COVER SHEET

2 0 5 7 3

SEC Registration Number

M E T R O P O L I T A N   B A N K   &   T R U S T   C O M P A N Y

(Company's Full Name)

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

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

ATTY. LAARNI D. BERNABE

(Contact Person)

8857-5780

(Company Telephone Number)

1 2	3 1
Month	*Day*

(Fiscal Year)

2 0 - I S

(Form Type)

0 5	2 8
Month	*Day*

(Annual Meeting)

NONE

(Secondary License Type, If Applicable)

Corporation Finance Department

Dept. Requiring this Doc.

Amended Articles Number/Section

2,994 as of
May 7, 2020
Record Date

Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SEC Number 20573
File Number______

METROPOLITAN BANK & TRUST COMPANY

(Company's Full Name)

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

(Company's Address)

8898-8000

(Telephone Number)

December 31

(Fiscal year ending)

FORM 20-IS

(Form Type)

(Amendment Designation, if applicable)

May 7, 2020

(Period Ended Date)

None

(Secondary License Type and File Number)

Metrobank

Annual Stockholders' Meeting
May 28, 2020 at 2:00 P.M.
Via Cisco Webex
(no physical venue due to COVID-19 Pandemic)

AGENDA

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Meeting Held on April 24, 2019
4. President's Report to the Stockholders
5. Approval of the Amendment of Articles of Incorporation to Create a New Class of Shares
6. Ratification of all Acts, Transactions and Resolutions of the Board of Directors, Management and all Committees done in the ordinary course of business from April 24, 2019 until May 27, 2020
7. Election of Directors for 2020-2021
8. Appointment of External Auditors for 2020
9. Other Matters
10. Adjournment

Record Date. Stockholders of record as of May 7, 2020 shall be entitled to attend the Meeting.

Pre-Registration. Stockholders intending to participate by remote communication should pre-register by sending an email to ASMregistration@metrobank.com.ph on or before May 21, 2020 together with the following requirements:

For Certificated Stockholders:

(a) Individual Stockholders

i. A scanned copy of the Stockholder's valid government-issued ID showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB.

ii. A valid and active e-mail address and contact number.

(b) Corporate Stockholders

i. A secretary's certificate attesting to the authority of the representative to participate by remote communication for, and on behalf of the Corporation (in JPG format). The file size should be no larger than 2MB.

ii. A scanned copy of the valid government-issued ID of Stockholder's representative showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB.

iii. A valid and active e-mail address and contact number.

For Stockholders under PCD Participant/Brokers account or "Scripless Shares"

i. A broker certification on the Stockholder's number of shareholdings (in JPG format). The file size should be no larger than 2MB.

ii. A scanned copy of the Stockholder's valid government-issued ID showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB.

iii. A valid and active e-mail address and contact number.

Successful registrants will receive an electronic invitation via email with a complete guide on how to join the Meeting and how to cast votes. For any registration concerns, please get in touch with us through ASMRegistration@metrobank.com.ph.

Proxy. If you will not be able to join the virtual Meeting, you may send an authorized representative on your behalf. Download, fill-up and sign the sample proxy form found on https://metrobank.com.ph/annual-stockholders-meeting-2020 and send a scanned signed copy to to ASMRegistration@metrobank.com.ph on or before Monday, May 25, 2020.

Questions About the Meeting and the Company. You may send your questions regarding the conduct of the Meeting and the Company to investor.relations@metrobank.com.ph.

Electronic Copies of Relevant Documents. Pursuant to SEC Notice dated April 20, 2020, copies of the Notice of Meeting, Definitive Information Statement and other related documents in connection with the Meeting may be accessed through the Company's website https://metrobank.com.ph/annual-stockholders-meeting-2020 and through the PSE Edge portal https://edge.pse.com.ph .

There will be audio and virtual recording of the Meeting a copy of which shall be made available to a stockholder upon request.

All votes cast shall be subject to the validation of SGV & Co.

Laarni D. Bernabe

LAARNI D. BERNABE
Asst. Corporate Secretary

Annual Meeting of the Stockholders
May 28, 2020 at 2:00 P.M.
VIRTUAL MEETING

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

Agenda Item 1

Call to order

At 2:00 in the afternoon on May 28, 2020, Mr. Arthur V. Ty, Chairman of the Metrobank Board of Directors, will call the meeting to order.

Agenda Item 2

Certification of Notice and Quorum

The Corporate Secretary, Atty. Regis V. Puno, will certify that the Notice for the 2020 Annual Stockholders Meeting has been duly published and distributed to the Stockholders as of Record Date of May 7, 2020 pursuant to existing regulations of the Securities and Exchange Commission (SEC). He will also attest whether the required quorum is present for the transaction of the business included in the Agenda.

Agenda Item 3

1. Approval of the following Minutes of the Annual Meeting of Stockholders held on April 24, 2019:

   i. *Call to Order and Certification of Quorum. The meeting was called to order by Chairman Arthur Ty at 3:00 o'clock in the afternoon. The Corporate Secretary, Antonio V. Viray, certified that there were 2,825,591,618 common shares actually present in person or by proxy, out of the 3,980,015,036 common shares outstanding. This constituted 70.99% of the outstanding capital stock.*

   ii. *Approval of the Minutes of the Annual Stockholders' Meeting held on April 25, 2018 via the following:*

   RESOLUTION NO. 060-MBTC-SH-2019

   RESOLVED, that the Minutes of the Annual Stockholders' Meeting on April 25, 2018 are hereby approved.

   iii. *President's Report on the performance of Metrobank for 2018, as further detailed in the Annual Report for 2018.*

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

   a. *Growth Drivers for 2019. Racheleen Rodriguez, proxy for Corston – Smith Asset Management asked what type of growth is seen for the Bank for 2019 together with its possible drivers. Metrobank President Fabian S. Dee replied that based on government's pronouncements, GDP is expected to grow by 6%. With the recent approval of the 2019 National Budget, it is expected that disbursements will start by June or July of 2019, then the 6% expected GDP growth becomes a conservative estimate. The Bank's growth is benchmarked against the GDP growth, with loan portfolio growth ranging between 1.5% to 2.5% of the GDP.*

b. *View on Cryptocurrency. Stockholder Stephen Soliven asked for the Bank's view on cryptocurrency. Mr. Dee replied that Metrobank is open to anything that facilitates transactions and minimizes risk. However, cryptocurrency does not operate in the same regulatory framework as real currencies. Until enough such regulations are put in place, Metrobank will be sticking to the traditional currencies.*

c. *Cash Dividends. Stockholder Manuel Salinas raised a concern regarding the delay in the receipt of his cash dividends. Chairman Arthur Ty replied that the responsible personnel will look into the issue and approach him immediately after the meeting.*

iv. *Approval of Special Corporate Items*

a. *Amendment of the Articles of Incorporation in the Increase of Authorized Capital Stock*

RESOLUTION NO. 061 - MBTC-SH-2019

RESOLVED, that the stockholders representing at least 2/3 of the outstanding capital stock, ratified the resolution approved by at least a majority of the members of the Board Directors in its meeting held on February 13, 2019 approving the amendment of the following Articles of Incorporation of the Bank

SEVENTH: THAT THE AUTHORIZED CAPITAL STOCK OF THE SAID CORPORATION IS ONE HUNDRED FORTY BILLION (PHP 140,000,000,000.00) PESOS. AND SAID CAPITAL STOCK IS DIVIDED INTO SIX BILLION (6,000,000,000) COMMON SHARES AT A PAR VALUE OF TWENTY PESOS (PHP20.00) EACH, AND ONE BILLION (1,000,000,000) PREFERRED SHARES AT A PAR VALUE OF TWENTY PESOS (PHP20.00) EACH.

PREFERRED SHARES SHALL BE NON-VOTING EXCEPT AS PROVIDED BY LAW, SHALL HAVE PREFERENCE OVER COMMON SHARES IN THE DISTRIBUTION OF DIVIDENDS AND SHALL HAVE SUCH OTHER FEATURES AS MAY BE DETERMINED BY THE BOARD OF DIRECTORS AT THE TIME OF ISSUANCE, TO THE EXTENT PERMITTED BY APPLICABLE LAW.

STOCKHOLDERS SHALL HAVE NO PRE-EMPTIVE RIGHTS TO SUBSCRIBE TO ANY OR ALL ISSUES OR DISPOSITIONS OF ANY CLASS OF SHARES.

b. *Declaration of 13% Stock Dividends*

RESOLUTION NO. 062-MBTC-SH-2019

RESOLVED, conditioned on the approval of the increase in authorized capital stock and as a way to meet the required minimum paid-up capital, the stockholders representing at least 2/3 of the outstanding capital stock ratified the resolution approved by the Board of Directors in its meeting held on February 13, 2019 declaring a thirteen (13%) stock dividend amounting to Php10,348,039,094, which shall be taken from the Bank's unrestricted retained earnings, to be paid to all stockholders as of record date and payment date to be fixed after all regulatory approvals are obtained.

c. Merger of Metrobank Card Corporation into Metropolitan Bank & Trust Company

RESOLUTION NO. 063-MBTC-SH-2019

RESOLVED, that the stockholders representing 2/3 of the outstanding capital stock, ratified the resolution approved by the Board of Directors in its meeting held on March 13, 2019:

a. Merger of Metrobank Card Corporation into Metropolitan Bank & Trust Company;

b. Articles of Merger and Plan of Merger

RESOLVED FINALLY, that the authority of the President to sign, execute and deliver documents/agreements/instruments connected with the Merger and to perform any and all acts required or necessary in the implementation of the foregoing authority/ies is hereby ratified and confirmed.

v. Ratification of All Acts and Resolutions of the Board of Directors, Management, Board and Management Committees from April 25, 2018 to April 23, 2019 via the following:

RESOLUTION NO. 064-MBTC-SH-2019

RESOLVED, that all acts, transactions and resolutions of the Board of Directors, management, board and management committees from April 25, 2018 to April 23, 2019, including among others, the approval of all loans, investments, new Bank products and services and related party transactions, are hereby ratified and confirmed.

vi. Election of Twelve (12) Directors for the Year 2019 - 2020

Mr. Jesli A. Lapus, Chairman of the Nominations Committee, explained that the Nominations Committee and the Corporate Governance and Compensation Committee chaired by Rex C. Drilon II had jointly evaluated the qualifications of all nominees to the Board of Directors, and that the Committees found that the nominees had all the qualifications and none of the disqualifications prescribed by law and regulations, and that out of the twelve(12) nominees, five(5) were nominated as independent directors. Twelve (12) directors were elected for the year 2019-2020:

RESOLUTION NO. 065-MBTC-SH-2019

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

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

** Independent directors*

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

RESOLUTION NO. 066-MBTC-SH-2019

RESOLVED, that as recommended by the Audit Committee and approved by the Board of Directors, Sycip Gorres Velayo & Co. is hereby appointed as the External Auditors of Metrobank for the year 2019.

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

Agenda Item 4

President's Report to the Stockholders

The President will report the highlights of Metrobank's Performance for the year 2019.

Agenda Item 5

Approval of the Amendment of Articles of Incorporation to Create a New Class of Shares.

Currently, the Bank's capital structure has common and non-voting preferred shares only. The proposal is to convert a fraction of the non-voting preferred shares to voting preferred shares.

a. Out of the 1 Billion non-voting preferred shares with par value of Php20 or a total of Php20 Billion, the proposal is to carve out 6 Billion preferred shares with a par value of Php0.20 per share, or a total of Php1.2 Billion.
b. The balance of Php18.8 Billion will be maintained as non-voting preferred shares, with the same original par value of Php20.00 equivalent to 940 million shares.
c. The total authorized capital will be maintained at Php140 Billion, allocated to Php120 Billion for common shares and Php20 Billion for preferred shares (voting and non-voting).

Actual proposed amendment follows:

SEVENTH: THAT THE AUTHORIZED CAPITAL STOCK OF THE SAID CORPORATION IS <u>ONE HUNDRED FORTY BILLION (PHP140,000,000,000.00) PESOS</u>, AND SAID CAPITAL STOCK IS DIVIDED INTO <u>SIX BILLION (6,000,000,000)</u> COMMON SHARES AT A PAR VALUE OF TWENTY PESOS (PHP20.00) EACH, <u>NINE HUNDRED FORTY MILLION (940,000,000) NON-VOTING PREFERRED SHARES</u> AT A PAR VALUE OF TWENTY PESOS (PHP20.00) EACH, <u>AND SIX BILLION (6,000,000,000) VOTING PREFERRED SHARES AT A PAR VALUE OF TWENTY CENTAVOS (PHP0.20) EACH</u>.

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 BOARD

OF DIRECTORS AT THE TIME OF ISSUANCE, TO THE EXTENT PERMITTED BY APPLICABLE LAW.

STOCKHOLDERS SHALL HAVE NO PRE-EMPTIVE RIGHTS TO SUBSCRIBE TO ANY OR ALL ISSUES OR DISPOSITIONS OF ANY CLASS OF SHARES.

Agenda Item 6

Ratification of Corporate Acts

The matters for ratification include all acts, transactions and resolutions of the Board of Directors, management and all Committees done in the ordinary course of business from April 24, 2019 until May 27, 2020, including, among others, the approval of loans, investments, new Bank products and services and significant related party transactions as will be reflected in the Definitive Information Statement.

Agenda Item 7

Election of Directors for 2020-2021

The persons listed in the table below have been nominated to become directors for 2020-2021. All directors are elected for a term of one year and until their successors shall have been elected and qualified. The table below indicates their current board position (Chairman, Vice-Chairman, President, Director, Independent Director) board committee assignments, age, academic qualification, date of first appointment, experience, and directorships in other listed companies. With the exception of Philip G. Soliven, all of them are incumbent directors of Metrobank.

Name	Experience
ARTHUR TY Chairman Chairman, Executive Committee Member, Anti-Money Laundering Committee Corporate Governance and Compensation Committee	Mr. Arthur Ty, Filipino, 53 years old, has been the Bank's Chairman since 2012. He was the Bank's President from 2006 to 2012. He has been the Chairman of GTCAP since May 2016 and Metropolitan Bank China (Ltd.) (MBCL) since 2010, Vice-Chairman of Philippine Savings Bank (PSBank) since 2001, First Metro Investment Corporation (FMIC) since 2012 and AXA Philippines since 2017. He earned his Bachelor of Science degree in Economics at the University of California, Los Angeles and obtained his Masters in Business Administration degree from Columbia University, New York. His brother Alfred Ty is the Director of the Bank. He is married to Zandra M. Ty, Metrobank First Vice-President.
FRANCISCO C. SEBASTIAN Vice-Chairman Chairman, Overseas Banking Committee Vice-Chairman, Executive Committee Adviser, Risk Oversight Committee	Mr. Francisco C. Sebastian, Filipino, 66 years old, has been the Vice-Chairman of the Bank since 2006. He joined the Metrobank Group in 1997 as FMIC President until he was appointed Chairman in 2011. He was the Chairman of GTCAP from 2014 to April 2016. He has been the Vice-Chairman of GTCAP since May 2016. He earned his AB degree in Economics, Magna Cum Laude, from the Ateneo de Manila University in 1975.
FABIAN S. DEE President Member, Executive Committee Information Technology (IT) Steering Committee Trust Committee	Mr. Fabian S. Dee, Filipino, 57 years old, became President of Metrobank in 2012. Before becoming President, he headed the National Branch Banking Sector (2006-2012), Account Management Group (2002-2006) and Marketing Center (2001-2002). He has been the Director of Bankers Association of the Philippines since 2014 and Trustee of Metrobank Foundation, Inc. (MBFI) since 2012. He was the Chairman and Director of

	Metrobank Card Corporation (MCC) from 2006 to January 2020; Chairman of Metro Remittance Singapore PTE Ltd. from 2010 to 2019; Chairman of LGU Guarantee Corporation from 2017 to 2019; Chairman of SMBC Metro Investment Corporation (SMBC Metro) from 2014 to 2017; and Director of Bancnet from 2015 to 2017. He holds a degree in Management Engineering from the Ateneo de Manila University.
VICENTE R. CUNA, JR. Director Chairman, IT Steering Committee Member, Executive Committee Adviser, Risk Oversight Committee	Mr. Vicente R. Cuna, Jr., Filipino, 58 years old, became a director of Metrobank in 2014. He has been the Head of the Enterprise Services Sector of Metrobank since April 2018. Prior to this, he was the President of PSBank from 2013 to 2018; Head of Institutional Banking Sector (2012-2013) and Corporate Banking Group (2006-2012) of Metrobank. He is the Chairman of ORIX Metro Leasing and Finance Corporation (ORIX Metro) since March 2016 and Vice-Chairman of PSBank since April 2018. He was the Director of FMIC from 2011 to 2015. He graduated from De La Salle University with a degree in AB Economics and pursued further studies at the Ateneo Graduate School of Business.
EDMUND A. GO Director Member, IT Steering Committee Risk Oversight Committee Trust Committee	Mr. Edmund A. Go, Filipino, 70 years old, was first elected director in 2007. He has been a director of Metropolitan Bank China (Ltd.) since 2010, a member of the Board of Advisors of PSBank since 2009. He has also been a Director for Investments of Ateneo de Manila University since 2010 and Investment Consultant for St. Peter's Life Group since 2011. He was a director of First Metro International Investment Corporation (FMIIC) Hong Kong from 2001 to 2008. He served as Metrobank Treasurer (2000-2007) and consultant of the Philippine Dealing and Exchange Corp. on Securities Training and Development (2008-2010). Prior to 2000, he held various management positions at Citibank Manila, Hong Kong, Taiwan and New York in the areas of Treasury, Derivatives, Investment Banking and Private Banking. He is a Certified Public Accountant and holds a BS Commerce Degree in Accounting, Cum Laude, from the San Beda College and an MBA degree, with distinction, from the Asian Institute of Management.
ALFRED V. TY Director Member, Overseas Banking Committee	Mr. Alfred V. Ty, Filipino, 52 years old, was first elected director in September 2015. He has been the Chairman of Toyota Motor Philippines Group of Companies and Federal Land Group of Companies. He has been the Vice-Chairman of Metro Pacific Investment Corp. since March 2018 and GTCAP since 2012. He graduated with a Bachelor of Science degree in Business Administration from the University of Southern California in 1989. His brother Arthur Ty is the Chairman of the Bank. He is the brother-in-law of Zandra M. Ty, Metrobank First Vice-President.
SOLOMON S. CUA Director Member, Audit Committee Overseas Banking Committee	Mr. Solomon S. Cua, Filipino, 64 years old, is a former Undersecretary of the Department of Finance. He is currently the Chairman of AXA Philippines and Charter Ping An Insurance Corporation. He has been the Vice-Chairman/Director of Philippine Racing Club, Inc.; Adviser of MBCL since 2018; Director of Global Treasure Holdings, Inc., Grand Titan Capital Holdings, Inc. and Philippine Newton Global Solutions, Inc. He is also the President of SC & SSC Holdings, Inc. and Director/Treasurer of Palm Integrated Commodities, Inc. He obtained his Bachelor of Arts (Mathematical Sciences and Economics) in University of Melbourne, Australia; Bachelor of Law in University of Queensland, Australia and Masters of Laws in London School of Economics & Political Science, England.
JESLI A. LAPUS Independent Director Chairman, Nominations Committee Trust Committee Vice-Chairman, Risk Oversight Committee	Mr. Jesli A. Lapus, Filipino, 70 years old, became an independent director in 2010. He has been the Chairman and Independent Director of STI Education Services Group, Inc. since 2013, Chairman of LSERV (formerly LBP Service Corporation) since 2012 and Optimus Management Services Inc. since 2010. He has

