MARCH 31, 2020

ITEM 2 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL POSITION AND RESULTS OF OPERATIONS

Key Performance Indicators

Financial Ratios

The following ratios measure the financial performance of the Group, the Bank, and significant subsidiaries:

	For the Period Ended March 31, 2020 (Unaudited)			
	Group	Metrobank	FMIC	PSBank
Earnings per share	₱1.36	₱1.36	(₱1.24)	₱1.60
Return on equity	7.98%	7.83%	6.13%	7.61%
Return on assets	1.01%	1.18%	2.63%	1.08%
Operating efficiency ratio	52.71%	48.51%	162.60%	60.75%
Non-performing loans ratio	1.40%	1.02%	Nil	2.83%

	For the Period Ended March 31, 2019 (Unaudited)				
	Group	**Metrobank**	**FMIC**	**PSBank**	**MCC**
Earnings per share	₱1.50*	₱1.50	₱0.65	₱1.91	₱1.14
Return on equity	9.45%	9.13%	5.41%	9.46%	29.74%
Return on assets	1.20%	1.44%	1.79%	1.15%	5.58%
Operating efficiency ratio	55.61%	58.87%	75.25%	63.29%	30.69%
Non-performing loans ratio	1.55%	1.12%	Nil	3.06%	1.71%

** Restated to show the effect of stock dividends issued in November 2019*

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing the net income by the weighted average number of common shares outstanding after giving retroactive effect to stock dividends declared, stock rights exercised and stock splits made during the period, if any. As of March 31, 2020 and 2019, the Parent Company had no shares of stock that had a dilutive effect on its basic earnings per share.

The decrease in the Group's EPS from ₱1.50 to ₱1.36 was due to the 9.34% decrease in net income attributable to the equity holders of the Parent Company from ₱6.75 billion for the period ended March 31, 2019 to ₱6.12 billion for the same period in 2020.

Return on Equity
Return on equity (ROE) or the ratio of annualized net income to average capital funds (equity attributable to equity holders of the Parent Company) measures the return on capital provided by the stockholders.

ROE of the Group for the quarter ended March 31, 2020 was lower at 7.98% compared with 9.45% for the same quarter in 2019 due to the net effect of the 9.34% decrease in the net income attributable to equity holders of the Parent Company and the 7.42% increase in the average equity.

Return on Assets
Return on assets (ROA) or the ratio of annualized net income to average total assets, measures the return on money provided by both stockholders and creditors, as well as how efficiently all assets are managed.

ROA went down to 1.01% for the quarter ended March 31, 2020 from 1.20% for the same quarter in 2019 due to the net effect of the 9.34% decrease in net income attributable to the equity holders of the Parent Company and the 7.34% increase in the average total assets.

Operating Efficiency Ratio
Operating efficiency ratio represents the ratio of total operating expenses (excluding provisions for credit and impairment losses and income tax) to total operating income (excluding share in net income of associates and a joint venture).

For the quarter ended March 31, 2020, the Group's operating efficiency ratio improved to 52.71% from 55.61% for the same quarter in 2019 resulting from higher operating income by 13.64% compared with the 7.71% increase in operating expenses.

Non-Performing Loans Ratio
Non-performing loans (NPL) ratio represents the ratio of NPLs to gross loan portfolio, excluding interbank loans receivable.

As of March 31, 2020 and 2019, NPL ratio of the Group was at 1.40% and 1.55%, respectively.

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 March 31, 2020, the contractual maturity profile shows that the Bank has at its disposal about ₱925.67 billion of cash inflows in the next twelve months from its portfolio of cash, placements with banks, debt securities and receivable from customers. This will cover 63.17% of the ₱1.47 trillion total deposits maturing during the same period. These cash inflows exclude securities in FVTPL and FVOCI with maturities beyond one year but may easily be liquidated in an active secondary market. Inclusive of these securities, the total financial assets will cover 82.15% of the total deposits maturing during the same period. 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
These events are discussed in Annex 5 under Note 13 - Commitments and Contingent Liabilities of the General Notes to the Interim Condensed Consolidated Financial Statements.

