Metropolitan Bank & Trust Company and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements as at March 31, 2020 and for the three months ended March 31, 2020 and 2019

and

Report on Review of Interim Condensed Consolidated Financial Statements

SGV

Building a better working world

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

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors and Stockholders
Metropolitan Bank & Trust Company

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Metropolitan Bank & Trust Company and Subsidiaries (the Group), which comprise the interim consolidated statement of financial position as at March 31, 2020 and the related interim consolidated statements of income, interim consolidated statements of comprehensive income, interim consolidated statements of changes in equity and interim consolidated statements cash flows for the three months ended March 31, 2020 and 2019, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with PAS 34, *Interim Financial Reporting*.

SYCIP GORRES VELAYO & CO.

Josephine Adrienne A. Abarca

Josephine Adrienne A. Abarca
Partner
CPA Certificate No. 92126
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PTR No. 8125200, January 7, 2020, Makati City

July 6, 2020

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(With Comparative Audited Figures as at December 31, 2019)

(In Millions)

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
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 (Note 7)		
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 (Note 8)	**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	**11,450**	10,512
Other Assets	**21,840**	15,574
	₱2,377,891	₱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 9)	**43,744**	43,740
	1,713,559	1,714,144
Bills Payable and Securities Sold Under Repurchase Agreements (SSURA) (Note 10)	**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 11)	**85,163**	80,486
Subordinated Debts (Note 12)	**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	**305,769**	309,554
Non-controlling Interest	**9,116**	8,937
	314,885	318,491
	₱2,377,891	₱2,450,813

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	For the Three Months Ended March 31	
	2020	2019
INTEREST INCOME ON		
Loans and receivables (Note 8)	**₱23,333**	₱23,826
Trading and investment securities (Note 7)	**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 debts and others	**3,343**	3,934
	7,575	10,201
NET INTEREST INCOME	**21,417**	18,101
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES (Note 8)	**5,040**	2,402
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	**16,377**	15,699
OTHER OPERATING INCOME		
Service charges, fees and commissions	**3,341**	3,132
Trading and securities gain - net	**777**	1,186
Foreign exchange gains - net	**601**	265
Miscellaneous (Note 15)	**1,382**	1,532
	6,101	6,115
OTHER EXPENSES		
Compensation and fringe benefits	**5,903**	5,434
Occupancy and equipment-related cost	**470**	453
Miscellaneous (Note 15)	**8,132**	7,580
	14,505	13,467
INCOME BEFORE SHARE IN NET INCOME OF ASSOCIATES AND A JOINT VENTURE	**7,973**	8,347
SHARE IN NET INCOME OF ASSOCIATES AND A JOINT VENTURE	**117**	348
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 19)	**₱1.36**	₱1.50*

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

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Millions)

	For the Three Months Ended March 31	
	2020	2019
NET INCOME	**₱6,311**	₱6,930
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Items that may not be reclassified to profit or loss:		
Change in net unrealized gain (loss) on equity securities at FVOCI (Note 7)	**(111)**	62
Change in remeasurement gain on retirement plan	**240**	16
	129	78
Items that may be reclassified to profit or loss:		
Change in net unrealized gain (loss) on debt securities at FVOCI (Note 7)	**(5,263)**	3,423
Change in equity in other comprehensive income (loss) of investees	**(226)**	176
Translation adjustment and others	**(19)**	(25)
	(5,508)	3,574
TOTAL COMPREHENSIVE INCOME	**₱932**	₱10,582
Attributable to:		
Equity holders of the Parent Company	**₱720**	₱9,723
Non-controlling interest	**212**	859
	₱932	₱10,582

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

(In Million Pesos)

(Unaudited)