Member, Corporate Governance and Compensation Committee	been an Independent Director of STI Education Systems Holdings Inc. since 2013 and Philippine Life Financial Assurance Corp. since June 2012. He has been a member of the Board of Governors of Information and Communication Technology Academy, Inc. since November 2010. He is the Advisor to the Board since 2013 of Radiowealth Finance Company. He was the Chairman of Manila Tytana Colleges (MTC) from 2010 to 2013. He has been the Chairman - Center for Tourism of the Asian Institute of Management since 2012. He was the Secretary of the Department of Trade and Industry (2010), Secretary of the Department of Education (2006-2010), Congressman, Third District of Tarlac, House of Representatives (1998-2006) and President/CEO and Vice-Chairman of Land Bank of the Philippines (1992-1998). He is a Certified Public Accountant and holds an Accountancy degree from the Philippine School of Business Administration and a Master's degree in Business Management from the Asian Institute of Management. He has a Doctorate in Public Administration (Honoris Causa) from the Polytechnic University of the Philippines. He also studied Investment Appraisal and Management at Harvard University; Management of Transfer of Technology at INSEAD (France), Project Management at BITS (Sweden); and Personal Financing Planning at UCLA.
FRANCISCO F. DEL ROSARIO, JR. Independent Director Chairman, Risk Management Committee Vice-Chairman, Audit Committee Member, Corporate Governance and Compensation Committee Overseas Banking Committee	Mr. Francisco F. Del Rosario, Jr., Filipino, 73 years old, was first elected independent director in 2013. He has been a director of Omnipay, Inc. since 2014 and DMCI Homes, Inc. since 2011. He has been a Trustee of ABS-CBN Foundation since 2007, Senior Executive Director of PWC Isla Lipana and Chairman for Institute for Solidarity in Asia since 2017 and Trustee for Center for Family Ministries from 2009 to 2014. He was the President and CEO of the Development Bank of the Philippines from 2010 to 2012. He obtained his BSC Accounting and BA Economics degrees from De La Salle University, and his MBM degree from the Asian Institute of Management.
EDGAR O. CHUA Independent Director Chairman, Audit Committee Member, Anti-Money Laundering Committee Nominations Committee Related Party Transactions Committee	Mr. Edgar O. Chua, Filipino, 63 years old, became an independent director in 2017. He is currently the President and Chief Executive of Cavitex Holdings, Inc. He has been an Independent Director of PhilCement, Integrated Micro-Electronics, Inc. since 2014 and Energy Development Corporation since 2007. He is also the Chairman of the Philippine Eagle Foundation since 2017, De La Salle University Board, De La Salle Science Foundation since 2017 and Makati Business Club since 2016. He is currently the Chairman for the College of Saint Benilde, University of La Salle Bacolod and CEO of De La Salle Philippines. He is a Trustee/Treasurer of Philippine Business for Education and Trustee for the De La Salle Araneta Salikneta since 2015, The English-Speaking Union of the Philippines, Inc. since 2009, Gawad Kalinga Community Development Foundation Inc. since 2005, and Pilipinas Shell Foundation, Inc. since 2003. He was the Chairman of Pilipinas Shell Petroleum from September 2003 to May 2017 and the Country Chairman of Shell companies in the Philippines from September 2003 to October 2016. He obtained his Bachelor of Science in Chemical Engineering from De La Salle University in 1978.
ANGELICA H. LAVARES Independent Director Chairman, Anti-Money Laundering Committee Member, Audit Committee Nominations Committee Related Party Transactions Committee	Ms. Angelica H. Lavares, Filipino, 66 years old, is a Teaching Fellow at the Institute of Corporate Directors. She is an Independent Director of several companies, namely, Prulife UK and MCC (April 2018 - January 2020). Her other affiliations include being Head of Strategic Support Group of Bank of Commerce from 2009 to 2015, and as a Consultant starting November 2015 up to present. Prior to joining Bank of Commerce, she served as Chief Legal Counsel (2003 to 2007), concurrent Chief Compliance Officer and Chief Legal Officer - Legal Services Department (2007 to 2009) and Assistant Corporate Secretary (2007-2009) of Metrobank. She was also the Chief Legal Counsel and Head of Legal Services Division for United Coconut Planters Bank (UCPB)

	from 1999 to 2002 acting concurrently as its Head for Human Resource Division. Previous to that, she was the Vice-President for Sales Documentation and Head of Collection Department of Filinvest Land Inc. and Special Assistant to the Commissioner for the Bureau of Customs in 1987. She obtained her degree in AB Psychology, Cum Laude, from St. Theresa's College, QC in 1973 and Bachelor of Laws, First Honorable Mention, from the University of the Philippines in 1981.
PHILIP G. SOLIVEN New Nominee as Independent Director	Mr. Philip G. Soliven, 59 years old, is Chairman Emeritus and Senior Advisor for Cargill Phils. Inc. He began his professional career with the First National Bank of Boston, working in the Manila, Philippines branch as foreign exchange trader. He moved to the Bank of Boston's corporate headquarters in Boston, Massachusetts in 1984 to assume a role within corporate banking. In 1985, he was assigned to Hong Kong as manager of the bank's corporate banking business where he occupied a number of positions across Corporate Loan Recovery, Treasury Sales-Foreign Exchange, Debt Trading and Trade Services. He relocated to Singapore in 1991 as Vice President for Corporate Banking covering corporate banking clients in Singapore, Indonesia and Thailand. He has been an Independent Director of First Metro Investment Corp. since 2018 and First Metro Securities Brokerage Corporation since 2014. He is also the Commercial Director for various Food Ingredients and Bio-Industrial (FIBI) businesses and President of Philippine Bio-Industries, Inc. since 2017. He is a Board representative and Treasurer of Cargill Joy Poultry Meats, Inc., a Cargill-Jollibee Foods joint venture. Mr. Soliven is currently a Director of the American Chamber of Commerce of the Philippines and is also Chairman of its Agribusiness Committee. In addition, he serves as a Director at Scorbin Inc., Multico Prime Power, The Rotary Club of Makati, the US ASEAN Business Council, Makati Business Club and Management Association of the Philippines. He holds a degree in Business Management from the Ateneo de Manila University.

The following were nominated as Independent Directors, namely, Mr. Jesli A. Lapus, Mr. Francisco F. Del Rosario, Jr., Mr. Edgar O. Chua, Atty. Angelica H. Lavares and Mr. Philip G. Soliven. All of them are incumbent independent directors with the exception of Mr. Soliven who is a new nominee.

Agenda Item 8

Appointment of External Auditors

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

Ms. Josephine Adrienne A. Abarca, SGV Partner, reviewed/audited the Group's financial statements as of December 31, 2019 and 2018 and for each of the three years ended December 31, 2019. In compliance with the amended SRC Rule 68 (3) (b) (ix), the signing partners are rotated after every five years reckoned from the year 2002.

The Bank intends to retain SGV as its external auditors for the year 2020 and is submitting the same to the stockholders for ratification as endorsed by the Audit Committee with the approval of the Board of Directors.

Agenda Item 9

Other Matters

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

Agenda Item 10

Adjournment
After consideration of all business in the Agenda, the Chairman will adjourn the 2020 Annual Stockholders Meeting.

Registration, Voting Requirements and Procedures

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

   a) Amendment of Articles of Incorporation to Create a New Class of Shares

2. Majority vote is required for the following:

   a) Approval of the minutes of the annual meeting of the stockholders held on April 24, 2019
   b) Ratification of Corporate Acts
   c) Appointment of External Auditors

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

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

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

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

Please refer below for the detailed procedures for the registration, viewing of the Meeting and voting during the Meeting.

PRE-REGISTRATION

The 2020 Annual Stockholders Meeting will be livestreamed on May 28, 2020 at 02:00 PM. Due to the COVID 19 pandemic and to ensure the health and safety of the participants, there will be no physical venue for the Meeting.

As indicated in the Notice of Meeting, stockholders who intend to participate during the Meeting need to pre-register by sending the following requirements to **ASMRegistration@metrobank.com.ph** on or before May 21, 2020:

For Certificated Stockholders:

Individual Stockholders

a. A scanned copy of the Stockholder's valid government-issued ID showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB.

b. A valid and active e-mail address and contact number.

Corporate Stockholders

a. A secretary's certificate attesting to the authority of the representative to participate by remote communication for, and on behalf of the Corporation (in JPG format). The file size should be no larger than 2MB.

b. A scanned copy of the valid government-issued ID of Stockholder's representative showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB.

c. A valid and active e-mail address and contact number.

For Stockholders under PCD Participant/Brokers account or "Scripless Shares"

a. A broker certification on the Stockholder's number of shareholdings (in JPG format). The file size should be no larger than 2MB.

b. A scanned copy of the Stockholder's valid government-issued ID showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB.

c. A valid and active e-mail address and contact number.

Important Notes: Considering the extraordinary circumstances in relation to COVID-19, the Company shall allow electronic signature for the required documents, as applicable. Notarization requirements shall also be dispensed with at this time. However, the Company reserves the rights to request additional information, and original signed and notarized copies of these documents at a later time. Incomplete or inconsistent information may result in an unsuccessful event registration. As a result, Stockholders will not be allowed to participate in the virtual ASM.

How to View

Stockholders who have successfully pre-registered for the Meeting will receive the ASM Electronic Invite in their registered email addresses. Once they receive the invite, they will be able to register for the 2020 Metrobank Annual Stockholders' Meeting via Webex Events.

How to use WEBEX

If you are using a laptop or desktop, you may download Webex using the following Browsers: Google Chrome, Firefox.

If you are using tablet or mobile device, download Cisco Meeting App on Apple Store or Google Play.

How to Join

1. From the registration approval email, either click Join Event or open the attached file with the browser icon.
2. Once you are in the event landing page, click Join Now. DO NOT click join via Browser.
3. Allow Webex to use your audio and video connection.

How to Vote

Those who completed the requirements in the Pre-registration will receive the ASM Electronic Invite in their registered email addresses.

Stockholders could cast their votes on the presented resolutions and participate in the election of directors during the Meeting. The voting will remain open until the end of the Meeting.

I. Voting By Proxy

- The Company has provided a sample proxy form (See EXHIBIT A) for the convenience of the stockholders.
- Please send scanned copies of the executed proxy to **ASMRegistration@metrobank.com.ph** on or before May 25, 2020.

II. Electronic Voting

The voting instruction will be included in the ASM Electronic Invite that qualified pre-registered stockholders will receive in their registered email addresses.

- Votes cast by stockholders before 12:00 Noon of May 28, 2020 will be included in the preliminary results that will be announced during the Meeting. Stockholders may still cast votes during the Meeting.
- Votation closes after the Meeting.

Preliminary results of votes will be presented during the Meeting and final results will be included in the Minutes of the Meeting.

Important Notes

1. Due to logistical limitations of the Meeting conducted virtually, open forum/discussion will not be possible during the virtual Meeting. However, a stockholder, once verified/ registered, will be given an opportunity to raise any relevant questions or express an appropriate comment limited to the agenda items by sending an email to investor.relations@metrobank.com.ph even before the Meeting and while the meeting is ongoing. Any relevant question or comment received via email within the prescribed period given to registered stockholders shall be properly acknowledged, noted and addressed accordingly.

2. Only those shareholders who have joined the Webex Meeting by remote communication, together with the stockholders who voted by proxy, will be included in the determination of quorum at the Meeting. By participating remotely and by proxy, a stockholder shall be deemed present for purposes of quorum.

3. The Meeting proceedings shall be recorded in audio and video format. A copy of such recorded proceedings will be provided to a stockholder upon request.

4. The Company shall ensure confidentiality of all votes for tabulation, including those cast by proxy, with assistance from the Company's stock transfer agent (Metrobank Trust Banking Group), subject to validation by SGV & Co.

For any registration concerns, please get in touch with the Company through ASMRegistration@metrobank.com.ph.

For any question about the conduct of the Meeting or the Company, please get in touch with the Company through investor.relations@metrobank.com.ph.

Metrobank's Dividend Policy Statement

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

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

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

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

EXHIBIT A

P R O X Y [1]

The undersigned stockholder of Metropolitan Bank & Trust Company (Metrobank) hereby appoints ______________________________ with email address ____________________ [2] or in his absence, the Chairman of the meeting, as my/our proxy, to act for me and on my/our behalf at the Metrobank Annual Stockholders' Meeting to be held on May 28, 2020 (and as may be rescheduled and / or adjourned) and to vote for me/us as indicated below or, if no such indication is given, as my/our proxy thinks fit:

	RESOLUTION	FOR	AGAINST	ABSTAIN
1	Approval of the Minutes of the Annual Meeting held on April 24, 2019			
2	Ratification/Approval of the Amendment of Articles of Incorporation to Create A New Class of Shares (Voting Preferred Shares)			
3	Ratification of all Acts and Resolutions of the Board of Directors, Management and All Committees from April 24, 2019 to May 27, 2020			
4	Election of Directors for 2020-2021 1. Arthur Ty 2. Francisco C. Sebastian 3. Fabian S. Dee 4. Jesli A. Lapus 5. Alfred V. Ty 6. Edmund A. Go 7. Francisco F. Del Rosario, Jr. 8. Vicente R. Cuna, Jr. 9. Edgar O. Chua 10. Solomon S. Cua 11. Angelica H. Lavares 12. Philip G. Soliven			
5	Appointment of External Auditor **(Sycip Gorres Velayo & Co.)**			

Signature ______________________________ Date ________________

Print Name ______________________________

Contact Number ______________________________

Email Address ______________________________

[1] To be valid, a scanned signed copy of this proxy must be emailed on or before May 21, 2020 to ASMregistration@metrobank.com.ph.

[2] If no name is provided, the Chairman of the Meeting will act as the proxy.

THIS PROXY NEED NOT BE NOTARIZED.

SECURITIES AND EXCHANGE COMMISSION
SEC Form 20-IS

Information Statement Pursuant to Section 20
of the Securities Regulation Code

1. Check the appropriate box:

 _____Preliminary Information Statement
 __X__Definitive Information Statement

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

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

4. SEC Identification Number **20573**

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

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

7. Registrant's telephone number, including area code **(632) 8898-8000; (632) 8857-5780**

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

 May 28, 2020, 2:00 PM. There is no physical venue for the Meeting which will be held on purely virtual mode due to the COVID-19 pandemic.

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

 May 7, 2020

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares	***4,497,415,555***

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

 Yes __X__ No_____

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

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

A. GENERAL INFORMATION

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

Date	:	May 28, 2020
Time	:	2:00 P.M.
Place	:	There is no physical venue for the Meeting which will be held on purely virtual mode due to the COVID-19 pandemic.
Mailing Address	:	Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila

The approximate date on which the Information Statement is first to be sent or given to security holders is on May 7, 2020.

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

Item 2. Dissenter's Right of Appraisal

There is no matter included in the Agenda of the Annual Stockholders' Meeting ("Meeting") which may give rise to the exercise by the stockholders of the right of appraisal.

In general, any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence. Appraisal right is also available in case of merger or consolidation, sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets of the corporation.

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

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

(a) No director, officer or nominee for election as director, or any associate of the foregoing persons has any substantial interest, direct or indirect, by security holdings or otherwise, which needs to be acted upon during the Meeting, other than the election of the nominees to the 2020-2021 Board of Directors.