Material Off-Balance Sheet Transactions, Arrangements or Obligations
The summary of contingencies and commitments at their peso-equivalent contractual amounts arising from off-balance sheet items are discussed in Annex 5 under Note 13 - Commitments and Contingent Liabilities of the General Notes to the Interim Condensed Consolidated Financial Statements. Likewise, the summary of obligations are discussed in Note 6 - LTNCD; Note 8 - Bonds Payable; Note 9 - Subordinated Debts and Note 10 - Capital Stock.

Material Commitments for Capital Expenditures
For the year 2020, the Bank estimates to incur capital expenditures of about ₱3.0 to ₱5.0 billion, of which 50% is estimated to be incurred for information technology.

<u>Material Events or Uncertainties</u>

The registrant has nothing to report on the following for the period ended March 31, 2020:

1. Any known trends or demands, commitments, events or uncertainties that will have a material impact on liquidity or that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations, except as disclosed in Annex 5 under Note 15 - Other Matters; and Note 16 - Subsequent Events of the General Notes to the Interim Condensed Consolidated Financial Statements;

2. Any seasonal aspects that had a material effect on the financial condition or results of operations; and

3. Any significant element of income or loss that did not arise from continuing operations.

<u>Material Changes in Financial Statements Accounts</u>

Financial Condition

<u>March 31, 2020 (Unaudited) vs. December 31, 2019 (Audited)</u>
The Metrobank Group posted unaudited consolidated total assets of ₱2.38 trillion and consolidated total liabilities of ₱2.06 trillion as of March 31, 2020. Compared with the audited figures as of December 31, 2019, total assets and total liabilities went down by ₱74.15 billion or 3.03% and by ₱69.32 billion or 3.25%, respectively. Moreover, equity attributable to equity holders of the Parent Company was lower by ₱5.01 billion or 1.62% from ₱309.55 billion to ₱304.54 billion.

Cash and Other Cash Items increased by ₱4.42 billion or 13.41% due to the higher level of cash requirements of the Parent Company and PSBank. Due from BSP which represents 6.44% of the Group's total assets went down by ₱67.03 billion or 30.47% due to the various reserve cuts by the BSP in 2019. Interbank Loans Receivable and SPURA went down by ₱18.12 billion or 25.10% due to the decrease in SPURA by ₱34.52 billion or 86.99% offset by the increase in interbank loans receivable by ₱16.40 billion or 50.49%.

Total investment securities which consisted of FVTPL, FVOCI and securities at amortized cost and which represents 23.80% and 21.05% of the Group's total assets as of March 31, 2020 and December 31, 2019, respectively, went up by ₱49.53 billion or 9.60%. FVTPL securities consist of HFT securities and derivative assets amounting to ₱63.18 billion and ₱11.05 billion, respectively, as of March 31, 2020 and ₱53.38 billion and ₱8.49 billion, respectively, as of December 31, 2019. The ₱52.10 billion increase in FVOCI securities was mainly due to the net effect of the increases in investments in government bonds (₱72.23 billion) and treasury notes and bonds (₱4.85billion) reduced by the decrease in investments in private bonds (₱24.89 billion). On the other hand, the ₱14.93 billion decrease in investment securities at amortized cost was due to various maturities.

Loans and Receivables representing 60.38% and 60.53% of the Group's total assets as of March 31, 2020 and December 31, 2019, respectively, went down by ₱48.50 billion due to lower demand on corporate, commercial and consumer loans. Deferred Tax Assets increased by P1.46 billion or 13.93% due to the recognition of taxes recoverable in the future period.

Other Assets increased by ₱4.51 billion or 28.98% from ₱15.57 billion to ₱20.09 billion primarily due to the net effect of the increases in inter-office float items, prepaid expenses and creditable withholding taxes reduced by the decrease in miscellaneous assets.

Deposit liabilities represent 83.06% and 80.39% of the consolidated total liabilities as of March 31, 2020 and December 31, 2019, respectively, wherein low cost deposits represent 65.71% and 62.86% of the Group's total deposits, respectively. The Group's deposit level, sourced mainly by the Bank, PSBank and MBCL reached ₱1.71 trillion as of March 31, 2020, a slight decrease of ₱0.59 billion or 0.03% from the December 31, 2019 level.