	Common Stock (Note 14)	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 Gain (Loss) on Retirement Plan	Translation Adjustment and Others	TOTAL	Non-Controlling Interest	Total Equity
Balance as at 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)**	**253**	**(61)**	**720**	**212**	**932**
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)**
Balance as at March 31, 2020	**₱89,948**	**₱85,252**	**₱145,745**	**₱2,132**	**(₱80)**	**(₱2,741)**	**₱121**	**(₱5,278)**	**(₱9,330)**	**₱305,769**	**₱9,116**	**₱314,885**
Balance as at 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 as at March 31, 2019	₱79,600	₱85,252	₱133,323	₱1,956	(₱68)	₱434	₱148	(₱3,584)	(₱8,359)	₱288,702	₱8,570	₱297,272

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	For the Three Month 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 (Note 8)	**5,040**	2,402
Trading and securities gain on investment securities at FVOCI (Note 7)	**(1,543)**	(50)
Depreciation and amortization (Note 15)	**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 (Note 15)	**(59)**	(140)
Amortization of software costs	**180**	144
Amortization of discount on subordinated debts and bonds payable	**73**	30
Dividends	**(38)**	(34)
Changes in operating assets and liabilities:		
Decreases (increases) in:		
Investment securities at FVTPL	**(10,880)**	(27,676)
Loans and receivables	**43,330**	28,761
Other assets	**(6,611)**	(3,603)
Increases (decreases) 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	**(7,125)**	3,127
Net cash provided by (used in) operations	**(15,864)**	32,548
Dividends received	**38**	34
Income taxes paid	**(1,236)**	(2,050)
Net cash provided by (used in) operating activities	**(17,062)**	30,532
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Investment securities at FVOCI	**(792,581)**	(89,326)
Investment 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	**238**	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	**(41,669)**	(31,388)

(Forward)

	For the Three Month Ended March 31	
	2020	2019
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
Proceeds from bond issuance	**4,608**	–
Cash dividends paid	**(4,530)**	(4,013)
Payment of principal portion of lease liabilities	**(460)**	(669)
Acquisition of Parent Company shares by a mutual fund subsidiary	**(8)**	(1)
Net cash used in financing activities	**(22,273)**	(26,454)
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 17)	**49,166**	32,530
	₱294,031	₱331,103

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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. The Bank is the ultimate parent company of the Group.

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 Group's 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), the Bank's functional currency, and all values are rounded to the nearest million pesos (₱000,000) except when otherwise indicated.

The unaudited interim condensed consolidated financial statements of the Group have been prepared in relation to a planned capital raising activity of the Bank.

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.

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 and Subsidiary (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	USD
Metro Remittance (Japan) Co., Ltd.	100.00	Japan	Japanese Yen
Metro Remittance (Italia), S.p.A. * (MR Italia) (Note 21)	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 Metrobank Card Corporation (MCC)
On March 13, 2019, the respective BODs of the Parent Company and MCC (a wholly-owned subsidiary as of December 31, 2019) 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.

Entity with Significant Influence over the Bank
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.

Changes in Accounting Policies
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.

Conceptual Framework for Financial Reporting issued on March 29, 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

Amendments
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 PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*
The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

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

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PAS 34 requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosures of contingent assets and contingent liabilities. Future events may occur which can cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Among others, the following are the critical judgments and key assumptions that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Judgments
Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the statement of financial position or disclosed in the notes to financial statements cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These judgments may include considerations of liquidity and volatility for longer dated derivatives.

Estimates
a. *Credit losses on financial assets*
The Group reviews its debt financial assets subject to ECL on a semi-annual basis with updating provisions made during the intervals as necessary based on the continuing analysis and monitoring of individual accounts by credit officers. The measurement of credit losses under PFRS 9 across

all categories of such financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining credit losses and the assessment of a SICR. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Currently, the world is experiencing a COVID-19 pandemic and different measures are being applied and followed to contain its outbreak. These are causing disruptions to economic activities and have been affecting various businesses. Specific impact on business operations continue to evolve. For purposes of estimating the ECL of the Group's financial assets as of March 31, 2020, deterioration on credit accounts based on the industry risk grades have been considered which resulted in risk rating downgrades depending on the industry risk ratings and adjustments on the probabilities of default following the ratings migration. Further, in assessing the forward-looking information on whether the credit risk of a financial asset has increased significantly since its initial recognition and on the measurement of ECL, the Group considered consensus industry forecasts from the National Economic Development Authority and various rating agencies (such as Moody's, S&P, ABD) and assumed downturn recovery rates. Faced with the challenges of the actual impact of the pandemic, the Group is performing a more frequent assessment and evaluation based on the various developments in the economy in general and in specific business operations.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include, among others:

- Segmentation of the portfolio, where the appropriate model or ECL approach is used
- Criteria for assessing if there has been a SICR and so allowances for debt financial assets should be measured on a lifetime ECL basis and the qualitative assessment. Stage 2 includes those accounts that are "Watchlisted" due to financial and repayment concerns, which are previously under Stage 1, and aligned the definition of default (previously more than 30 days past due) with the BSP's definition of non-performing loans, i.e., more than 90 days past due
- Segmentation of debt financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomics scenarios and their probability weightings, to derive the economic inputs into the ECL models

The gross carrying amounts of financial assets subject to ECL as of March 31, 2020 and December 31, 2019 amounted to ₱2.2 trillion and ₱2.3 trillion, respectively, while the related ECL allowances for credit losses amounted to ₱27.7 billion and ₱24.4 billion, respectively. For the periods ended March 31, 2020 and 2019, provision for credit losses on these financial assets amounted to ₱5.04 billion and ₱2.40 billion, respectively.

b. *Recognition of deferred income taxes*
Deferred tax assets are recognized for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As of March 31, 2020, after considering the impact of the COVID-19 pandemic, the Group will still be able to generate taxable income which indicates that certain temporary differences will still be realized in the future. Deferred tax assets as of March 31, 2020 and December 31, 2019 amounted to ₱11.45 billion and ₱10.51 billion, respectively.

c. *Impairment of non-financial assets*
The Group assesses impairment on non-financial assets (property and equipment, investments in subsidiaries, associates and a JV, investment properties, software costs, chattel mortgage properties and other assets) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following: a) significant underperformance relative to expected historical or projected future operating results; b) significant changes in the manner of use of the acquired assets or the strategy for overall business; c) significant negative industry or economic trends; and d) the impact of the COVID-19 pandemic on the business.

The Group uses the higher of FVLCTS and VIU in determining recoverable amount. As of March 31, 2020 and December 31, 2019, there has been a significant and prolonged decline in the fair value of an associate. The recoverable amount of the investment in the associate has been determined based on a VIU calculation. Key assumptions in VIU calculation are most sensitive to the following assumptions: (a) production volume; (b) price; (c) exchange rates; (d) capital expenditures and (e) long-term growth rates. Based on the Group's impairment testing as of March 31, 2020 and December 31, 2019, allowance for impairment loss on investment in associate amounted to ₱513.6 million.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. The recoverable amount of the CGU is determined based on FVLCTS.

The fair value of the CGU is determined using the cost approach, specifically the adjusted Net Asset Value (NAV) method. This method requires the measurement of the fair value of the individual assets and liabilities recognized in the CGU, as well as the fair value of any unrecognized assets and liabilities at the measurement date. The resulting net fair values of the assets and liabilities represent the fair value of the CGU. In determining the fair value of the CGU's net assets, the Group used the discounted cash flow method for unquoted debt financial assets/liabilities at the appropriate market rate, the price-to-earnings (P/E) valuation model for unquoted equity investments, and the appraisal reports for the valuation of real properties. Fair values of listed debt and equity securities are based on their quoted market prices. The Group applied the P/E valuation model by reference to P/E ratios of listed comparable companies of the CGU's equity investments. The FVLCTS calculation of the CGU is most sensitive to discount rates and the P/E ratios of listed comparable companies of the CGU's equity investments. As of March 31, 2020, based on the Group's assessment after taking into consideration the impact of the pandemic, the ₱5.2 billion goodwill remained unimpaired.