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Number of shares outstanding as of May 7, 2020	:	4,497,415,555 shares
Number of votes entitled	:	One (1) vote per share

(b) Record date to determine stockholders entitled to notice and to vote at the regular meeting : May 7, 2020

(c) Number of holders as of May 7, 2020 : 2,994 holders

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

(d) Election of Directors

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

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

(1) Security Ownership of Certain Record and Beneficial Owners

As of May 7, 2020, the following stockholders own more than 5% of the common shares of stock:

	Class of Shares	**Name, address of record owner and relationship with issuer**	**Name of Beneficial Owner and Relationship with Record Owner**	**Citizenship**	**No. of Shares Held**	**Percentage**
1	Common	***GT CAPITAL HOLDINGS, INC.*** Stockholder 43/F GT Tower International Ayala Avenue Corner H.V. Dela Costa Street, Makati City *Arthur Ty is authorized to vote the shares of GT Capital Holdings, Inc.(GTCAP) in Metrobank.*	Beneficial and Record Owner *The following persons own more than 5% of the outstanding voting shares of GTCAP as of May 7, 2020:* *Grand Titan Capital Holdings, Inc. – 55.93%* *PCD Nominee Corporation (Non-Filipino) – 28.19%* *PCD Nominee Corporation (Filipino) – 15.56%* *GTCAP is a publicly-listed company that is majority-owned and controlled by the family of the late George S.K. Ty through Grand Titan Capital Holdings, Inc.*	Filipino	1,670,611,010	37.146%

Class of Shares		Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
2	Common	***PCD NOMINEE CORPORATION (Non-Filipino)*** 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, 1226, Makati City	Various Scripless Stockholders *There is no participant of PCD who holds more than 5% of the common stock of Metrobank.*	Foreign	1,139,395,863	25.335%
3	Common	***PCD NOMINEE CORPORATION (Filipino)*** 29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, 1226, Makati City	Various Scripless Stockholders *There is no participant of PCD who holds more than 5% of the common stock of Metrobank.*	Filipino	943,318,596	20.975%
TOTAL					**3,753,325,469**	**83.455%**

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

(2) Security Ownership of Directors and Management

As of May 7, 2020, the registrant's directors and officers as a group held a total of 34,214,309 common voting shares, broken down as follows:

Class of Shares		Name of Beneficial Owner	Beneficial Ownership		Citizenship	Percent of Class
			No. of Shares	Nature		
Directors (12)						
1	Common	ARTHUR TY	15,205,313	Direct	Filipino	0.338
2	Common	FRANCISCO C. SEBASTIAN	1,442,283	Direct	Filipino	0.032
3	Common	FABIAN S. DEE (a)	734	Direct	Filipino	0.000
4	Common	ALFRED V. TY	17,087,722	Direct	Filipino	0.380
5	Common	EDMUND A. GO	7,482	Direct	Filipino	0.000
6	Common	VICENTE R. CUNA, JR. (b)	129	Direct	Filipino	0.000
7	Common	SOLOMON S. CUA	113	Direct	Filipino	0.000
8	Common	JESLI A. LAPUS (c)	28,419	Direct	Filipino	0.000
9	Common	REX C. DRILON II (c)	1,615	Direct	Filipino	0.000
10	Common	FRANCISCO F. DEL ROSARIO, JR. (c)	146	Direct	Filipino	0.000
11	Common	EDGAR O. CHUA (c)	113	Direct	Filipino	0.000
12	Common	ANGELICA H. LAVARES (c)	113	Direct	Filipino	0.000
	Sub-total		33,774,182			0.751

(a) *Director and President*
(b) *Director and Senior Executive Vice-President*
(c) *Independent Directors*

	Class of Shares	Name of Beneficial Owner	Beneficial Ownership No. of Shares	Nature	Citizenship	Percent of Class
Officers-Sector and Group Heads (26)						
Senior Executive Vice-Presidents (2)						
1	Common	JOSHUA E. NAING	339,000	Direct	Filipino	0.008
2	Common	FERNAND ANTONIO A. TANSINGCO	57,184	Direct	Filipino	0.001
Executive Vice-Presidents (7)						
3		MARITESS B. ANTONIO			Filipino	
4		MARY MYLENE A. CAPARAS			Filipino	
5		PAUL ROBERT Y. MURGA			Filipino	
6		CORAZON MA. THERESE B. NEPOMUCENO			Filipino	
7		RICHARD BENEDICT S. SO			Filipino	
8	Common	ANICETO M. SOBREPEÑA	10,370	Direct	Filipino	0.000
9		VIVIAN L. TIU			Filipino	
Senior Vice-Presidents (15)						
10		MARILOU C. BARTOLOME-CIRILO			Filipino	
11		CHRISTINE Y. CARANDANG			Filipino	
12		ANNA THERESE RITA D. CUENCO			Filipino	
13		RAMON JAIME L.V. DEL ROSARIO			Filipino	
14		POCHOLO V. DELA PEÑA			Filipino	
15		ROMMEL ENRICO C. DIONISIO			Filipino	
16		FERLOU I. EVANGELISTA			Filipino	
17		SUSAN L. NIERE			Filipino	
18		ANTONIO R. OCAMPO, JR.			Filipino	
19	Common	BERNARDINO D. RAMOS	4,657	Direct	Filipino	0.000
20		ANGELICA S. REYES			Filipino	
21		LEANDRO ANTONIO G. SANTILLAN			Filipino	
22	Common	LITA S. TAN	9,365	Direct	Filipino	0.000
23		LEOPOLDO M. UBALDO			Filipino	
24	Common	ANTHONY PAUL C. YAP	19,551	Direct	Filipino	0.000
First Vice-President (2)						
25		LEO R. FRAGANTE			Filipino	
26		ELY ROY B. LINDO			Filipino	
	Sub-total		440,127			0.010
	Total (Directors and Officers)		**34,214,309**			**0.761%**

(3) Voting Trust Holders of 5% or More

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

(4) Changes in Control

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

Item 5. Directors and Executive Officers

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

Name	Experience
ARTHUR TY Chairman Chairman, Executive Committee Member, Anti-Money Laundering Committee Corporate Governance and Compensation Committee	Mr. Arthur Ty, Filipino, 53 years old, has been the Bank's Chairman since 2012. He was the Bank's President from 2006 to 2012. He has been the Chairman of GTCAP since May 2016 and Metropolitan Bank China (Ltd.) (MBCL) since 2010, Vice-Chairman of Philippine Savings Bank (PSBank) since 2001, First Metro Investment Corporation (FMIC) since 2012 and AXA Philippines since 2017. He earned his Bachelor of Science degree in Economics at the University of California, Los Angeles and obtained his Masters in Business Administration degree from Columbia University, New York. His brother Alfred Ty is the Director of the Bank. He is married to Zandra M. Ty, Metrobank First Vice-President.
FRANCISCO C. SEBASTIAN Vice-Chairman Chairman, Overseas Banking Committee Vice-Chairman, Executive Committee Adviser, Risk Oversight Committee	Mr. Francisco C. Sebastian, Filipino, 66 years old, has been the Vice-Chairman of the Bank since 2006. He joined the Metrobank Group in 1997 as FMIC President until he was appointed Chairman in 2011. He was the Chairman of GTCAP from 2014 to April 2016. He has been the Vice-Chairman of GTCAP since May 2016. He earned his AB degree in Economics, Magna Cum Laude, from the Ateneo de Manila University in 1975.
FABIAN S. DEE President Member, Executive Committee Information Technology (IT) Steering Committee Trust Committee	Mr. Fabian S. Dee, Filipino, 57 years old, became President of Metrobank in 2012. Before becoming President, he headed the National Branch Banking Sector (2006-2012), Account Management Group (2002-2006) and Marketing Center (2001-2002). He has been the Director of Bankers Association of the Philippines since 2014 and Trustee of Metrobank Foundation, Inc. (MBFI) since 2012. He was the Chairman and Director of Metrobank Card Corporation (MCC) from 2006 to January 2020; Chairman of Metro Remittance Singapore PTE Ltd. from 2010 to 2019; Chairman of LGU Guarantee Corporation from 2017 to 2019; Chairman of SMBC Metro Investment Corporation (SMBC Metro) from 2014 to 2017; and Director of Bancnet from 2015 to 2017. He holds a degree in Management Engineering from the Ateneo de Manila University.
ALFRED V. TY Director Member, Overseas Banking Committee	Mr. Alfred V. Ty, Filipino, 52 years old, was first elected director in September 2015. He has been the Chairman of Toyota Motor Philippines Group of Companies and Federal Land Group of Companies. He has been the Vice-Chairman of Metro Pacific Investment Corp. since March 2018 and GTCAP since 2012. He graduated with a Bachelor of Science degree in Business Administration from the University of Southern California in 1989. His brother Arthur Ty is the Chairman of the Bank. He is the brother-in-law of Zandra M. Ty, Metrobank First Vice-President.

Name	Experience
EDMUND A. GO Director Member, IT Steering Committee Risk Oversight Committee Trust Committee	Mr. Edmund A. Go, Filipino, 70 years old, was first elected director in 2007. He has been a director of Metropolitan Bank China (Ltd.) since 2010, a member of the Board of Advisors of PSBank since 2009. He has also been a Director for Investments of Ateneo de Manila University since 2010 and Investment Consultant for St. Peter's Life Group since 2011. He was a director of First Metro International Investment Corporation (FMIIC) Hong Kong from 2001 to 2008. He served as Metrobank Treasurer (2000-2007) and consultant of the Philippine Dealing and Exchange Corp. on Securities Training and Development (2008-2010). Prior to 2000, he held various management positions at Citibank Manila, Hong Kong, Taiwan and New York in the areas of Treasury, Derivatives, Investment Banking and Private Banking. He is a Certified Public Accountant and holds a BS Commerce Degree in Accounting, Cum Laude, from the San Beda College and an MBA degree, with distinction, from the Asian Institute of Management.
VICENTE R. CUNA, JR. Director Chairman, IT Steering Committee Member, Executive Committee Adviser, Risk Oversight Committee	Mr. Vicente R. Cuna, Jr., Filipino, 58 years old, became a director of Metrobank in 2014. He has been the Head of the Enterprise Services Sector of Metrobank since April 2018. Prior to this, he was the President of PSBank from 2013 to 2018; Head of Institutional Banking Sector (2012-2013) and Corporate Banking Group (2006-2012) of Metrobank. He is the Chairman of ORIX Metro Leasing and Finance Corporation (ORIX Metro) since March 2016 and Vice-Chairman of PSBank since April 2018. He was the Director of FMIC from 2011 to 2015. He graduated from De La Salle University with a degree in AB Economics and pursued further studies at the Ateneo Graduate School of Business.
SOLOMON S. CUA Director Member, Audit Committee Overseas Banking Committee	Mr. Solomon S. Cua, Filipino, 64 years old, is a former Undersecretary of the Department of Finance. He is currently the Chairman of AXA Philippines and Charter Ping An Insurance Corporation. He has been the Vice-Chairman/Director of Philippine Racing Club, Inc.; Adviser of MBCL since 2018; Director of Global Treasure Holdings, Inc., Grand Titan Capital Holdings, Inc. and Philippine Newton Global Solutions, Inc. He is also the President of SC & SSC Holdings, Inc. and Director/Treasurer of Palm Integrated Commodities, Inc. He obtained his Bachelor of Arts (Mathematical Sciences and Economics) in University of Melbourne, Australia; Bachelor of Law in University of Queensland, Australia and Masters of Laws in London School of Economics & Political Science, England.

Name	Experience
JESLI A. LAPUS Independent Director Chairman, Nominations Committee Trust Committee Vice-Chairman, Risk Oversight Committee Member, Corporate Governance and Compensation Committee	Mr. Jesli A. Lapus, Filipino, 70 years old, became an independent director in 2010. He has been the Chairman and Independent Director of STI Education Services Group, Inc. since 2013, Chairman of LSERV (formerly LBP Service Corporation) since 2012 and Optimus Management Services Inc. since 2010. He has been an Independent Director of STI Education Systems Holdings Inc. since 2013 and Philippine Life Financial Assurance Corp. since June 2012. He has been a member of the Board of Governors of Information and Communication Technology Academy, Inc. since November 2010. He is the Advisor to the Board since 2013 of Radiowealth Finance Company. He was the Chairman of Manila Tytana Colleges (MTC) from 2010 to 2013. He has been the Chairman - Center for Tourism of the Asian Institute of Management since 2012. He was the Secretary of the Department of Trade and Industry (2010), Secretary of the Department of Education (2006-2010), Congressman, Third District of Tarlac, House of Representatives (1998-2006) and President/CEO and Vice-Chairman of Land Bank of the Philippines (1992-1998). He is a Certified Public Accountant and holds an Accountancy degree from the Philippine School of Business Administration and a Master's degree in Business Management from the Asian Institute of Management. He has a Doctorate in Public Administration (Honoris Causa) from the Polytechnic University of the Philippines. He also studied Investment Appraisal and Management at Harvard University; Management of Transfer of Technology at INSEAD (France), Project Management at BITS (Sweden); and Personal Financing Planning at UCLA.
REX C. DRILON II Independent Director Chairman, Corporate Governance and Compensation Committee Related Party Transactions Committee Vice-Chairman, Trust Committee Member, Anti-Money Laundering Committee	Mr. Rex C. Drilon II, Filipino, 73 years old, became an independent director in 2012. He also served as independent director of FMIC (2011-2014). He has been the Vice-Chairman of the Institute of Corporate Directors since 2013 and Center for Excellence in Governance since 2016. He has been a member of the Board of Trustees of Institute of Solidarity in Asia since 2010 and Center for School Governance since 2016. He has been the Chairman of Keyland Corporation since 2011 and YLD Holdings, Inc. since 2012. He was the President of the Institute of Corporate Directors (2010-2012), Chief Operating Officer of Ortigas & Company, Limited Partnership (2001-2010) and CEO of Ayala Land's publicly listed subsidiaries Cebu Holdings, Inc. and Cebu Property Ventures Development Corp. (1998-2001). He has a Business Administration degree from the University of the East. He pursued further studies at the University of Asia and The Pacific.
FRANCISCO F. DEL ROSARIO, JR. Independent Director Chairman, Risk Management Committee Vice-Chairman, Audit Committee Member, Corporate Governance and Compensation Committee Overseas Banking Committee	Mr. Francisco F. Del Rosario, Jr., Filipino, 73 years old, was first elected independent director in 2013. He has been a director of Omnipay, Inc. since 2014 and DMCI Homes, Inc. since 2011. He has been a Trustee of ABS-CBN Foundation since 2007, Senior Executive Director of PWC Isla Lipana and Chairman for Institute for Solidarity in Asia since 2017 and Trustee for Center for Family Ministries from 2009 to 2014. He was the President and CEO of the Development Bank of the Philippines from 2010 to 2012. He obtained his BSC Accounting and BA Economics degrees from De La Salle University, and his MBM degree from the Asian Institute of Management.

Name	Experience
EDGAR O. CHUA Independent Director Chairman, Audit Committee Member, Anti-Money Laundering Committee Nominations Committee Related Party Transactions Committee	Mr. Edgar O. Chua, Filipino, 63 years old, became an independent director in 2017. He is currently the President and Chief Executive of Cavitex Holdings, Inc. He has been an Independent Director of PhilCement, Integrated Micro-Electronics, Inc. since 2014 and Energy Development Corporation since 2007. He is also the Chairman of the Philippine Eagle Foundation since 2017, De La Salle University Board, De La Salle Science Foundation since 2017 and Makati Business Club since 2016. He is currently the Chairman for the College of Saint Benilde, University of La Salle Bacolod and CEO of De La Salle Philippines. He is a Trustee/Treasurer of Philippine Business for Education and Trustee for the De La Salle Araneta Salikneta since 2015, The English-Speaking Union of the Philippines, Inc. since 2009, Gawad Kalinga Community Development Foundation Inc. since 2005, and Pilipinas Shell Foundation, Inc. since 2003. He was the Chairman of Pilipinas Shell Petroleum from September 2003 to May 2017 and the Country Chairman of Shell companies in the Philippines from September 2003 to October 2016. He obtained his Bachelor of Science in Chemical Engineering from De La Salle University in 1978.
ANGELICA H. LAVARES Independent Director Chairman, Anti-Money Laundering Committee Member, Audit Committee Nominations Committee Related Party Transactions Committee	Ms. Angelica H. Lavares, Filipino, 66 years old, is a Teaching Fellow at the Institute of Corporate Directors. She is an Independent Director of several companies, namely, Prulife UK and MCC (April 2018 - January 2020). Her other affiliations include being Head of Strategic Support Group of Bank of Commerce from 2009 to 2015, and as a Consultant starting November 2015 up to present. Prior to joining Bank of Commerce, she served as Chief Legal Counsel (2003 to 2007), concurrent Chief Compliance Officer and Chief Legal Officer - Legal Services Department (2007 to 2009) and Assistant Corporate Secretary (2007-2009) of Metrobank. She was also the Chief Legal Counsel and Head of Legal Services Division for United Coconut Planters Bank (UCPB) from 1999 to 2002 acting concurrently as its Head for Human Resource Division. Previous to that, she was the Vice-President for Sales Documentation and Head of Collection Department of Filinvest Land Inc. and Special Assistant to the Commissioner for the Bureau of Customs in 1987. She obtained her degree in AB Psychology, Cum Laude, from St. Theresa’s College, QC in 1973 and Bachelor of Laws, First Honorable Mention, from the University of the Philippines in 1981.