Bills Payable and SSURA representing 8.22% and 11.17% of the Group's total liabilities as of March 31, 2020 and December 31, 2019, respectively, went down by ₱68.70 billion or 28.83%. Derivative Liabilities increased by ₱1.51 billion or 20.33%. The increase of ₱1.98 billion or 29.11% in Manager's Checks and Demand Drafts Outstanding resulted from the normal banking operations of the Bank and PSBank. Income taxes payable increased by ₱1.51 billion or 36.15% due to accrual of corporate income tax for 2020. Accrued Interest and Other Expenses went down by ₱2.71 billion or 25.79% due to decreases in accruals of other bank expenses and interest on deposit liabilities.

Bonds payable increased by ₱4.68 or 5.81% on account of the ₱4.65 billion fixed rate bonds issued by PSBank on February 4, 2020. Details of these bonds are discussed in Annex 5 Note 8. Deferred Tax Liabilities decreased by ₱0.04 billion or 41.67%. 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 ₱1.13 billion or 17.26% on account of the net decline in income of these mutual funds. Other Liabilities went down by ₱5.84 billion or 10.39% primarily due to the decrease in bills purchased contra (₱10.62 billion) offset by the increases in accounts payable (₱1.95 billion), outstanding acceptances (₱1.43 billion) and miscellaneous liabilities (₱1.06 billion).

Equity attributable to equity holders of the Parent Company decreased by ₱5.01 billion or 1.62% due to the net unrealized loss on FVOCI and net effect of the net income reported during the period.

Results of Operations

<u>Quarter Ended March 2020 vs. Quarter Ended March 2019 (Unaudited)</u>

Unaudited net income attributable to equity holders of the Parent Company reached ₱6.12 billion for the quarter ended March 31, 2020, ₱0.63 billion or 9.34% lower compared with the ₱6.75 billion net income reported for the same quarter of the previous year.

Interest income improved by ₱0.69 billion or 2.44% due mainly to the higher interest income on investment securities at FVOCI and FVTPL, and the ₱0.13 billion increase in interest income on deposits with banks and others reduced by the decline in interest income on loans and receivables by ₱0.49 billion. Meanwhile, the decreases in interest expense on deposit liabilities by ₱2.04 billion or 32.47% and interest expense on borrowings by ₱0.59 billion or 15.02% accounted for the ₱2.63 billion or 25.74% decrease in interest expense. These resulted in a ₱3.32 billion or 18.32% improvement in net interest income.

Other operating income went down by ₱0.25 billion or 3.79% from ₱6.46 billion for the first quarter of 2019 to ₱6.22 billion for the same quarter this year. The variance was due to the decreases in miscellaneous income by ₱0.38 billion or 20.27% and net trading, securities and foreign exchange gain by ₱0.07 billion or 5.03% offset by the increase in fee-based income (service charges, fees and commissions) by ₱0.21 billion or 6.67%. To anticipate the possible impact of the COVID-19 pandemic, the Group increased provision for credit and impairment losses for the first quarter of 2020 to ₱5.04 billion more than double the ₱2.40 billion provision for the same period in 2019. Total operating expenses increased by ₱1.04 billion or 7.71% as a result of the increases in compensation and fringe benefits by ₱0.47 billion or 8.63% and miscellaneous expenses by ₱0.55 billion or 7.28%.

Income attributable to non-controlling interests went up to ₱0.19 billion from ₱0.18 billion or by ₱0.01 billion or 6.78% due to increase in ownership of minority particularly on FMIC.

Total comprehensive income went down by ₱10.24 billion from ₱10.58 billion for the first quarter of 2019 to ₱0.34 billion for the same period in 2020 mainly due to the net effect of the decrease in net income; net unrealized loss of ₱5.26 billion recognized on FVOCI investments for the first quarter of 2020 compared with ₱3.42 billion net unrealized gain reported for the same quarter in 2019; and the increase in translation adjustments and others. As a result, total comprehensive income attributable to equity holders of the Parent Company went down to ₱0.13 billion or by ₱9.60 billion from ₱9.72 billion in 2019.

METROPOLITAN BANK & TRUST COMPANY
(CONSOLIDATED)

AGING OF ACCOUNTS RECEIVABLE
(IN MILLIONS)
AS OF MARCH 31, 2020

NO. OF DAYS OUTSTANDING		AMOUNT
1-90	₱	4,195
91-180		77
181-360		3,328
OVER 360		4,042
GRAND TOTAL	₱	11,642