Considering the evolving nature of the COVID-19 pandemic, the Group will continue to assess the impact of the pandemic on the Group's financial and non-financial assets and on deferred income taxes.

Other significant accounting judgments and estimates of the Group have been disclosed in the 2019 audited financial statements.

4. **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.

5. **Fair Value Measurement**

Financial Instruments
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
Treasury notes and bonds	40,181	40,181	–	–	40,181
Private	8,055	8,055	–	–	8,055
Treasury bills	2,648	2,648	–	–	2,648
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
Cross currency swaps	7,539	–	7,539	–	7,539
Interest rate swaps	1,126	–	1,126	–	1,126
Credit default swaps	83	–	83	–	83
Call option	18	–	18	–	18
Put option	70	–	70	–	70
	11,046	–	11,046	–	11,046
	74,228	63,182	11,046	–	74,228
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	164,057	162,519	1,538	–	164,057
Government	54,134	53,765	369	–	54,134
Private	34,857	25,750	9,107	–	34,857
	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					
Treasury notes and bonds	₱212,296	₱182,149	₱10,255	₱–	₱192,404
Government	20,120	20,183	314	–	20,497
Private	4,129	3,035	1,056	–	4,091
Treasury bills	152	153	–	–	153
	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
Auto loans	116,698	–	–	139,714	139,714
Residential mortgage loans	108,423	–	–	118,903	118,903
Credit card	80,152	–	–	80,152	80,152
Trade loans	59,350	–	–	59,350	59,350
Others	26,462	–	–	27,477	27,477
	1,414,575	–	–	1,435,414	1,435,414
Unquoted debt securities	630	–	–	647	647
Sales contract receivable	120	–	–	131	131
	1,415,325	–	–	1,436,192	1,436,192

(Forward)

	March 31, 2020 (Unaudited)				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
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
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
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
Call option	34	–	34	–	34
Put option	89	–	89	–	89
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					
Financial assets 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
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	111,791	110,346	1,445	–	111,791
Private	36,199	28,487	7,712	–	36,199
Government	52,870	52,495	375	–	52,870
	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
Currency forwards	1,401	–	1,401	–	1,401
Interest rate swaps	2,235	–	2,235	–	2,235
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

As of December 31, 2019, the fair value hierarchy of the Group's FVOCI debt and equity securities amounting to ₱1.4 billion and ₱1.2 million, respectively, were transferred from Level 1 to Level 2 due to absence of an active market. As of March 31, 2020, there were no transfers between levels of the fair value hierarchy.

6. **Segment Information**

The Group's operating businesses are recognized and managed separately according to the nature of services provided and the different markets served with segment representing a strategic business unit. Operating segments are reported in accordance with internal reporting to the Senior Management who is responsible for allocating resources to the segments and assessing its performance. The Group's business segments follow:

- Consumer Banking - principally providing consumer type loans and support for effective sourcing and generation of consumer business;
- Corporate Banking - principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;
- Investment Banking - principally arranging structured financing and providing services relating to privatizations, initial public offerings, mergers and acquisitions; and providing advisory services primarily aimed to create wealth to individuals and institutions;
- Treasury - principally providing money market, trading and treasury services, as well as the management of the Group's funding operations by use of treasury bills, government securities and placements and acceptances with other banks, through treasury and corporate banking;
- Branch Banking - principally handling branch deposits and providing loans and other loan related businesses for domestic middle market clients; and
- Others - principally handling other services including but not limited to remittances, leasing, account financing, and other support services. Other operations of the Group comprise the operations and financial control groups.

Segment assets are those operating assets that are employed by a segment in its operating activities and that 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
Quarter 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 transactions	**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**

(Forward)

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
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**
Statement of Financial Position							
Total assets	**₱218,457**	**₱1,045,112**	**₱–**	**₱639,839**	**₱149,567**	**₱324,916**	**₱2,377,891**
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**
Quarter 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 after intersegment transactions	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 – December 31, 2019							
Total assets	₱119,984	₱1,199,477	₱–	₱624,354	₱162,413	₱344,585	₱2,450,813
Total liabilities	₱76,840	₱1,039,196	₱–	₱633,147	₱266,212	₱116,927	₱2,132,322
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.