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

B. Executive Officers (26)

Name	**Experience**
Joshua E. Naing Senior Executive Vice-President	Mr. Joshua E. Naing, Filipino, 59 years old, has been the Head of the Financial and Control Sector since November 2013 after serving as Controller from October 2002 to November 2013. He has been a director of FMIC since April 2015; Manila Medical Service, Inc. (MMSI) since April 2018; Metro Remittance (Hong Kong) Limited since January 2009; and MB Remittance Center (Hawaii), Ltd. from April 2010 to May 2019.
Fernand Antonio A. Tansingco Senior Executive Vice-President	Mr. Fernand Antonio A. Tansingco, Filipino, 53 years old, has been the Head of Financial Markets Sector since 2013, and Treasurer since 2007. He was a director from 2012 to 2016 and adviser of MBCL since 2016, Chairman of Metrobank Bahamas since 2010, and Vice-Chairperson of AXA Philippines since 2010. He is the Adviser to the Board of FMIC since 2019.
Maritess B. Antonio Executive Vice-President	Ms. Maritess B. Antonio, Filipino, 59 years old, has been the Chief Risk Officer and Head of Risk Management Group since August 2016. She was the Chief Audit Executive and Head of Internal Audit Group from June 2010 to July 2016 after serving as Deputy Chief Audit Executive from 2008 to 2010.
Mary Mylene A. Caparas Executive Vice-President	Ms. Mary Mylene A. Caparas, Filipino, 56 years old, has been the Head of the Institutional Banking Sector since 2014. She is also the Director of ORIX Metro since 2015. From 2013 to 2014, she was the Managing Director, Regional Head of Client Delivery, Treasury and Trade Solutions of Citibank N.A., Hong Kong Branch. From 2011 to 2013, she was the Managing Director, Country Head of Citi Transaction Services of Citibank N.A., Manila Branch.
Paul Robert Y. Murga Executive Vice-President	Mr. Paul Robert Y. Murga, Filipino, 55 years old, has been the Head of Operations Group since March 2014 and the Assistant to the Operations Group Head from 2013 to 2014. He is a member of the Board of Directors of the Philippine Clearing House Corporation since 2014.
Corazon Ma. Therese B. Nepomuceno Executive Vice-President	Ms. Corazon Ma. Therese B. Nepomuceno, Filipino, 58 years old, has been the Head of Credit Group since 2012 after serving as its Deputy from 2005 to 2012.
Richard Benedict S. So Executive Vice-President	Mr. Richard Benedict S. So, Filipino, 54 years old, is the Head of the Countryside Branch Banking under the National Branch Banking Sector since March 16, 2016 and appointed as Retail Banking Sector Head last September 2018. He chairs the Board of Directors of several remittance companies wholly-owned by Metrobank. He has been a Vice-Chairman of Metro Remittance Singapore Pte. Ltd. since 2010. He has been a director of Metrobank Bahamas since 2009, MCC since 2010 and Corporate Secretary of MBCL since 2014. He was appointed as Head of the International Offices and Subsidiaries Group (IOSG) from 2009 to 2016 after serving as its Deputy from 2007 to 2009; and Head of the Transaction Banking Segment in 2014.
Aniceto M. Sobrepeña Executive Vice-President	Mr. Aniceto M. Sobrepeña, Filipino, 66 years old, has been the President of MBFI since 2006 and Executive Director of GT Foundation, Inc. (GTFI) since January 2010. He is also the Chairman of Manila Tytana Colleges (MTC) and Vice-Chairman of MMSI. He is a member of the Board of Trustees of PinoyMe Foundation since 2007 and Philippine Business for Education since 2008. He is also a member of Galing Pook Foundation since 2000, International Center for Innovation Transformation and Excellence in Governance since 2006 and Philippine Institute of Environmental Planners since 1995.

Name	Experience
Vivian L. Tiu Executive Vice-President	Ms. Vivian L. Tiu, Filipino, 59 years old has been the Head of Human Resources Management Group since 2001. She has been serving as Corporate Secretary of MTC since 2004.
Marilou C. Bartolome-Cirilo Senior Vice-President	Ms. Marilou C. Bartolome-Cirilo, Filipino, 46 years old, has been the Controller since November 28, 2013 after serving as Deputy from October 2009 to November 2013. She has been the Controller of MBFI and GTFI since 2012; Controller of MMSI since June 2018 and MTC since May 2019; and Supervisor of MBCL since April 2017. She was a Director of Sumisho Motor Finance Corporation (SMFC) from August 2017 to June 2018.
Christine Y. Carandang Senior Vice-President	Ms. Christine Y. Carandang, Filipino, 53 years old, has been the Head of General Services Group since June 2014, and the President of Circa 2000 Homes, Inc. since 2009 and Taal Land, Inc. (TLI) since July 2016. She has been the Head of Acquired Assets Management and Disposition Group from May 2007 to December 2015.
Anna Therese Rita D. Cuenco Senior Vice-President	Ms. Anna Therese Rita D. Cuenco, Filipino, 46 years old, assumed the position of Head, Consumer Lending Group under the Enterprise Services Sector effective January 3, 2020. She was seconded from MCC to Metrobank as Head of Consumer Lending Group from 2018 to 2019. She was the Deputy Cards Head, Marketing and Service Quality Group of MCC from 2009 to 2018 and the Head of Sales, Marketing and Portfolio Management of MCC from 2008 to 2009.
Ramon Jaime L.V. Del Rosario Senior Vice-President	Mr. Ramon Jaime L.V. Del Rosario, Filipino, 43 years old, assumed the position of Head of CPCS effective January 3, 2020. He was the MCC President from July to December 2019. He was the Director of Cards and Loans Business of Citibank Indonesia from 2016 to June 2019.
Pocholo V. Dela Peña Senior Vice-President	Mr. Pocholo V. Dela Peña, Filipino, 53 years old, has been the Head of Business Banking Center of Institutional Banking Sector since October 2018 after serving as Head of Special Accounts Management Group from 2014 to 2018 and Head of Special Accounts Management Division II from 2005 to 2014. He is the Corporate Secretary of PSBank since 2011 and Director of SMFC since August 2017.
Rommel Enrico C. Dionisio Senior Vice-President	Mr. Rommel Enrico C. Dionisio, Filipino, 47 years old, assumed the position as Head of Markets Sales Group effective January 1, 2020. He was the Head of Institutional Sales Division from February 2017 to December 2019 after serving as Deputy Head from July 2016 to February 2017. He was the Head of Corporate Sales Department under Sales and Structuring Division - Markets Sales Group from October 2014 to July 2016 and Head of Multinational Corporations Division under Corporate Banking Group from November 2011 to September 2014.
Ferlou I. Evangelista Senior Vice-President	Mr. Ferlou I. Evangelista, Filipino, 59 years old, has been the Head of Commercial Banking Group since May 2017. He joined the Bank in 2011 as Division Head and later as Center Head of Commercial Banking Metro Manila under the Institutional Banking Sector.
Susan L. Niere Senior Vice-President	Ms. Susan L. Niere, Filipino, 60 years old, has been the Head of Branch Support Center (BSC) since 2011. She held various positions in the Bank before her appointment as BSC Head.
Antonio R. Ocampo, Jr. Senior Vice-President	Mr. Antonio R. Ocampo, Jr., Filipino, 50 years old, has been the Head of Corporate Banking Group since 2014. He was the Head of Large Corporate Division from 2013 to 2014 after serving as Deputy Head from 2012 to 2013. He is also the Director of Northpine Land, Inc. since 2016 and SMBC Metro Investment Corporation since 2014. He is a member of the Financial Executives Institute of the Philippines since 2016 and Makati Business Club since 2018.

Name	Experience
Bernardino D. Ramos Senior Vice-President	Mr. Bernardino D. Ramos, Filipino, 54 years old, has been the Head of Information Technology Group since August 2015. He also served as the Head of Program Management Division from July 2013 to July 2015.
Angelica S. Reyes Senior Vice-President	Ms. Angelica S. Reyes, Filipino, 46 years old, assumed the position as Head of Treasury Group effective January 1, 2020. She was the Head of the Markets Sales Group from 2013 to 2019 after serving as Head of Sales and Structuring Division from 2010 to 2013. She was the concurrent Head of Investment Distribution Division from 2012 to 2013. She serves as Corporate Secretary of AXA Philippines since 2015 and Charter Ping An Insurance Corporation since 2016.
Leandro Antonio G. Santillan Senior Vice-President	Mr. Leandro Antonio G. Santillan, Filipino, 51 years old, has been the Head of Trust Banking Group since May 1, 2018 after serving as Deputy Head from January 2017 to April 2018. He was the Head of Fixed Income Division from 2013 to 2015 and Treasurer of PSBank from June 30, 2015 to December 2016.
Lita S. Tan Senior Vice-President	Ms. Lita S. Tan, Filipino, 57 years old, assumed the position of Retail Banking Sector Head last September 2018. She was the Branch Banking Group Head for Metro Manila branches under National Branch Banking Sector; Region Head of Central Metro Manila Region from 2015 to 2016 and Area Head from 2006 to 2015. She is also a director of ORIX Metro since June 2016.
Leopoldo M. Ubaldo Senior Vice-President	Mr. Leopoldo M. Ubaldo, Filipino, 61 years old, has been the Head of Commercial Banking for Countryside since June 2016. Prior to that, he was the Center Head of Commercial Banking Center for Luzon under Institutional Banking Sector.
Anthony Paul C. Yap Senior Vice-President	Mr. Anthony Paul C. Yap, Filipino, 43 years old, assumed the position as Head of RBS Strategy & Transformation on January 1, 2020. He was the Head of Treasury Group from January 2018 to December 2019; Head of Trading from July 2016 to December 2017; and Head of Rates and Foreign Exchange Division from December 2013 to July 2016 after serving as Deputy Head from August to December 2013.
Leo R. Fragante First Vice-President	Mr. Leo R. Fragante, Filipino, 55 years old, has been the Head of Internal Audit Group since April 2017 after serving as Head of Special Audit Division and Branch Audit Division.
Ely Roy B. Lindo First Vice-President	Mr. Ely Roy B. Lindo, Filipino, 55 years old, assumed the position of Head of Operations Control Group effective January 1, 2020. He was the Head of Branch Operations Control Division from December 2013 to 2019 after serving as Deputy Head from June 2012 to November 2013. He was the Head of Booking and Reconciliation Unit from October 2001 to June 2012.

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

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

C. Significant Employee

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

Nomination Procedure

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

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

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

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

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

Nominee Directors - Final List of Candidates

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

As of the date of this report, there are five (5) nominees for independent directors, namely, Messrs. Jesli A. Lapus, Francisco F. Del Rosario, Jr., Edgar O. Chua, Atty. Angelica H. Lavares and Philip G. Soliven. They were nominated by stockholders Eusebio A. Dipasupil, Ernestina A. Pagdanganan, Joselito P. Dela Rosa, Elizabeth Tiu and Marie T. Yu, respectively. The nominees for independent directors are not related either by consanguinity or affinity to the persons who nominated them. Likewise, there are seven (7) nominees for non-independent director positions, namely, Messrs. Arthur Ty, Francisco C. Sebastian, Fabian S. Dee, Alfred Ty, Edmund A. Go, Vicente R. Cuna Jr. and Solomon S. Cua.

The nominees, with the exception of Mr. Philip G. Soliven, are incumbent directors of the Bank. All twelve (12) nominees confirmed and accepted their nomination to become directors.

Mr. Philip G. Soliven, 59 years old, is Chairman Emeritus and Senior Advisor for Cargill Phils. Inc. He began his professional career with the First National Bank of Boston, working in the Manila, Philippines branch as foreign exchange trader. He moved to the Bank of Boston's corporate headquarters in Boston, Massachusetts in 1984 to assume a role within corporate banking. In 1985, he was assigned to Hong Kong as manager of the Bank's corporate banking business where he occupied a number of positions across Corporate Loan Recovery, Treasury Sales-Foreign Exchange, Debt Trading and Trade Services. He relocated to Singapore in 1991 as Vice-President for Corporate Banking covering corporate banking clients in Singapore, Indonesia and Thailand. He has been an Independent Director of FMIC since 2018 and First Metro Securities Brokerage Corporation since 2014. He is also the Commercial Director for various Food Ingredients and Bio-Industrial (FIBI) businesses and President of Philippine Bio-Industries, Inc. since 2017. He is a Board representative and Treasurer of Cargill Joy Poultry Meats, Inc., a Cargill-Jollibee Foods joint venture. Mr. Soliven is currently a Director of the American Chamber of Commerce of the Philippines and is also Chairman of its Agribusiness Committee. In addition, he serves as a Director at Scorbin Inc., Multico Prime Power, The Rotary Club of Makati, the US ASEAN Business Council, Makati Business Club and Management Association of the Philippines. He holds a degree in Business Management from the Ateneo de Manila University.

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

Based on an evaluation made by the Nominations Committee, all nominees have the qualifications and none of the disqualifications provided by law. The evaluation was made following the requirements of the Securities Regulation Code, the applicable regulations of the Bangko Sentral ng Pilipinas and the Securities and

Exchange Commission (including SEC Memorandum Circular No. 4, series of 2017 on the term limit of independent directors), as well as the Bank's Corporate Governance Manual.

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

Legal Proceedings

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

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

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

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

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

Certain Relationships and Related Transactions

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectibility and did not present other unfavorable conditions. The Bank has a Related Party Transactions Committee (RPTC) and a Related Party Transactions Management Committee (RPTMC), both of which are created to assist the BOD in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that corporate or business resources of the Bank are not misappropriated or misapplied. After appropriate review, RPTMC (through RPTC) and RPTC disclose all information and endorses to the BOD with recommendations, the proposed related party transactions. Major subsidiaries, which include FMIC, PSBank, MCC (until January 3, 2020) and MBCL, have their own respective RPTCs which assist their respective BODs in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that their corporate or business resources are not misappropriated or misapplied.

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

Transactions with related parties and with DOSRI are discussed in Note 31 of the audited financial statements of the Group as presented in Exhibit 6.

Others

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

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

Item 6. Executive Compensation

Name and Principal Position		2020 (Estimate)		
		Salary	**Bonus**	**Other Annual Compensation***
1	Arthur Ty Director and Chairman			
2	Fabian S. Dee Director and President			
3	Vicente R. Cuna, Jr. Director and Senior Executive Vice-President			
4	Joshua E. Naing Senior Executive Vice-President			
5	Fernand Antonio A. Tansingco Senior Executive Vice-President			
Total for the President and four (4) other highest paid executive officers and directors named above		**₱237.85 million**	**₱38.92 million**	**₱22.70 million**
All executive officers and directors as a group unnamed (except the President and four other highly compensated executive officers and directors mentioned above)		**₱417.84 million**	**₱51.19 million**	**₱46.40 million**

Name and Principal Position		2019		
		Salary	**Bonus**	**Other Annual Compensation***
1	Arthur Ty Director and Chairman			
2	Fabian S. Dee Director and President			
3	Vicente R. Cuna, Jr. Director and Senior Executive Vice-President			
4	Joshua E. Naing Senior Executive Vice-President			
5	Fernand Antonio A. Tansingco Senior Executive Vice-President			
Total for the President and four (4) other highest paid executive officers and directors named above		**₱222.29 million**	**₱36.37 million**	**₱21.71 million**
All executive officers and directors as a group unnamed (except the President and four other highly compensated executive officers and directors mentioned above)		**₱390.51 million**	**₱47.84 million**	**₱44.43 million**

Name and Principal Position	2018		
	Salary	Bonus	Other Annual Compensation*
1 Arthur Ty Director and Chairman 2 Fabian S. Dee Director and President 3 Vicente R. Cuna, Jr. Director and Senior Executive Vice-President 4 Joshua E. Naing Senior Executive Vice-President 5 Fernand Antonio A. Tansingco Senior Executive Vice-President			
Total for the President and four (4) other highest paid executive officers and directors named above	**₱192.29 million**	**₱17.15 million**	**₱19.12 million**
All executive officers and directors as a group unnamed (except the President and four other highly compensated executive officers and directors mentioned above)	**₱352.62 million**	**₱30.94 million**	**₱38.68 million**

* Inclusive of directors' per diem and transportation allowances amounting to ₱43.84 million, ₱39.82 million and ₱35.68 million as of December 31, 2020, 2019, and 2018, respectively, or an average of ₱304,416.67, ₱255,269.23 and ₱228,730.77 per month/per director in 2020, 2019 and 2018, respectively.

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

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

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

Item 7. Independent Public Accountants

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

Ms. Josephine Adrienne A. Abarca, SGV Partner, reviewed/audited the Group's financial statements as of December 31, 2019 and 2018 and for each of the three years ended December 31, 2019. In compliance with the amended SRC Rule 68 (3) (b) (ix), the signing partners are rotated after every five years reckoned from the year 2002 (increased to seven years effective August 2019).

The Bank intends to retain SGV as its external auditors for the year 2020 and is submitting the same to the stockholders for ratification as endorsed by the Audit Committee with the approval of the Board of Directors.

Item 9. Authorization or Issuance of Securities Otherwise Than for Exchange

The Company proposes to amend its Amended Articles of Incorporation to convert a fraction of the non-voting preferred shares to voting preferred shares.

a. Out of the 1 Billion non-voting preferred shares with par value of Php20 or a total of Php20 Billion, the proposal is to carve out 6 Billion preferred shares with a par value of Php0.20 per share, or a total of Php1.2 Billion.
b. The balance of Php18.8 Billion will be maintained as non-voting preferred shares, with the same original par value of Php20.00 equivalent to 940 million shares.

c. The total authorized capital will be maintained at Php140 Billion, allocated to Php120 Billion for common shares and Php20 Billion for preferred shares (voting and non-voting).

The proposal is simply for the amendment of the Amended Articles of Incorporation. No offering of shares is being contemplated in the proximate future. Should the time come for the issuance of the voting preferred shares, the terms of the issuance thereof (including dividend or interest rates, conversion prices, voting rights, redemption prices, maturity dates and similar matters) will be determined by the Company's Board of Directors.

Please refer below for the actual proposed amendment:

SEVENTH: THAT THE AUTHORIZED CAPITAL STOCK OF THE SAID CORPORATION IS <u>ONE HUNDRED FORTY BILLION (PHP140,000,000,000.00) PESOS</u>, AND SAID CAPITAL STOCK IS DIVIDED INTO <u>SIX BILLION (6,000,000,000)</u> COMMON SHARES AT A PAR VALUE OF TWENTY PESOS (PHP20.00) EACH, <u>NINE HUNDRED FORTY MILLION (940,000,000) NON-VOTING PREFERRED SHARES</u> AT A PAR VALUE OF TWENTY PESOS (PHP20.00) EACH, <u>AND SIX BILLION (6,000,000,000) VOTING PREFERRED SHARES AT A PAR VALUE OF TWENTY CENTAVOS (PHP0.20) EACH</u>.

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 BOARD OF DIRECTORS AT THE TIME OF ISSUANCE, TO THE EXTENT PERMITTED BY APPLICABLE LAW.