7. Trading and Investment Securities

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Investment securities at:		
FVTPL	**₱74,228**	₱61,867
FVOCI	**254,617**	202,520
Amortized cost	**236,697**	251,628
	₱565,542	₱516,015

Financial assets at FVTPL consist of the following:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
HFT investments:		
Debt securities:		
Government	**₱8,128**	₱13,048
Treasury notes and bonds	**40,181**	24,145
Private	**8,055**	7,935
Treasury bills	**2,648**	1,662
BSP	**2**	2
	59,014	46,792
Equity securities	**4,168**	6,585
	63,182	53,377
Derivative assets	**11,046**	8,490
	₱74,228	₱61,867

Investment securities at FVOCI consist of the following:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Debt securities:		
Treasury notes and bonds	**₱164,057**	₱111,791
Government	**54,134**	52,870
Private	**34,857**	36,199
	253,048	200,860
Equity securities	**1,569**	1,660
	₱254,617	₱202,520

The movements in net unrealized gains (losses), including share in net unrealized losses of subsidiaries, presented under ‘Equity’ in the statements of financial position are as follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of the period	**₱2,575**	(₱3,134)
Unrealized gain (loss) recognized in OCI*	**(3,780)**	10,201
Amounts realized in profit or loss	**(1,543)**	(4,403)
Amounts realized in surplus	**–**	(19)
	(2,748)	2,645
Tax	**(51)**	(70)
Balance at end of the period**	**(₱2,799)**	₱2,575

*Includes impact of ECL
**Includes share of non-controlling interest in unrealized gain amounting to ₱58.0 million as of March 31, 2020 and unrealized gain amounting to ₱54.0 million as of December 31, 2019.

For the quarter ended March 31, 2020, purchases of investments in debt securities at FVOCI amounted to ₱792.6 billion, and disposals/maturities of such investments amounted to ₱737.0 billion.

Investment securities at amortized cost consist of the following:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Treasury notes and bonds	**₱212,300**	₱227,442
Government	**20,139**	20,232
Private	**4,138**	3,880
Treasury bills	**152**	100
	236,729	251,654
Less allowance for credit losses	**32**	26
	₱236,697	₱251,628

Interest income on investment securities consists of:

	Quarter Ended March 31	
	2020	2019
Investment securities at		
FVTPL	**₱584**	₱375
Amortized cost	**2,553**	2,808
FVOCI	**2,185**	1,082
	₱5,322	₱4,265

8. Loans and Receivables

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Receivables from customers:		
Commercial loans	**₱1,039,752**	₱1,063,146
Auto loans	**118,811**	118,409
Residential mortgage loans	**109,235**	109,999
Credit card	**92,202**	86,785
Trade loans	**59,545**	63,360
Others	**30,155**	43,937
	1,449,700	1,485,636
Less unearned discounts and capitalized interest	**12,033**	5,149
	1,437,667	1,480,487
Accrued interest receivable	**11,752**	13,105
Accounts receivable	**11,642**	12,707
Unquoted debt securities	**1,016**	1,016
Sales contract receivable and other receivables	**506**	476
	1,462,583	1,507,791
Less allowance for credit losses	**27,519**	24,223
	₱1,435,064	₱1,483,568

Receivables from customers, gross of allowance for credit losses, consist of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Loans and discounts	**₱1,387,669**	₱1,409,451
Less unearned discounts and capitalized interest	**12,033**	5,149
	1,375,636	1,404,302
Customer's liabilities under letters of credit (LC)/ trust receipts	**58,448**	62,016
Bills purchased	**3,583**	14,169
	₱1,437,667	₱1,480,487

Interest income on loans and receivables consists of:

	Quarter Ended March 31	
	2020	2019
Receivables from customers	**₱16,947**	₱17,843
Receivables from cardholders	**4,226**	3,622
Lease contract receivables	**1,150**	1,133
Customers liabilities under LC/trust receipts	**566**	757
Interbank loans receivable and SPURA	**246**	264
Others	**198**	207
	₱23,333	₱23,826

Changes in the allowance for credit losses on loans and receivables follow:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of the period	**₱24,223**	₱22,688
Provisions for credit losses	**5,038**	9,627
Accounts written off	**(1,453)**	(6,172)
Others	**(289)**	(1,920)
Balance at end of the period	**₱27,519**	₱24,223

Below is the breakdown of provision for (reversal of) credit and impairment losses:

	Quarter Ended March 31	
	2020	2019
Financial assets and other credit-related exposures:		
Loans and receivables	**₱5,038**	₱2,392
Investment securities at FVOCI	**(1)**	3
Interbank loans receivable	**–**	8
Due from other banks	**4**	–
Loan commitments and financial guarantees	**3**	–
	5,044	2,403
Non-financial assets:		
Investment properties	**(4)**	(1)
	₱5,040	₱2,402

9. 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.

10. Bills Payable and Securities Sold Under Repurchase Agreements (SSURA)

This account consists of borrowings from:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
SSURA	**₱64,127**	₱91,492
Deposit substitutes	**14,384**	61,197
Foreign banks	**41,889**	55,799
Local banks	**49,185**	29,793
	₱169,585	₱238,281

Interbank borrowings with foreign and local banks are mainly short-term borrowings. Deposit substitutes pertain to borrowings of PSBank, FMIC, ORIX Metro and MCC (in 2019 only) from the public.

Following are the carrying values of the investment securities pledged and transferred under SSURA transactions of the Group.

	March 31, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Transferred Securities	**SSURA**	Transferred Securities	SSURA
Investment securities at:				
Amortized cost	**₱47,647**	**₱34,588**	₱71,073	₱53,635
FVOCI	**37,899**	**29,539**	46,678	37,857
	₱85,546	**₱64,127**	₱117,751	₱91,492

11. **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
			₱85,610	**₱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.

As of March 31, 2020, the Group is in compliance with its debt covenants.

12. Subordinated Debts

Details of the Bank's subordinated debts 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.

13. Maturity Profile of Assets and Liabilities

	March 31, 2020			December 31, 2019		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Financial Assets - at gross						
Cash and other cash items	**₱37,375**	**₱–**	**₱37,375**	₱32,956	₱–	₱32,956
Due from BSP	**152,960**	**–**	**152,960**	219,994	–	219,994
Due from other banks	**54,530**	**–**	**54,530**	54,772	–	54,772
Interbank loans receivable and SPURA	**54,056**	**–**	**54,056**	72,175	–	72,175
Investment securities at FVTPL	**74,228**	**–**	**74,228**	61,867	–	61,867
Investment securities at FVOCI	**21,975**	**232,642**	**254,617**	16,418	186,102	202,520
Investment securities at amortized cost	**15,848**	**220,881**	**236,729**	24,075	227,579	251,654
Loans and receivables						
Receivables from customers	**650,194**	**799,506**	**1,449,700**	697,171	788,465	1,485,636
Unquoted debt securities	**150**	**866**	**1,016**	150	866	1,016
Accrued interest receivable	**11,750**	**2**	**11,752**	13,102	3	13,105
Accounts receivable	**8,316**	**85**	**8,401**	9,382	84	9,466
Sales contract receivable	**70**	**53**	**123**	62	83	145
Other receivables	**366**	**17**	**383**	313	18	331
Other assets						
Investments in SPVs	**8,857**	**–**	**8,857**	8,857	–	8,857
Interoffice float items	**5,968**	**–**	**5,968**	1,643	–	1,643
Returned checks and other cash items	**576**	**–**	**576**	407	–	407
Other investments	**–**	**26**	**26**	–	31	31
	1,097,219	**1,254,078**	**2,351,297**	1,213,344	1,203,231	2,416,575
Non-Financial Assets - at gross						
Investments in associates and a JV	**–**	**6,986**	**6,986**	–	7,105	7,105
Property and equipment	**–**	**49,804**	**49,804**	–	49,298	49,298
Investment properties	**–**	**10,305**	**10,305**	–	10,369	10,369
Deferred tax assets	**–**	**11,450**	**11,450**	–	10,512	10,512
Goodwill	**–**	**5,200**	**5,200**	–	5,200	5,200
Assets held under joint operations	**–**	**219**	**219**	–	219	219
Accounts receivable	**–**	**3,241**	**3,241**	–	3,241	3,241
Residual value of leased asset	**418**	**677**	**1,095**	390	745	1,135
Other assets	**4,551**	**15,243**	**19,794**	2,908	14,885	17,793
	4,969	**103,125**	**108,094**	3,298	101,574	104,872
	₱1,102,188	**₱1,357,203**	**2,459,391**	₱1,216,642	₱1,304,805	2,521,447
Less:						
Unearned discounts and capitalized interest (Note 8)			**12,033**			5,149
Accumulated depreciation and amortization			**29,650**			28,898
Allowance for credit and impairment losses			**39,817**			36,587
			₱2,377,891			₱2,450,813