STOCKHOLDERS SHALL HAVE NO PRE-EMPTIVE RIGHTS TO SUBSCRIBE TO ANY OR ALL ISSUES OR DISPOSITIONS OF ANY CLASS OF SHARES.

Item 10. Modification/Exchange of Securities

The Company proposes to amend the Amended Articles of Incorporation to convert a portion of the non-voting preferred shares to voting preferred shares. Please refer to Item 9 for further details.

There is no modification or exchange of outstanding securities. The non-voting preferred shares that will be converted to voting preferred shares are not outstanding securities. The voting preferred shares that is subject of proposed amendment is not being contemplated to be issued in the proximate future. Should the time come for the issuance of the voting preferred shares, the terms of the issuance thereof (including dividend or interest rates, conversion prices, voting rights, redemption prices, maturity dates and similar matters) will be determined by the Company's Board of Directors

Item 17. Amendments of Charter, By-Laws and Other Documents

The Company proposes to amend the Amended Articles of Incorporation to convert a portion of the non-voting preferred shares to voting preferred shares. Please refer to Item 9 for further details.

The proposed creation of voting preferred shares will give the Company flexibility for foreign ownership and proactively manage its capital position.

C. OTHER MATTERS

I. Proposed Action

1. Approval of the minutes of the annual meeting of stockholders held on April 24, 2019:

i. Call to Order and Certification of Quorum. The meeting was called to order by Chairman Arthur Ty at 3:00 o'clock in the afternoon. The Corporate Secretary, Antonio V. Viray, certified that there were 2,825,591,618 common shares actually present in person or by proxy, out of the 3,980,015,036 common shares outstanding. This constituted 70.99% of the outstanding capital stock.

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

RESOLUTION NO. 060-MBTC-SH-2019

RESOLVED, that the Minutes of the Annual Stockholders' Meeting on April 25, 2018 are hereby approved.

iii. President's Report on the performance of Metrobank for 2018, as further detailed in the Annual Report for 2018.

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

a. Growth Drivers for 2019. Racheleen Rodriguez, proxy for Corston–Smith Asset Management asked what type of growth is seen for the Bank for 2019 together with its possible drivers. Metrobank President Fabian S. Dee replied that based on government's pronouncements, GDP is expected to grow by 6%. With the recent approval of the 2019 National Budget, it is expected that disbursements will start by June or July of 2019, then the 6% expected GDP growth becomes a conservative estimate. The Bank's growth is benchmarked against the GDP growth, with loan portfolio growth ranging between 1.5% to 2.5% of the GDP.

b. View on Cryptocurrency. Stockholder Stephen Soliven asked for the Bank's view on cryptocurrency. Mr. Dee replied that Metrobank is open to anything that facilitates transactions and minimizes risk. However, cryptocurrency does not operate in the same regulatory framework as real currencies. Until enough such regulations are put in place, Metrobank will be sticking to the traditional currencies.

c. Cash Dividends. Stockholder Manuel Salinas raised a concern regarding the delay in the receipt of his cash dividends. Chairman Arthur Ty replied that the responsible personnel will look into the issue and approach him immediately after the meeting.

iv. Approval of Special Corporate Items

a. Amendment of the Articles of Incorporation in the Increase of Authorized Capital Stock

RESOLUTION NO. 061 - MBTC-SH-2019

RESOLVED, that the stockholders representing at least 2/3 of the outstanding capital stock, ratified the resolution approved by at least a majority of the members of the Board Directors in its meeting held on February 13, 2019 approving the amendment of the following Articles of Incorporation of the Bank

SEVENTH: THAT THE AUTHORIZED CAPITAL STOCK OF THE SAID CORPORATION IS <u>ONE HUNDRED FORTY BILLION (PHP140,000,000,000.00) PESOS</u>, AND SAID CAPITAL STOCK IS DIVIDED INTO <u>SIX BILLION (6,000,000,000)</u> COMMON SHARES AT A PAR VALUE OF TWENTY PESOS (PHP20.00) EACH, AND ONE BILLION (1,000,000,000) PREFERRED SHARES AT A PAR VALUE OF TWENTY PESOS (PHP 20.00) EACH.

PREFERRED SHARES SHALL BE NON-VOTING EXCEPT AS PROVIDED BY LAW, SHALL HAVE PREFERENCE OVER COMMON SHARES IN THE DISTRIBUTION OF DIVIDENDS AND SHALL HAVE SUCH OTHER FEATURES AS MAY BE DETERMINED BY THE BOARD OF DIRECTORS AT THE TIME OF ISSUANCE, TO THE EXTENT PERMITTED BY APPLICABLE LAW.

STOCKHOLDERS SHALL HAVE NO PRE-EMPTIVE RIGHTS TO SUBSCRIBE TO ANY OR ALL ISSUES OR DISPOSITIONS OF ANY CLASS OF SHARES.

b. *Declaration of 13% Stock Dividends*

RESOLUTION NO. 062- MBTC-SH-2019

RESOLVED, conditioned on the approval of the increase in authorized capital stock and as a way to meet the required minimum paid-up capital, the stockholders representing at least 2/3 of the outstanding capital stock ratified the resolution approved by the Board of Directors in its meeting held on February 13, 2019 declaring a thirteen (13%) stock dividend amounting to Php10,348,039,094, which shall be taken from the Bank's unrestricted retained earnings, to be paid to all stockholders as of record date and payment date to be fixed after all regulatory approvals are obtained.

c. *Merger of Metrobank Card Corporation into Metropolitan Bank & Trust Company*

RESOLUTION NO. 063-MBTC-SH-2019

RESOLVED, that the stockholders representing 2/3 of the outstanding capital stock, ratified the resolution approved by the Board of Directors in its meeting held on March 13, 2019:

a. Merger of Metrobank Card Corporation into Metropolitan Bank & Trust Company;
b. Articles of Merger and Plan of Merger

RESOLVED FINALLY, that the authority of the President to sign, execute and deliver documents/agreements/instruments connected with the Merger and to perform any and all acts required or necessary in the implementation of the foregoing authority/ies is hereby ratified and confirmed

v. *Ratification of All Acts and Resolutions of the Board of Directors, Management, Board and Management Committees from April 25,2018 to April 23, 2019 via the following:*

RESOLUTION NO. 064-MBTC-SH-2019

RESOLVED, that all acts, transactions and resolutions of the Board of Directors, management, board and management committees from April 25, 2018 to April 23, 2019, including among others, the approval of all loans, investments, new Bank products and services and related party transactions, are hereby ratified and confirmed.

vi. *Election of Twelve (12) Directors for the Year 2019 - 2020*

Mr. Jesli A. Lapus, Chairman of the Nominations Committee, explained that the Nominations Committee and the Corporate Governance and Compensation Committee chaired by Rex C. Drilon II had jointly evaluated the qualifications of all nominees to the Board of Directors, and that the Committees found that the nominees had all the qualifications and none of the disqualifications prescribed by law and regulations, and that out of the twelve(12) nominees, five(5) were nominated as independent directors. Twelve (12) directors were elected for the year 2019-2020:

RESOLUTION NO. 065-MBTC-SH-2019

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

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

** Independent directors*

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

RESOLUTION NO. 066-MBTC-SH-2019

RESOLVED, that as recommended by the Audit Committee and approved by the Board of Directors, SyCip Gorres Velayo & Co. is hereby appointed as the External Auditors of Metrobank for the year 2019.

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

2. President’s Report to the Stockholders

The President will report the highlights of Metrobank’s Performance for the year 2019.

3. Approval of the Amendment of Articles of Incorporation to Create a New Class of Shares.

Currently, the Bank's capital structure has common and non-voting preferred shares only. The proposal is to convert a fraction of the non-voting preferred shares to preferred voting shares.

a. Out of the 1 Billion non-voting preferred shares with par value of Php20 or a total of Php20 Billion, the proposal is to carve out 6 Billion preferred shares with a par value of Php0.20 per share, or a total of Php1.2 Billion.
b. The balance of Php18.8 Billion will be maintained as non-voting preferred shares, with the same original par value of Php20.00 equivalent to 940 million shares.

c. The total authorized capital will be maintained at Php140 Billion, allocated to Php120 Billion for common shares and Php20 Billion for preferred shares (voting and non-voting).

Please refer below for the actual proposed amendment.

SEVENTH: THAT THE AUTHORIZED CAPITAL STOCK OF THE SAID CORPORATION IS ONE HUNDRED FORTY BILLION (PHP140,000,000,000.00) PESOS, AND SAID CAPITAL STOCK IS DIVIDED INTO SIX BILLION (6,000,000,000) COMMON SHARES AT A PAR VALUE OF TWENTY PESOS (PHP20.00) EACH, NINE HUNDRED FORTY MILLION (940,000,000) NON-VOTING PREFERRED SHARES AT A PAR VALUE OF TWENTY PESOS (PHP20.00) EACH, AND SIX BILLION (6,000,000,000) VOTING PREFERRED SHARES AT A PAR VALUE OF TWENTY CENTAVOS (PHP0.20) 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 BOARD OF DIRECTORS AT THE TIME OF ISSUANCE, TO THE EXTENT PERMITTED BY APPLICABLE LAW.

STOCKHOLDERS SHALL HAVE NO PRE-EMPTIVE RIGHTS TO SUBSCRIBE TO ANY OR ALL ISSUES OR DISPOSITIONS OF ANY CLASS OF SHARES.

4. Ratification of Corporate Acts

   The matters for ratification include all acts, transactions and resolutions of the Board of Directors, management and all Committees done in the ordinary course of business from April 24, 2019 until May 27, 2020, including, among others, the approval of loans, investments, new Bank products and services and related party transactions.

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

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

Registration, Voting Requirements and Procedures

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

   a) Amendment of Articles of Incorporation to Create a New Class of Shares

2. Majority vote is required for the following:

   a) Approval of the minutes of the annual meeting of the stockholders held on April 24, 2019
   b) Ratification of Corporate Acts
   c) Appointment of External Auditors

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

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

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

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

Please refer below to the detailed procedures for the registration, viewing of the Meeting, and voting during the Meeting.

PRE-REGISTRATION

The 2020 Annual Stockholders Meeting will be livestreamed on May 28, 2020 at 02:00 PM. Due to the COVID 19 pandemic and to ensure the health and safety of the participants, there will be no physical venue for the Meeting.

As indicated in the Notice of Meeting, stockholders who intend to participate during the Meeting need to pre-register by sending the following requirements to **ASMRegistration@metrobank.com.ph** on or before May 21, 2020:

For Certificated Stockholders:

Individual Stockholders

a. A scanned copy of the Stockholder's valid government-issued ID showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB.

b. A valid and active e-mail address and contact number.

Corporate Stockholders

a. A secretary's certificate attesting to the authority of the representative to participate by remote communication for, and on behalf of the Corporation (in JPG format). The file size should be no larger than 2MB.

b. A scanned copy of the valid government-issued ID of Stockholder's representative showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB.

c. A valid and active e-mail address and contact number.

For Stockholders under PCD Participant/Brokers account or "Scripless Shares"

a. A broker certification on the Stockholder's number of shareholdings (in JPG format). The file size should be no larger than 2MB.

b. A scanned copy of the Stockholder's valid government-issued ID showing photo, signature and personal details, preferably with residential address (in JPG format). The file size should be no larger than 2MB.

c. A valid and active e-mail address and contact number.

Important Notes: Considering the extraordinary circumstances in relation to COVID-19, the Company shall allow electronic signature for the required documents, as applicable. Notarization requirements shall also be dispensed with *at this time. However, the Company reserves the rights to request additional information, and original signed and notarized copies of these documents at a later time. Incomplete or inconsistent information may result in an unsuccessful event registration. As a result, Stockholders will not be allowed to participate in the virtual ASM.*

How to View

Stockholders who have successfully pre-registered for the Meeting will receive the ASM Electronic Invite in their registered email addresses. Once they receive the invite, they will be able to register for the 2020 Metrobank Annual Stockholders' Meeting via Webex Events.

How to use WEBEX

If you are using a laptop or desktop, you may download Webex using the following Browsers: Google Chrome, Firefox.

If you are using tablet or mobile device, download Cisco Meeting App on Apple Store or Google Play.

How to Join

1. From the registration approval email, either click Join Event or open the attached file with the browser icon.
2. Once you are in the event landing page, click Join Now. DO NOT click join via Browser.
3. Allow Webex to use your audio and video connection.

How to Vote

Those who completed the requirements in the Pre-registration will receive the ASM Electronic Invite in their registered email addresses.

Stockholders could cast their votes on the presented resolutions and participate in the election of directors during the Meeting. The voting will remain open until the end of the Meeting.

I. Voting By Proxy

- The Company has provided a sample proxy form (See EXHIBIT A) for the convenience of the stockholders.

- Please send scanned copies of the executed proxy to **ASMRegistration@metrobank.com.ph** on or before May 25, 2020.

II. Electronic Voting

The voting instruction will be included in the ASM Electronic Invite that qualified pre-registered stockholders will receive in their registered email addresses.

- Votes cast by stockholders before 12:00 Noon of May 28, 2020 will be included in the preliminary results that will be announced during the Meeting. Stockholders may still cast votes during the Meeting.

- Votation closes after the Meeting.

Preliminary results of votes will be presented during the Meeting and final results will be included in the Minutes of the Meeting.

Important Notes

1. Due to logistical limitations of the Meeting conducted virtually, open forum/discussion will not be possible during the virtual Meeting. However, a stockholder, once verified/ registered, will be given an opportunity to raise any relevant questions or express an appropriate comment limited to the agenda items by sending an email to investor.relations@metrobank.com.ph even before the Meeting and while the meeting is ongoing. Any relevant question or comment received via email within the prescribed period given to registered stockholders shall be properly acknowledged, noted and addressed accordingly.

2. Only those shareholders who have joined the Webex Meeting by remote communication, together with the stockholders who voted by proxy, will be included in the determination of quorum at the Meeting. By participating remotely and by proxy, a stockholder shall be deemed present for purposes of quorum.

3. The Meeting proceedings shall be recorded in audio and video format. A copy of such recorded proceedings will be provided to a stockholder upon request.

4. The Company shall ensure confidentiality of all votes for tabulation, including those cast by proxy, with assistance from the Company's stock transfer agent (Metrobank Trust Banking Group), subject to validation by SGV & Co.

For any registration concerns, please get in touch with the Company through ASMRegistration@metrobank.com.ph.

For any question about the conduct of the Meeting or the Company, please get in touch with the Company through investor.relations@metrobank.com.ph.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on May 7, 2020.

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

METROPOLITAN BANK & TRUST COMPANY

By:

Laarni D. Bernabe

LAARNI D. BERNABE
Assistant Corporate Secretary

METROPOLITAN BANK & TRUST COMPANY

PART I – BUSINESS

DESCRIPTION OF BUSINESS

1. Business Development

Metropolitan Bank & Trust Company ("Metrobank" or "the Bank") was incorporated on April 6, 1962 by a group of Filipino businessmen to provide financial services to the Filipino-Chinese community. Since its formation, the Bank has diversified its business, and to date provides a broad range of banking and collateral services to all sectors of the Philippine economy. The original Certification of Incorporation of the Bank was issued by the Securities and Exchange Commission (SEC) for a 50-year corporate term. On March 21 and November 19, 2007, the Board of Directors (BOD) of the Bank and the SEC, respectively, approved the extension of its corporate term for another 50 years or up to April 6, 2057.

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

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

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

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

On February 24, 2015, the SEC confirmed the exemption of a rights offer for up to ₱32.0 billion worth of common shares from the registration requirements under Section 8 of the Securities Regulation Code. Subsequently, in April 2015, the Bank completed a rights offer for 435,371,720 common shares with par value of ₱20.00. Total outstanding shares increased to 3,180,172,786 after the transaction. On April 12, 2018, the Bank completed another stock rights offer for 799,842,250 common shares with par value of ₱20.00. Total outstanding shares increased to 3,980,015,036 after the transaction.

On October 4, 2019, the SEC approved the amendment of the Articles of Incorporation of the Bank increasing its authorized capital stock from ₱100 billion to ₱140 billion composed of 6.0 billion common shares and 1.0 billion non-voting preferred shares, each with a par value of ₱20 per share. The Bank declared a 13% stock dividend equivalent to 517.4 million common shares (approved for listing by PSE on November 26, 2019) which was applied as payment for the required minimum 25% subscription to the increase in authorized capital stock. Total outstanding shares increased to 4,497,415,555 after the stock dividend.

2. Business of Registrant

Services/Customers/Clients

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

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

The Bank provides investment banking services through First Metro Investment Corporation (FMIC) and retail banking through the Bank and its subsidiaries Philippine Savings Bank (PSBank) and Metrobank Card Corporation (MCC). On March 13, 2019, the respective BODs of the Bank and MCC approved the proposal to merge MCC into the Bank 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 Bank to be more competitive in the credit card business. The proposed merger was ratified by the stockholders of the Bank on April 24, 2019, approved by the BSP on October 23, 2019, and approved by the SEC on January 3, 2020.

Contribution to Sales/Revenues

The net interest income derived from lending, investment and borrowing activities represents 72.01%, 74.32% and 72.89% of the Group's revenue net of interest and finance charges in 2019, 2018 and 2017, respectively. Other operating income (consisting of service charges, fees and commissions; net trading and securities gains; net foreign exchange gain; gain on sale of investments in an associates; leasing income; profit from assets sold; income from trust operations; dividend income; and miscellaneous income) and share in net income of associates and a joint venture account for 27.99%, 25.68% and 27.11% of the Group's revenue net of interest and finance charges in 2019, 2018 and 2017, respectively.

Contribution of Foreign Offices

The percentage contributions of the Group's offices in Asia, the United States and Europe to the Group's revenue, net of interest and finance charges, and external net operating income for the years 2019, 2018 and 2017 are as follows:

Offices in	Year	Percentage Contribution to	
		Revenue, Net	External Net Operating Income
Asia (Other than Philippines)	2019	2.62	2.68
	2018	2.67	2.69
	2017	2.36	2.44
United States	2019	0.41	0.46
	2018	0.69	0.76
	2017	0.64	0.70
Europe	2019	0.04	0.05
	2018	0.06	0.06
	2017	0.07	0.07

Significant Subsidiaries

1. First Metro Investment Corporation

   FMIC is the investment banking arm of the Metrobank Group. It is an investment house incorporated in the Philippines on June 25, 1963 with principal place of business at 45th Floor, GT Tower International, Ayala Avenue corner H.V. dela Costa Street, Makati City. On September 22, 2000, FMIC was merged with Solidbank Corporation (Solidbank). Solidbank became the surviving entity and was subsequently renamed First Metro Investment Corporation. FMIC's shares of stocks (originally Solidbank) were listed on the PSE on October 25, 1963 and were subsequently delisted effective December 21, 2012. FMIC is a 99.27%-owned subsidiary of Metrobank.

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

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

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

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

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

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

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

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

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

2. Philippine Savings Bank (PSBank)

   PSBank was incorporated on June 30, 1959 to primarily engage in savings and mortgage banking. PSBank is the country's first publicly listed thrift bank. Its principal office is located at the PSBank Center, 777 Paseo de Roxas corner Sedeño Street, Makati City. PSBank is 88.38% - owned subsidiary of Metrobank.

   It has outpaced some of its key competitors and is the country's second largest thrift bank in terms of assets. It mainly caters the retail and consumer markets and offers a wide range of products and services such as deposits, loans, treasury and trust functions. PSBank's network comprises 250 branches and 557 ATMs in strategic locations nationwide.

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

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

   MCC was established in August 1985, known then as Unibancard Corporation. Its maiden product was called Unicard, a single currency credit card accepted in key establishments in the Philippines. Over the years, Unicard evolved from a locally accepted card to an internationally recognized credit card when it rode on the Mastercard scheme in 1994 and the Visa scheme in 1998. Its name was changed to Metrobank Card Corporation after a merger with AB Card and Solid Card on June 4, 2002. In October 2003, a joint venture was formed between Metrobank and Australia New Zealand Bank (ANZ), holding 60% and 40% stake, respectively.

On March 27, 2008, MCC received its license from the SEC to operate as a finance company. On June 5, 2008, the BSP issued a quasi-banking license to MCC, which allows borrowings from more than 19 lenders for the purpose of funding working capital. In 2018, Metrobank has acquired the 40% ownership interest of MCC from ANZ, making MCC a 100% wholly-owned subsidiary of Metrobank. In the same year, the Insurance Commission (IC) issued a license to MCC authorizing to act as a general life insurance agent of PALIC.

MCC has about 1.4 million cards-in-force and is one of the Philippines' leading payment solutions providers. It currently offers and issues diverse products with distinct advantages to its customers, such as core and co-branded credit cards as well as reloadable prepaid cards. MCC also offers its partner merchants a portfolio of acquiring services and payment solutions. Its principal place of business is located at The MCC Center, 6778 Ayala Avenue, Makati City.

The SEC approved the merger of MCC into Metrobank effective January 3, 2020.

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

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

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

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

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

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

6. First Metro International Investment Company Limited (FMIIC)

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

7. Metro Remittance (Hong Kong) Limited

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

8. Metro Remittance (Singapore) Pte. Ltd.

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

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

   A wholly-owned remittance subsidiary of Metrobank was initially established to pursue the plan of expanding its remittance operations in California, U.S.A. MRUSA merged with Metro Remittance Center, Inc. (MRCI) effective December 28, 2017. MRCI was a wholly-owned subsidiary of Metrobank incorporated under the General Corporation Law of the State of Delaware on November 12, 1992. MRUSA, as a surviving company reclassified its type of business from a money service business to a holding company effective August 1, 2019. Its subsidiaries are:

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

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

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

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

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

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

Distribution Methods of Products and Services

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

1. Branches

   Metrobank ended 2019 and 2018 with 707 branches. The Bank believes that it has reached its optimal state in terms of its branch network and is confident that it has the size and scale to pursue its growth plans.

2. Remittance Centers

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

   2019 - New International Remittance Tie-Ups

   a. DolEx Dollar Express Inc.
   b. Harbour and Hills Financial Services Limited
   c. Jalandoni Money Changer & Remittances
   d. Prime Exchange Limited
   e. U Remit International Corporation
   f. EMZ Limited

2019 - New Local Remittance Tie-Up

a. CashPinas Remittance Corporation
b. Unilink Express Payments Phils. Inc.

3. ATMs

All of Metrobank's 1,788 ATMs are full-featured and allow a wide array of financial and non-financial transactions for its clients and those of BancNet member banks. Apart from being the first bank to secure EMV-chip (Euro MasterCard VISA) certification in the Philippines, it has deployed 178 Cash Accept Machines to allow clients to make real-time cash deposits to their accounts. We have installed security device in machines, thus providing more secure and convenient solutions to meet its clients' banking needs.

4. Phone Banking

Metrophone Banking is the Bank's IVRS (Interactive Voice Response System) banking platform, and one of the first electronic banking channels made available to Metrobank customers.

5. Mobile Banking

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

6. Online Banking

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

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

7. MBOS (Metrobank Business Online Solution) is a web-based application that will replace MetrobankDirect. Similar to MetrobankDirect, MBOS provides real-time access to client account statement and transaction history. Corporate enrolled in the facility can likewise initiate transactions at their own convenience. A fully integrated platform that supports latest technology that the market needed. MBOS embodied new functionalities for Cash and Trade solution for corporate clients.

8. E-Government Facilities

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

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

Competition

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

As of December 31, 2019, the Philippine universal/commercial banking sector consisted of 46 banks, including 25 foreign bank entities. In terms of classification, there are 21 universal banks and 25 commercial banks. Of the 21 universal banks, 12 are private domestic banks, three are government banks and six are branches of foreign banks. Of the 25 commercial banks, five are private domestic banks, two are subsidiaries of foreign banks and 18 are branches of foreign banks. The ten largest universal/commercial banks in the country accounted for over 80% of total assets, loans and total deposits of the universal/commercial banking system based on published statements of condition as of December 31, 2019.

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

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

<u>*Innovations and Promotions*</u>

In 2019, Metrobank Group continued to introduce campaigns and promotions to address the market's needs.

- Metrobank launched its *Meaningful Banking* campaign with an aim to elevate its promise of "You're in Good Hands," featuring its new Metrobank signature frame that serves as a visual focal point highlighting its customers' meaningful stories. In relation to the campaign, the Bank unveiled the site https://meaningfulbanking.metrobank.com.ph/ and commenced Financial Education initiatives: *Earnest*, a website that contains bite-sized lesson cards and easy-to-read articles where clients can learn while on the go; and *Moneybasics*, a collection of simple and creative tips for clients to build up a habit of saving. At the center of MoneyBasics was #The30DayMetrobankChallenge which aims clients to build a foundation of financial stability by learning to manage debts, track expenses, and build an emergency fund.

- Metrobank partnered with AXA Philippines to offer a free one-year PHP 100,000-coverage AXA Personal Accident Insurance for accidental death or permanent disability from the moment a client opens a new deposit account at any Metrobank branch during the promotion period.

- PSBank upgraded its website and the PSBank Mobile App which now offers new digital solutions such as Mobile Check Deposit and PaSend features. *PSBank Mobile Check Deposit* facility allows users to deposit eligible local peso checks by just simply taking a photo of these via the App. *PSBank PaSend* enables PSBank depositors to conveniently send instant cash 24/7 to relatives and friends via the App, even to those without existing deposit accounts.The transferred funds can be withdrawn by the intended recipient from any PSBank or Metrobank ATM. PSBank also launched a new series of commercials in PSBank's social media channels and different TV channels. These garnered 1 million views in PSBank's FB page in just 3 days. PSBank also deployed its first Cash Deposit Machine (CDM) in its Pasig-Mutya branch which allows customers to deposit cash 24/7 to a PSBank account with or without an ATM card.

- Metrobank Card Corporation (MCC) continued to offer premium deals and various treats through its partner merchants. In September 2019, MCC introduced *Metrobank Interactive Assist (MIA)*, a new Chatbot on Facebook Messenger that allows users to easily apply for a credit card through that platform. In October 2019, MCC launched three new credit cards - *Metrobank Vantage Card*, *Metrobank Titanium Mastercard*, and *Metrobank Rewards Plus Visa*. Select Metrobank credit cards will soon be upgraded to these new cards. In addition, MCC partnered with MEGA magazine for special feature covers and articles of select personalities for MCC's new products, which are published on Mega Magazine's digital and print platforms. MCC established new partnerships with New City Commercial Center (NCCC) and Ardeur World Marketing Corporation (Ardeur) to produce the NCCC Mastercard and Ardeur Bonus Card.

- AXA Philippines introduced new products and services including *Seamless Automated Mobile (SAM)* underwriter which automates all application forms; *Smart Traveller* with a wide range of benefits including 24-hour travel assistance, personal accident coverage up to PHP5 million, medical coverage, protection of personal belongings, and refunds for travel inconveniences; and *Car Insurance Online* – a comprehensive and customizable car insurance product with 24/7 emergency roadside assistance, online filing of claims, and even round-the-clock access to doctor consultation in case of medical emergencies. AXA also launched several marketing campaigns like the *Take Charge* Campaign, *Know You Can* featuring Serena Williams, *SM Shop & Fly* Promo, *NBA 3X | Plan & Play*, and *Teacher's Month Social Media* Promo; and forged partnerships with various organizations like the University Athletic Association of the Philippines (UAAP), Asian Institute of Management (AIM), Lockheed Group-Medocare Health Systems, Inc., Metrobank Card Corporation (MCC), and GCash Insure.

- In 2019, First Metro Asset Management Inc. (FAMI) launched the *First Metro Save & Learn F.O.C.C.U.S. (SALFOCCUS) Dynamic Fund* which aims to provide cooperative members satisfactory returns on their assets through active fund management. Additionally, FAMI created a number of promotions including the National Teacher's Month promo, *Invest and Ride* promo, Father's Day promo, *Make Your Mama Proud* promo; and tied up with a number of establishments including Grab Philippines, ECPay, and GCash. Moreover, FAMI joined the worldwide celebration of Women's Month and hosted *Smart Women Invest*, a financial and investment literacy workshop intended to motivate and empower women through the discussion of financial intelligence to help Filipinas transform from savers to investors. To deepen the relationship with clients and maximize the use of technology, FAMI introduced *Chatbot* and *FAMI LIVE!* as avenues to address clients' queries, financial dilemmas, or those seeking basic financial advice—straight from FAMI's experts.

- In collaboration with its FundsMart partners, First Metro Securities Brokerage Corporation (FMSBC) conducted a number of marketing campaigns such as the *2019 FundsMart Summer Promo*, *FundsMart First Timer's Php 500 Cashback Promo - Dollar Funds Style*, and *FundsMart first timer's Php 500 cashback promo*. FMSBC also conducted a series of webinars and actual seminars in major cities all over the country, and even in Singapore and Kuala Lumpur.

Transactions with and/or Dependence on Related Parties

Transactions with related parties and with certain directors, officers, stockholders and related interests (DOSRI) are discussed in Note 31 of the audited financial statements of the Group as presented in Exhibit 6.

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

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

1. For ATMs: Metrobank Debit Card and Metrobank Prepaid Card
2. For credit cards: Metrobank Rewards Plus Visa; Metrobank Titanium Mastercard; Metrobank Vantage Mastercard/Visa; Metrobank Femme Visa/Femme Signature Visa; Metrobank Travel Platinum Visa; Metrobank Peso Platinum Mastercard; Metrobank World Mastercard; Metrobank Dollar Mastercard; Metrobank ON Internet Mastercard; Metrobank M Free Mastercard; Metrobank M Lite Mastercard; Metrobank Corporate Card; Toyota Mastercard; PSBank Credit Mastercard; and The Bistro Group Visa.
   Features: Cash2Go; Balance Transfer; Bills2Pay; M Here (Shopping Perks & Privileges); My Swipe My Treat; and Rewards.
   Prepaid Card: YAZZ Reloadable Prepaid Visa; Victory Liner Premiere Prepaid Visa; NWorld Cash Card; Pisopay.com Prepaid Visa; AXA Prepaid Visa; Ardeur Bonus Card; and JAC Liner My Ride Card.
3. For phone banking: Metrophone Banking
4. For internet banking: Metrobank*Direct* and MBOS
5. For mobile banking: Metrobank Mobile Banking
6. For remittance services: Metrobank Superbilis Padala, World Cash Card, MetroRemit, PayStation, CollectAnywhere, PayAnywhere and Payroll Plus
7. For consumer lending: MetroHome and MetroCar
8. For special current account: MetroChecking Extra; MetroAccount One
9. For special savings account for kids below 18 years old.: Fun Savers Club (FSC) Regular and Spark Savings Account
10. For Trust products: Metro Money Market Fund; Metro Short Term Fund; Metro Max-3 Bond Fund; Metro Max-5 Bond Fund; Metro Corporate Bond Fund; Metro Balanced Fund; Metro Unit Paying Fund; Metro Equity Fund; Metro Philippine Equity Index Tracker Fund; Metro High Dividend Yield Fund; Metro$ Money Market Fund; Metro$ Short Term Fund; Metro$ Max-3 Bond Fund; Metro$ Max-5 Bond Fund; Metro$ Asian Investment Grade Bond Fund; Metro World Equity Feeder Fund; Metro$ Eurozone Equity Feeder Fund; Metro$ US Equity Feeder Fund; Metro$ Japan Equity Feeder Fund; Metro$ US Investment Grade Corporate Bond Feeder Fund; Metro Aspire Bond Feeder Fund; Metro Aspire Balanced Feeder Fund and Metro Aspire Equity Feeder Fund.

Corporate licenses include the following:

1. For Metrobank: expanded commercial banking license, FCDU license, license for trust operations, type 2 limited dealer authority, government securities eligible dealer (GSED) with broker-dealer of securities functions
2. For PSBank: thrift banking license, FCDU license, license for trust operations, GSED (non-market maker) as dealer-broker, type 3 limited user authority and quasi-banking license

3. For FMIC: investment house, investment company adviser (ICA) and quasi banking
4. For ORIX Metro: financing company and quasi-banking license
5. For MBCL: business license to expire on January 13, 2040

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

Government Approval of Principal Products or Services

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

Effect of Existing or Probable Government Regulations

BSP Reporting

Regulatory Qualifying Capital

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

The Group complied with BSP Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%; capital conservation buffer of 2.50% comprised of CET1 capital and Total Capital Adequacy Ratio (CAR) of 10.00%. These ratios shall be maintained at all times. Further, BSP Circular No. 856 covers the implementing guidelines on the framework for dealing with domestic systemically important banks (DSIBs) in accordance with the Basel III standards. Banks identified as DSIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer. Compliance with this requirement was phased-in starting January 1, 2017, with full compliance on January 1, 2019.

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations. The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

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

Basel III Leverage Ratio (BLR)

BSP Circular Nos. 881 and 990 cover the implementing guidelines on the BLR framework designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

Liquidity Coverage Ratio (LCR)

BSP Circular No. 905 provides the implementing guidelines on LCR and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows which should not be lower than 100.00%. Compliance with the LCR minimum requirement commenced on January 1, 2018 with the prescribed minimum ratio of 90.00% for 2018 and 100.00% effective January 1, 2019.

Net Stable Funding Ratio (NSFR)

BSP Circular No.1007 covers the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – NSFR. The NSFR is aimed to promote long-term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100 percent (100%) at all times. The implementation of the minimum NSFR shall be phased in to help ensure that covered banks can meet the standard through reasonable measures without disrupting credit extension and financial market activities. An observation period was set from July 1 to December 31, 2018. Effective, January 1, 2019, banks shall comply with the prescribed minimum ratio of 100%.

The details of CAR, BLR, LCR and NSFR of the Group and the Bank, as reported to the BSP, are discussed in Note 4 of the Audited Financial Statements as presented in Exhibit 6.

Applicable Tax Regulations

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

Current tax regulations also provide for the ceiling on the amount of EAR expense (Note 25) that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and some of its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue. The regulations also provide for MCIT of 2.00% on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group's income tax liability and taxable income, respectively, over a three-year period from the year of inception.

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

The applicable taxes and tax rates for the foreign branches of the Bank are discussed in Note 28 of the Audited Financial Statements as presented in Exhibit 6.

Research and Development Costs

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

Employees

Metrobank had 13,150 employees as of December 31, 2019. By year-end 2020, the Bank projects to have 13,690 employees.

	Officers	**Rank and File**	**Total**
As of year-end 2019:			
AVPs and up	476		476
Senior Managers and down	5,805	6,869	12,674
	6,281	6,869	13,150
By year-end 2020 (projected):			
AVPs and up	630		630
Senior Managers and down	6,445	6,615	13,060
	7,075	6,615	13,690

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

Risk Management

The Group has exposure to the following risks from its use of financial instruments: (a) credit; (b) liquidity; and (c) market risks. Detailed discussions and analysis on Risk Management of the Group are disclosed in Note 4 of the Audited Financial Statements as presented in Exhibit 6.

Risk management framework

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

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

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

Credit Risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, related groups of borrowers, 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 the 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 obligations when they come due. This may be caused by the inability to liquidate assets or to obtain funding to meet liquidity needs. The Group manages its liquidity risk by holding adequate stock of high quality liquid assets, analyzing net funding requirements over time, diversifying funding sources and contingency planning. To measure the prospective liquidity needs, the Group uses Maximum Cumulative Outflow (MCO), a liquidity gap tool to project short-term as well as long-term cash flow expectations on a business-as-usual condition. The MCO is generated by distributing the cash flows of the Group's assets, liabilities and off-balance sheet items to time bands based on 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 flow from assets are considered as cash inflows, while cash flows from liabilities are considered cash outflows. The net cash flows are determined for each given time period. If the inflows exceed the outflows, the Group is said to have a positive liquidity gap or excess funds for the given time bucket. Conversely, if the outflows exceed the inflows, the Group is said to have a negative liquidity gap or funding need for the given time bucket.