(Forward)

	March 31, 2020			December 31, 2019		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Liabilities						
Deposit liabilities						
CASA	**₱1,125,952**	**₱–**	**₱1,125,952**	₱1,077,507	₱–	₱1,077,507
Time	**521,300**	**22,563**	**543,863**	565,982	26,915	592,897
LTNCD	**8,000**	**35,744**	**43,744**	8,000	35,740	43,740
	1,655,252	**58,307**	**1,713,559**	1,651,489	62,655	1,714,144
Bills payable and SSURA	**130,385**	**39,200**	**169,585**	195,762	42,519	238,281
Derivative liabilities	**7,940**	**997**	**8,937**	6,322	1,105	7,427
Manager's checks and demand drafts outstanding	**8,787**	–	**8,787**	6,806	–	6,806
Accrued interest and other expenses	**6,853**	**42**	**6,895**	8,412	43	8,455
Bonds payable	**27,938**	**57,225**	**85,163**	27,914	52,572	80,486
Subordinated debts	**6,496**	**1,166**	**7,662**	6,494	1,166	7,660
Non-equity non-controlling interest	**5,422**	–	**5,422**	6,553	–	6,553
Other liabilities						
Bills purchased – contra	**3,469**	–	**3,469**	14,089	–	14,089
Accounts payable	**19,152**	**230**	**19,382**	17,226	210	17,436
Marginal deposits	**6,659**	–	**6,659**	6,374	–	6,374
Notes payable	–	**2,596**	**2,596**	–	2,592	2,592
Outstanding acceptances	**3,024**	**15**	**3,039**	1,588	23	1,611
Deposits on lease contracts	**685**	**1,005**	**1,690**	627	1,098	1,725
Dividends payable	**90**	–	**90**	90	–	90
	1,882,152	**160,783**	**2,042,935**	1,949,746	163,983	2,113,729
Non-Financial Liabilities						
Retirement liability	–	**855**	**855**	–	938	938
Income taxes payable	**5,702**	–	**5,702**	4,188	–	4,188
Lease liability	**1,090**	**3,131**	**4,221**	779	3,259	4,038
Accrued other expenses	**896**	–	**896**	2,044	–	2,044
Withholding taxes payable	**1,335**	–	**1,335**	742	–	742
Deferred tax and other liabilities	**5,958**	**1,104**	**7,062**	4,735	1,908	6,643
	14,981	**5,090**	**20,071**	12,488	6,105	18,593
	₱1,897,133	**₱165,873**	**₱2,063,006**	₱1,962,234	₱170,088	₱2,132,322

14. 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 period	**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.