The MCO is monitored regularly to ensure that it remains within the set limits. The Bank generates and monitors daily its MCO, while the subsidiaries generate the report at least monthly. The liquidity profile of the Group is reported monthly to the Bank'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 quarterly 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 exchange rates, and other market factors. Market risk originates from 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 Bank 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 Bank, 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 Bank uses VaR. VaR is an estimate of the potential decline in the value of a portfolio, under normal market conditions, for a given "confidence level" over a specified holding period. The Bank measures and monitors the Trading Book VaR daily, and this value is compared against the set VaR limit. Meanwhile, the Group VaR is monitored and reported monthly. The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures and by doing stress testing analysis. These processes address potential product concentration risks, monitor portfolio vulnerability and give the management an early advice if an actual loss goes beyond what is deemed to be tolerable to the bank, even before the VaR limit is hit.

Stress testing is performed by the Bank on a quarterly basis and the results are reported to the ALCO and, subsequently, to the ROC and BOD. On a Group-wide perspective, stress testing is done, at least, annually. The results are reported by the Bank'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 Bank's framework/tools.

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

The Group calculates EaR using Historical Simulations (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.

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.

PART II – SECURITIES OF THE REGISTRANT

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

Market Information

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

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

	QUARTER/ PERIOD	MARKET PRICES			
YEAR	**ENDED**	**HIGH**	**LOW**	**CLOSE**	**AVERAGE**
2020	March 31	67.00	35.30	40.00	55.99
	February 29	61.30	56.05	56.05	58.79
	January 31	66.15	57.35	57.35	64.23
2019	March 31	74.60	66.55	70.71	71.36
	June 30	70.75	62.35	63.05	65.62
	September 30	69.03	59.20	60.53	63.45
	December 31	68.45	58.36	66.30	65.26
2018	March 31	104.88	83.00	85.80	93.93
	June 30	86.00	71.00	73.40	80.76
	September 30	77.45	64.00	67.00	71.73
	December 31	82.00	64.50	80.95	71.60

Holders

The Bank has 2,994 stockholders as of May 7, 2020.

Top Twenty Stockholders

Following are the top 20 stockholders as of May 7, 2020:

NAME OF STOCKHOLDER		TOTAL NO. OF COMMON SHARES HELD	PERCENT TO TOTAL NO. OF OUTSTANDING COMMON SHARES
1	GT Capital Holdings, Inc. [a]	1,670,611,010	37.146
2	PCD Nominee Corporation (Non-Filipino)	1,139,395,863	25.334
3	PCD Nominee Corporation (Filipino) [b]	943,318,596	20.975
4	Grand Titan Capital Holdings, Inc.	203,246,909	4.519
5	Philippine Securities Corp.	113,000,000	2.513
6	Nove Ferum Holdings, Inc.	76,226,918	1.695
7	82 Alpha Holdings Corporation	54,871,292	1.220
8	Neiman Rhodes Holdings, Inc.	28,607,046	0.636
9	Philippine Geiko Holdings, Inc.	28,276,333	0.629

	NAME OF STOCKHOLDER	TOTAL NO. OF COMMON SHARES HELD	PERCENT TO TOTAL NO. OF OUTSTANDING COMMON SHARES
10	Metrobank Foundation, Inc. [c]	25,379,981	0.564
11	Go, James	20,192,545	0.449
12	Ty, George Siao Kian	19,717,814	0.438
13	Ty, Alfred	17,087,722	0.380
14	Ty, Arthur [d]	15,205,313	0.338
15	Chua, Gabriel	14,478,479	0.322
16	Asia Pacific Capital Equities & Securities Corp.	10,914,927	0.243
17	Bloomingdale Enterprises, Inc.	10,327,844	0.230
18	Ty, Alesandra Vy [e]	7,703,038	0.171
19	Ty, Anjanette	7,377,216	0.164
20	Solid State Multi-Prod Corp.	5,847,559	0.130

a Inclusive of 35,482,859 shares lodged with PCD Nominee Corporation

b Net of 35,482,859 shares owned by GT Capital Holdings, Inc.; 7,465,361 shares owned by Metrobank Foundation, Inc.; 222,836 shares owned by Arthur Ty; and 259,900 shares owned by Alesandra V. Ty.

c. Inclusive of 7,465,361 shares lodged with PCD Nominee Corporation

d. Inclusive of 222,836 shares lodged with PCD Nominee Corporation

e. Inclusive of 259,900 shares lodged with PCD Nominee Corporation

As of May 7, 2020, public ownership on the Bank was at 48.19%. Of the total shares issued, 25.367% represents foreign ownership.

Dividends

There are no restrictions that limit the ability of the Bank to pay cash dividends. Details of cash dividend distribution from 2017 to 2020 follow:

Date of Declaration	Per Share	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
February 21, 2018	₱1.00	₱3,180	March 8, 2018	March 16, 2018
February 22, 2017	₱1.00	₱3,180	March 9, 2017	March 23, 2017

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.

Recent Sales of Unregistered or Exempt Securities

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

Compliance with Lead Practice on Corporate Governance

Corporate Governance is the cornerstone of a healthy organization. Companies with strong corporate governance practices are able to maintain high levels of trust and satisfaction of customers and stakeholders. Metrobank is upholding its commitment in strong governance as key element in creating sustainable future that goes beyond banking.

The Bank's corporate governance is anchored on the pillars of integrity, transparency, excellence, accountability and fairness coupled with the organization's corporate values. We support adoption of structures and processes that would ensure that our business is conducted ethically and comply with applicable laws and regulations.

Our staunch commitment to safeguard the long-term best interests of our shareholders and all other stakeholders translates into a corporate culture that embraces good governance practices and fiduciary duties manifested from the Bank's BOD, Senior Management and all employees.

The Board of Directors

The BOD is the highest authority in the organization. Their key purpose is to ensure the Bank's prosperity by collectively directing the company's affairs, whilst meeting the appropriate interest of shareholders and stakeholders. It sets the tone of good governance from the top as well as corporate values, codes of conduct and other standards of appropriate behavior for itself, the senior management and other employees. Metrobank is headed by a competent Board that has collective responsibilities for leadership and control of the Bank's affairs ensuring its long-term sustainability and success. The Board oversees the overall governance framework, approves and oversees strategic objectives of the Bank and its corporate values, establishment of guidelines for acceptable level of risk, monitors management's performance against set targets and ensures appropriate controls and systems of checks and balances are in place and operating effectively.

Metrobank's Board is composed of twelve directors, ten of whom are non-executive directors, five of whom are independent directors including one female director. BSP requires a minimum of 1/3 or not less than two representation of independent directors in the Board to which the Bank is fully compliant having independent directors that represent 42% of the Board. The Board is comprised of a diverse group of multi-talented people who combine insight and good judgment in implementing good governance. Diversity takes various forms and is inclusive of different elements such as expertise and experience, gender, ethnicity and independence. The members of the Board possess integrity, probity, physical & mental fitness, competence, relevant education, financial literacy and training, diligence, knowledge and experience.

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

The Chairman of the Board and the President

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

Board Meetings

The Board meets regularly to discuss performance of the Bank, strategies and other matters requiring board attention, decisions and approvals. The organizational meeting of the Board is held immediately after the Annual Stockholder's Meeting. Board-level committees are reconstituted during the organizational meeting. Regular Board meetings are held every second Wednesday of each month. Special meetings may be called at any time by the Chairman, or, in his absence, by the Vice Chairman, or pursuant to the written request of any four directors. The Office of the Corporate Secretary prepares the agenda and sends out notices and materials at least five business days before the meeting date, prepares and distributes the minutes of the previous meeting and keeps full minutes of all Board and stockholders meetings.

The directors are encouraged to attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele/videoconferencing conducted in accordance with the rules and regulations, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent them from doing so. The meeting of the Board may be conducted through modern technologies such as, but not limited to, teleconferencing and video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein. In board and committee meetings, the director should review meeting materials, and if called for, ask the necessary questions or seek clarifications and explanations.

In 2019, the Board had 13 meetings with the incumbent directors attending more than 98% of all meetings. This demonstrated the commitment of the directors and their ability to fulfill their fiduciary responsibilities.

Non-executive directors likewise meet once a year with the external auditor and heads of internal audit, compliance and risk without any senior executive present to bring independent judgment to issues of strategy, performance, resources and standards of conduct. In 2019, this was conducted on September 18, 2019.

Orientation and Continuing Education

Since the responsibilities of the directors are expanding and corporate governance norms have evolved, it is important that Bank provides the best preparation available for the directors to keep them adept in their respective roles and be prepared to address emerging opportunities and challenges. The directors should be capable of seeing company and business issues in a broad perspective.

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

Aside from the special seminar on corporate governance (at least four hours) and AML training, the Bank provides continuing education and training on trends and updates necessary to conduct the business. The trainings are conducted by BSP and SEC accredited external service providers. A formal record of all attendance of each of the directors on the training sessions is being maintained by the Corporate Secretary.

In October 2019, the Bank arranged a special training/seminar conducted by ICD which was attended by all directors and senior management of the Bank to apprise them on the significant developments in corporate governance including subject matters on data privacy, anti-money laundering, digital governance and other relevant changes/developments.

Other Measures Undertaken

1. Corporate Governance Manual

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

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

   The CGM serves as reference or guide for the Bank, its subsidiaries and affiliates for the implementation of BSP Circular Nos. 749, 757 and 969 "Guidelines in Strengthening Corporate Governance in BSP Supervised Financial Institutions", Circular No. 793 "Amendment to Align the Familial Restrictions Applicable to `Independent Director' with the Existing Provision of the Securities Regulation Code (SRC)", BSP Memorandum No. 2013-002 "Guidelines in Assessing the Quality of Corporate Governance in BSP-Supervised Financial Institutions", SEC Memorandum Circular No. 19, s2016 "Code of Corporate Governance for Publicly Listed Companies", applicable provisions in the BSP Manual of Regulations for Banks (MORB) and other relevant references.

   The Manual was revised to include changes in the regulations and approved by the Board on 17 July 2019. To enforce bank-wide compliance, a copy of the Board-approved Manual on Corporate Governance is available in the Bank's Insight Online (intranet) for easy access by the Board, Management and all employees of the Bank. Likewise, it is posted in the Bank's website to be accessible by the public.

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

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

   The members of the Board have adopted the Code of Conduct and Ethics for Directors. It describes the behavioral standards expected from a director so that he/she can better understand and meet the expectations and requirements of the organization and regulators. Included in the Code are the standards of conduct for ensuring the proper discharge of the duties and responsibilities, basic principle that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests, avoiding situations that would compromise his impartiality; maintaining professional integrity; enhancement of skills, knowledge and understanding of bank activities, etc.

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

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

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

3. Board Committees

a) Anti-Money Laundering Committee

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

b) Audit Committee

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

c) Corporate Governance and Compensation Committee

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

d) Executive Committee

The Executive Committee is primarily responsible for the review and approval of credit proposals and credit policies within its authority and limits. The Committee may also act on other matters as delegated by the Stockholders, and the BOD within its competence and in accordance with the By-Laws of the Bank.

e) Information Technology Steering Committee

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

f) Nominations Committee

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

g) Overseas Banking Committee

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

h) Related Party Transactions Committee

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

i) Risk Oversight Committee

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

j) Trust Committee

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

4. Evaluation System

Board effectiveness can only be gauged if the Board regularly assesses its own performance and of the individual directors. At Metrobank, to determine the effectiveness of the Board, Chairman of the Board, President, Board Committees and each of the individual directors, annual evaluation of the performance is conducted using approved rating sheets. The performance rating sheet normally circulated on paper or online with questionnaires that are tailor-made to the Bank’s needs and objectives. This evaluation process allows the Board to consider the accomplishments of individuals and the group of individuals within the Board and this also serves as an avenue to revisit existing process or areas in need of improvement within the Board.

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

The summary results of the performance evaluation are presented to the Corporate Governance and Compensation Committee and endorsed to the Board. For 2018, the overall assessment showed that the Board, Board committees, the individual directors, Chairman and President possess the right mix of backgrounds and competencies to fulfill their duties and that the Bank has fully complied with all the material requirements of the SEC Code of Corporate Governance.

5. Fair Business Transactions

The Bank conducts the business fairly and sincerely, adhering to ethical principles and refraining from unfair practices and any form of bribery or corruption, to contribute to sound social and economic development through fair competition in the market. The Bank champions the fair treatment and protection of all our stakeholders, particularly our customers, resource providers, creditors and the community in which we operate and believes that fair, professional and objective dealings forge enduring relationships.

The members of the Board conduct fair business transactions with the Bank and ensure that personal interest does not bias Board decisions. They should not take advantage of his or her position. All board members are expected to act ethically at all times, notify promptly of any material facts or potential conflict of interest and take appropriate corrective action. If transactions with the Bank cannot be avoided, these are done in the regular course of business and upon terms not less favorable to the Bank than those offered to others. Likewise, employees are prohibited from directly or indirectly engaging in any conduct or activity that may directly or indirectly be construed as inconsistent or incompatible with Metrobank's business interests.

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

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

6. Policy on Insider Trading

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

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

7. Whistle Blowing Policy

Whistleblowing policy is a sign of strong corporate governance and company culture that takes such claims seriously. As a way of strengthening the Bank's system of integrity, all employees as well as other stakeholders are encouraged to play their part by creating an atmosphere of openness and trust and have an avenue to raise concern and report whenever there are acts of fraud, malpractice, conflict of interest or violation of internal/regulatory policies, procedures and control, to the Chief Audit Executive.

The Whistle Blowing Policy may act as a deterrent to those thinking of committing wrongdoing within the Bank and may also reduce the likelihood of false accusation as the employees will understand the consequences of the disclosure.

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

8. Interest of Stakeholders

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

a) Customer/Creditor's Welfare

The Bank recognizes that financial consumer protection is a fundamental part of corporate governance and culture. Consumer protection is not the responsibility of only one person or single unit but rather it is collective and shared responsibility of each and everyone, from its BOD, Management and all employees. The Bank remains anchored on its very purpose of ensuring customer success, by safeguarding its customers' and creditors' welfare, fulfilling their needs and by helping them achieve their goals.

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

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

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

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

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

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

c) Policy on Health, Safety and Welfare of Employees

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

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

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

d) Supplier/Contractor Selection

To mitigate the risk of dealing with unqualified supplier/contractor, the Bank maintains prescribed policies and guidelines in the accreditation/re-accreditation and selection process of supplier and contractor that is in accordance and compliant with BSP regulations. Annual performance evaluation is being conducted as part of appropriate control in determining the ability and performance of the contractor/service provider.

The Bank practices also the policy of canvassing and bidding services in the conduct of purchase of products or contracts for services to ensure that Bank secure the best deal in terms of price, quality of materials or work services, delivery time frame and related terms and conditions.

e) Environment Protection

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

f) Community Interaction

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

9. Corporate Governance Scorecard

The Bank's Integrated Annual Corporate Governance Report (I-ACGR) was submitted to the regulators in May 2019 and posted on the Bank's website. The I-ACGR provides a consolidated reporting tool to disclose compliance/non-compliance with the recommendations provided under the Corporate Governance Code for Publicly-Listed companies as well as CG practices under the PSE CG Guidelines and the ASEAN Corporate Governance Scorecard.

10. Plans for Improvement of Corporate Governance

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

11. Awards

- The Asian Banker Leadership Achievement Awards 2019
  - Best Managed Bank in the Philippines
- The Asian Banker Transaction Awards 2019
  - Best Foreign Exchange Bank in the Philippines
  - Best Transaction Bank in the Philippines
  - Best Trade Finance Bank in the Philippines
- The Asian Banker Philippine Awards 2019
  - Remittance Product of the Year
- The Asset Triple A Treasury, Trade, Supply Chain and Risk Management Awards 2019
  - Best Service Provider in Cash Management
- Chartered Financial Analyst (CFA) Society of the Philippines
  - Best Managed Funds of the Year (Peso Medium-Term Bond Category)
- 2019 Annual Philippine Dealing System (PDS) Awards
  - Cesar EA Virata Award for Best Securities House (Bank Category)
  - Top Dealing Participant (Corporate Securities)
  - Top Fixed-Income Dealing Participant
  - Top 5 Fixed Income Brokering Participants (Rank 5)
  - Top Brokering Participant Retail Transactions
  - Top 5 PDDTS-PvP Participants (Rank 4)
  - Top 5 Fixed-Income Cash Settlement Banks (Rank 4)

    - Special Citation for Pilot Issuance of Bank Issued Bond and Commercial Paper Program
- The Asset Benchmark Research Awards 2019
    - Top Investment Houses in Asian G3 Bonds (Rank 1)
    - Top Investment Houses in Asian Local Currency Bonds (Rank 2)
    - The most Astute Investors in Asian G3 Bonds (Rank 3)
    - Best Local Currency Bond Individual - Trading (Highly Commended)
    - Best Local Currency Bond Individual - Sales (Ranks 3, 5 & Highly Commended)
- 19th Fund Managers Association of the Philippines (FMAP) Awards & Fellowship Night
    - Best Fixed Income House (Rank 2)
    - Best Fixed Income Strategist (Rank 2)
    - Best Foreign Fixed Income Trader (Rank 2)
    - Best Local Fixed Income Trader (Rank 3)
    - Best Fixed Income Salesperson (Rank 2)
- The Bureau of Treasury GSED-Market Maker
- Institute of Corporate Directors (ICD) ASEAN Corporate Governance Scorecard Golden Arrow Recognition Ceremony 2019: Philippine Results 2018
- HR Asia Awards
    - Best Companies to Work For In Asia
- Corporate Governance Asia - 2019 Awards
    - Asian Excellence Awards - Best Investor Relations Company
    - Asian Excellence Awards - Asia’s Best CEO (Investor Relations)
- 16th Annual International Business Awards
    - Bronze Stevie Award for Best Annual Report - Publicly-Held Corporations

Deviations

This is not applicable to the Bank.