15. Miscellaneous Income and Expenses

For the quarters ended March 31, 2020 and 2019, miscellaneous income includes among others, leasing amounting to ₱557.1 million and ₱598.5 million, respectively; income from trust operations amounting to ₱352.3 million and ₱282.3 million, respectively; gain on initial recognition of investment properties and other non-financial assets amounting to ₱59.3 million and ₱140.2 million, respectively; and recovery on charged-off assets amounting to ₱216.8 million and ₱197.4 million, respectively.

For the quarters ended March 31, 2020 and 2019, miscellaneous expense includes among others, taxes and licenses amounting to ₱2.5 billion; depreciation and amortization amounting to ₱1.2 billion; insurance amounting to ₱885.8 million and ₱839.5 million, respectively; security, messengerial and janitorial amounting to ₱814.7 million and ₱599.8 million, respectively; management, professional and supervision fees amounting to ₱446.9 million and ₱435.9 million, respectively; information technology amounting to ₱309.0 million and ₱380.6 million, respectively, and litigation amounting to ₱210.1 million and ₱203.6 million, respectively.

16. 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 Related Party Transactions Committee (RPTC) and a Related Party Transactions Management Committee (RPTMC), both of which are created to assist the BOD in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that corporate or business resources of the Parent Company are not misappropriated or misapplied. After appropriate review, 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 (prior to merger) 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, ORIX Metro and MBCL.

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
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

(Forward)

Category	Amount	Terms and Conditions/Nature
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
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

(Forward)

Category	Amount	Terms and Conditions/Nature
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
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

(Forward)

Category	Amount	Terms and Conditions/Nature
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
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.

Transactions with Retirement Plans
Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company has business relationships with a number of related party retirement plans pursuant to which it provides trust and management services to these plans. Certain trustees of the plans are either officers or directors of the Parent Company and/or the subsidiaries. Income earned by the Parent Company from such services amounted to ₱23.5 million and ₱22.2 million for the periods ended 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 for the periods ended 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.

17. 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	**₱54,055**	₱42,475
Interbank loans receivables and SPURA not considered as cash and cash equivalents	**(4,889)**	(9,945)
	₱49,166	₱32,530

18. **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 commitments - 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

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.

19. **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):

	Quarters 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 Bank:

	Quarters Ended March 31		For the Year Ended
	2020	2019	December 31, 2019
	(Unaudited)		(Audited)
Return on average equity	**7.96%**	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%

20. 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 except that in order to anticipate the possible impact of the COVID-19 pandemic, the Group increased provisions for credit and impairment losses to ₱5.0 billion, more than double the ₱2.4 billion provision in the first quarter of 2019.
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 11;
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 14; 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.

21. Subsequent Events

a. On March 18, 2020, the BOD of the Parent Company approved the amendment of the Articles of Incorporation (AOI) 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. However, on May 27, 2020, the BOD decided not to pursue the amendment of the AOI citing that it is not the appropriate time to present the matter to the Parent Company's shareholders.

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, the P8.0 billion LTNCD of the Parent Company matured.

d. On May 8, 2020, the Parent Company received the BSP's approval on its application to exercise the call option on the ₱6.50 billion 2025 Peso Notes on August 8, 2020 in accordance with the terms and conditions of the notes.

e. As certified by the Camera di Commercio Roma, effective on May 14, 2020, MR Italia's registration in Italy has been cancelled and now in process of liquidation.

f. In line with its balance sheet risk management, portion of the Parent Company's peso-denominated investment securities at amortized cost were subsequently sold in June 2020 at a gain.

g. On June 24, 2020, the Parent Company issued ₱10.5 billion fixed rate bonds with an issue price at 100% face value, which bear an interest rate of 3.0% per annum and will mature on September 24, 2021. The interest of the bonds for the entire term are payable quarterly in arrears on March 24, June 24, September 24 and December 24, of each year, commencing on September 24, 2020.