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

Audited Financial Statements

The audited financial statements of the Group and the Bank are presented in Exhibit 6 as an attachment to this report, together with the notarized Statement of Management Responsibility for Financial Statements which was signed by the Chairman, President, Head of Financial and Control Sector, Treasurer and Controller of the registrant.

Statements of Financial Position

(Amounts in millions)

	December 31			Increase (Decrease) 2019 vs. 2018		Increase (Decrease) 2018 vs. 2017	
	2019	**2018**	**2017**	**Amount**	%	**Amount**	%
Assets							
Cash and Other Cash Items	₱32,956	₱33,091	₱27,631	(₱135)	(0.41)	₱5,460	**19.76**
Due from Bangko Sentral ng Pilipinas	219,994	240,134	261,959	(20,140)	**(8.39)**	(21,825)	**(8.33)**
Due from Other Banks	54,767	45,802	31,291	8,965	**19.57**	14,511	**46.37**
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	72,174	50,719	45,475	21,455	**42.30**	5,244	**11.53**
Investment Securities at Fair Value Through Profit or Loss (FVTPL)	61,867	39,689	43,887	22,178	**55.88**	(4,198)	**(9.57)**
Fair Value Through Other Comprehensive Income (FVOCI)/AFS Investments	202,520	111,288	343,910	91,232	**81.98**	(232,622)	**(67.64)**
Amortized Cost	251,628	265,376	-	(13,748)	**(5.18)**	265,376	**100.00**
Loans and Receivables	1,483,568	1,391,034	1,265,469	92,534	**6.65**	125,565	**9.92**
Property and Equipment	25,700	21,954	22,362	3,746	**17.06**	(408)	(1.82)
Investments in Associates and a Joint Venture	6,591	5,947	5,764	644	**10.83**	183	3.17
Goodwill	5,200	5,200	5,200	-	-	-	-
Investment Properties	7,762	7,500	7,717	262	3.49	(217)	(2.81)
Deferred Tax Assets	10,512	10,238	9,161	274	2.68	1,077	**11.76**
Other Assets	15,574	15,721	10,466	(147)	(0.94)	5,255	**50.21**
Total Assets	₱2,450,813	₱2,243,693	₱2,080,292	₱207,120	**9.23**	₱163,401	**7.85**

Liabilities and Equity							
Liabilities							
Deposit Liabilities							
CASA	₱1,077,507	₱964,944	₱950,216	₱112,563	**11.67**	₱14,728	1.55
Demand	*411,873*	*355,473*	*344,708*	*56,400*	***15.87***	*₱10,765*	*3.12*
Savings	*665,634*	*609,471*	*605,508*	*56,163*	***9.22***	*3,963*	*0.65*
Time	592,897	548,019	547,721	44,878	**8.19**	298	0.05
Long-Term Negotiable Certificates	43,740	43,790	30,025	(50)	(0.11)	13,765	45,85
	1,714,144	1,556,753	1,527,962	157,391	**10.11**	28,791	1.88
Bills Payable and Securities Sold Under Repurchase Agreements	238,281	259,607	227,835	(21,326)	**(8.21)**	31,772	**13.95**
Derivative Liabilities	7,427	6,537	5,352	890	**13.61**	1,185	**22.14**
Manager's Checks and Demand Drafts Outstanding	6,806	7,565	8,054	(759)	**(10.03)**	(489)	**(6.07)**
Income Taxes Payable	4,188	2,830	3,381	1,358	**47.99**	(551)	**(16.30)**
Accrued Interest and Other Expenses	10,499	9,619	6,973	880	**9.15**	2,646	**37.95**
Bonds Payable	80,486	30,743	2,910	49,743	**161.80**	27,833	**956.46**
Subordinated Debts	7,660	26,618	26,580	(18,958)	**(71.22)**	38	0.14
Deferred Tax Liabilities	108	357	277	(249)	**(69.75)**	80	**28.88**
Non-equity Non-controlling Interest	6,553	6,747	8,002	(194)	(2.88)	(1,255)	**(15.68)**
Other Liabilities	56,170	45,613	58,876	10,557	**23.14**	(13,263)	**(22.53)**
Total Liabilities	2,132,322	1,952,989	1,876,202	179,333	**9.18**	76,787	4.09

	December 31			Increase (Decrease) 2019 vs. 2018		Increase (Decrease) 2018 vs. 2017	
	2019	**2018**	**2017**	**Amount**	%	**Amount**	%
Equity							
Equity Attributable to Equity Holders of the Bank							
Common stock	₱89,948	₱79,600	₱63,603	₱10,348	**13.00**	₱15,997	**25.15**
Capital paid in excess of par value	85,252	85,252	42,139	-	-	43,113	**102.31**
Surplus reserves	2,098	1,956	1,810	142	**7.26**	146	**8.07**
Surplus	144,154	130,550	116,786	13,604	**10.42**	13,764	**11.79**
Treasury stock	(72)	(67)	(46)	(5)	**(7.46)**	(21)	**(45.65)**
Remeasurement losses on retirement plan	(5,531)	(3,591)	(4,025)	(1,940)	**(54.02)**	434	10.78
Net unrealized loss on investment securities at FVOCI/AFS investments	2,629	(2,994)	(15,804)	5,623	**187.81**	12,810	**81.06**
Equity in other comprehensive income (losses) of investees	345	(27)	22	372	**1,377.78**	(49)	**(222.73)**
Translation adjustment and others	(9,269)	(7,719)	(2,530)	(1,550)	**(20.08)**	(5,189)	**(205.10)**
	309,554	**282,960**	**201,955**	**26,594**	**9.40**	**81,005**	**40.11**
Other equity reserves	-	-	(7,400)	-	-	7,400	**100.00**
Non-controlling Interest	8,937	7,744	9,535	**1,193**	**15.40**	**(1,791)**	**(18.78)**
Total Equity	318,491	290,704	204,090	27,787	9.56	86,614	42.44
Total Liabilities and Equity	₱2,450,813	₱2,243,693	₱2,080,292	₱207,120	**9.23**	₱163,401	**7.85**

<u>Statements of Income</u>

Interest Income	₱116,183	₱97,186	₱80,322	₱18,997	**19.55**	₱16,864	**21.00**
Interest and Finance Charges	39,186	28,364	18,916	10,822	**38.15**	9,448	**49.95**
Net Interest Income	76,997	68,822	61,406	8,175	**11.88**	7,416	**12.08**
Provision for Credit and Impairment Losses	10,078	7,770	7,507	2,308	29.70	263	3.50
Net Interest Income After Provision for Credit and Impairment Losses	66,919	61,052	53,899	5,867	**9.61**	7,153	**13.27**
Other Operating Income	29,054	22,910	22,147	6,144	26.82	763	3.45
Other Operating Expenses	57,906	53,656	47,475	4,250	**7.92**	6,181	**13.02**
Income Before Share in Net Income of Associates and a Joint Venture	38,067	30,306	28,571	7,761	**25.61**	1,735	**6.07**
Share in Net Income of Associates and a Joint Venture	868	874	689	(6)	**(0.69)**	185	**26.85**
Income Before Income Tax	38,935	31,180	29,260	7,755	**24.87**	1,920	**6.56**
Provision for Income Tax	10,061	7,745	7,990	2,316	29.90	(245)	(3.07)
Net Income	₱28,874	₱23,435	₱21,270	₱5,439	**23.21**	₱2,165	**10.18**
Attributable to:							
Equity holders of the Bank	₱28,055	₱22,008	₱18,223	₱6,047	**27.48**	₱3,785	**20.77**
Non-controlling interest	819	1,427	3,047	(608)	**(42.61)**	(1,620)	**(53.17)**
	₱28,874	₱23,435	₱21,270	₱5,439	**23.21**	₱2,165	**10.18**

<u>Statements of Comprehensive Income</u>

Net Income	₱28,874	₱23,435	₱21,270	₱5,439	23.21	₱2,165	10.18
Other Comprehensive Income for the Year, net of tax							
Items that may not be reclassified to profit or loss:							
Change in net unrealized loss on equity securities at FVOCI	(414)	(351)	-	(63)	**(17.95)**	(351)	-
Change in remeasurement gain (loss) on retirement plan	(2,039)	498	26	(2,537)	**509.44**	472	**1,815.38**
Items that may be reclassified to profit or loss:							
Change in net unrealized gain (loss) on investment on debt securities at FVOCI/AFS investments	6,142	(2,443)	(5,772)	8,585	**351.41**	3,329	**57.67**
Change in equity in other comprehensive income (loss) of investees	374	(50)	(32)	424	**848.00**	(18)	**(56.25)**
Translation adjustment and others	(399)	(309)	733	(90)	**(29.13)**	(1,042)	**(142.16)**
	6,117	(2,802)	(5,071)	8,919	**318.31**	2,269	**44.74**
Total Comprehensive Income for the Year	₱32,538	₱20,780	₱16,225	₱11,758	**56.58**	₱4,555	**28.07**
Attributable to:							
Equity holders of the Bank	₱31,212	₱19,665	₱13,365	₱11,547	**58.72**	₱6,300	**47.14**
Non-controlling Interest	1,326	1,115	2,860	211	**18.92**	(1,745)	**(61.01)**
	₱32,538	₱20,780	₱16,225	₱11,758	**56.58**	₱4,555	**28.07**

Key Performance Indicators

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

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

For the Interim Period, January 31, 2020 (unaudited)

Metrobank Group	₱69.55	₱0.72	12.43%	1.62%	4.16%
FMIC (a)	39.85	0.04	8.51%	3.61%	0.28%
PSBank	89.99	9.51	10.56%	1.61%	6.71%

For the Year 2019

Metrobank Group	₱68.84	₱6.24*	9.47%	1.20%	3.84%
FMIC (a)	39.66	1.08	2.62%	0.92%	0.58%
PSBank	91.38	8.03*	10.29%	1.31%	5.82%
MCC	19.48	4.91	28.63%	5.55%	13.50%

For the Year 2018

Metrobank Group	₱71.11	₱5.16*	9.08%	1.02%	3.82%
FMIC (a)	39.74	1.35	3.46%	1.07%	1.36%
PSBank	96.29	10.51*	11.38%	1.15%	5.79%
MCC	14.83	4.97	34.94%	6.30%	13.99%

* *Restated to show the effect of stock dividends issued in 2019 and stock rights issued in 2018 by the Parent Company and the effect of stock rights issued by PSBank in 2019.*
(a) FMIC and Subsidiaries

A separate schedule showing financial soundness indicators of the Group as of December 31, 2019 and 2018 is presented in Exhibit "7" as an attachment to this report.

2019 Performance

Financial Position

As of December 31, 2019, the Metrobank Group posted a 9.23% growth in total assets from ₱2.24 trillion as of December 31, 2018 to ₱2.45 trillion. Total liabilities of the Group increased to ₱2.13 trillion from ₱1.95 trillion or by 9.18%. Moreover, equity attributable to equity holders of the Parent Company was higher by 9.40% from ₱282.96 billion to ₱309.55 billion.

Due from BSP which represents 8.98% of the Group's total assets decreased by 8.39% due to the various reserve cuts in 2019. Due from Other Banks increased by ₱8.97 billion or 19.57% as a result of the net movements in the balances maintained with various local and foreign banks. Interbank Loans Receivable and SPURA went up by ₱21.46 billion or 42.30% primarily due to the increase in securities under resale agreement with the BSP.

Total investment securities which consisted of FVTPL, FVOCI and securities at amortized cost and represents 21.05% and 18.56% of the Group's total assets as of December 31, 2019 and 2018, respectively, went up by ₱99.66 billion or 23.94%. FVTPL securities consist of HFT securities and derivative assets amounting to ₱53.38 billion and ₱8.49 billion, respectively, as of December 31, 2019 and ₱29.04 billion and ₱10.65 billion, respectively, as of December 31, 2018. The ₱91.23 billion increase in FVOCI securities was mainly due to the net effect of the increases in investments in government bonds (₱25.87 billion) and treasury notes and bonds (₱71.01 billion). On the other hand, the ₱13.75 billion decrease in investment securities at amortized cost was due to various maturities and FMIC's disposal of HTC debt securities as discussed in Note 8 of the audited financial statements of the Group as presented in Exhibit 6.

Loans and Receivables, representing 60.53% and 62.0% of the Group's total assets as of December 31, 2019 and 2018, respectively, went up by ₱92.53 billion or 6.65% driven by the strong demand for loans from all segments. Non-performing loans were at 1.30% of the total receivables from customers as of December 31, 2019. Investments in Associates and a Joint Venture went up by ₱0.64 billion or 10.83% due to the share in net income and other comprehensive income of the associates of FMIC. Property and equipment increased by ₱3.75 billion or 17.06% from ₱21.95 billion to ₱25.70 billion resulting from the adoption of PFRS 16 effective January 1, 2019 which requires recognition by lessees of the assets and related liabilities for most leases on their balance sheets and subsequently depreciates the lease assets and recognizes interest on the lease liabilities in their profit or loss. Upon adoption, initial recognition of right-of-use asset classified under "Property and Equipment" amounted to ₱4.2 billion and lease liability classified under "Other Liabilities" amounted to ₱4.5 billion.

Deposit liabilities represent 80.39% and 79.71% of the consolidated total liabilities as of December 31, 2019 and 2018, respectively, wherein, low cost deposits represent 62.86% and 61.98% of the Group's total deposits, respectively. The Group's deposit level, sourced by the Bank, PSBank and MBCL reached ₱1.71 trillion as of December 31, 2019, an increase of ₱157.39 billion or 10.11% from ₱1.56 trillion as of December 31, 2018. The increment came from CASA by ₱112.56 billion or 11.67% and time deposits by ₱44.88 billion or 8.19%.

Bills Payable and SSURA representing 11.17% and 13.29% of the Group's total liabilities as of December 31, 2019 and 2018, respectively, went down by ₱21.33 billion or 8.21% due to the net effect of lower borrowings from local banks by ₱23.95 billion, from BSP by ₱21.50 billion and SSURA by ₱3.76 billion offset by the increases in borrowings from foreign banks by ₱19.90 billion and deposits substitutes by ₱7.97 billion. Derivative Liabilities which represent mark-to-market of foreign currency forwards, interest rate swaps, cross currency swaps, credit default swaps and foreign currency options with negative fair value increased by ₱0.89 billion or 13.61%.

The decrease of ₱0.76 billion or 10.03% in Manager's Checks and Demand Drafts Outstanding resulted from normal banking operations of the Bank and PSBank. Income taxes payable increased by ₱1.36 billion or 47.99% while Accrued Interest and Other Expenses went up by ₱0.88 billion or 9.15% due to increase in accruals of other bank expenses. Bonds payable increased by ₱49.74 billion or 161.80% on account of the ₱17.50 billion, ₱11.25 billion and ₱13.75 billion fixed rate bonds issued by the Parent Company on April 11, 2019, July 3, 2019 and October 24, 2019, respectively; the ₱6.30 billion fixed rate bonds issued by PSBank on July 24, 2019; and the ₱4.16 billion fixed rate bonds issued by ORIX Metro on November 15, 2019 reduced by the maturity of the ₱2.92 billion fixed rate bonds of FMIC in August 2019. Details of these bonds are discussed in Note 19 of the audited financial statements of the Group as presented in Exhibit 6. On June 27, 2019 and August 23, 2019, the Parent Company and PSBank redeemed their 2024 Peso Notes amounting to ₱16.0 billion and ₱3.0 billion, respectively, ahead of its maturity, which caused the decrease in Subordinated Debts. Deferred tax liabilities decreased by ₱0.25 billion or 69.75%.

Other Liabilities increased by ₱10.56 billion or 23.14% primarily due to the recognition of lease liability as a result of the adoption of PFRS 16 (₱4.04 billion) and increases in marginal deposits (₱2.14 billion), bills purchased contra (₱1.92 billion) and accounts payable (₱1.81 billion).

The ₱1.19 billion or 15.40% increase in equity of non-controlling interest was attributed to the net income generated by the majority-owned subsidiaries for the year ended December 31, 2019 and the net effect of PSBank's stock rights in January 2019 and the increase in the ownership of the Bank. Equity attributable to equity holders of the Parent Company increased by ₱26.59 billion or 9.40% mainly due to the net effect of the net income reported during the year and improvement in net unrealized gain on FVOCI.

Results of Operations

Net income attributable to equity holders of the Bank amounted to ₱28.06 billion for the year 2019 or 27.48% higher compared with ₱22.01 billion net income for the year 2018.

Interest income improved by ₱19.0 billion or 19.55% resulting from higher interest income on loans and receivables by ₱16.19 billion, on investment securities at FVTPL and FVOCI by ₱2.73 billion and on deposit with banks and others by ₱0.23 billion. Meanwhile, higher interest expense on deposit liabilities by ₱4.44 billion and on borrowings by ₱6.38 billion accounted for the increase of ₱10.82 billion or 38.15% in interest and finance charges. These resulted to a ₱8.18 billion or 11.88% improvement on net interest income.

Other operating income of ₱29.05 billion increased by ₱6.14 billion or 26.82% from ₱22.91 billion in 2018 on account of higher net trading and securities and foreign exchange gains by ₱6.52 billion and fee-based income by ₱1.57 billion reduced by the ₱1.01 billion lower miscellaneous income.

Total operating expenses increased by ₱4.25 billion or 7.92% from ₱53.66 billion to ₱57.91 billion with higher compensation and fringe benefits by ₱1.34 billion or 5.98%, taxes and licenses by P1.44 billion or 16.44%, depreciation and amortization of ₱1.45 billion or 35.60%, of which ₱1.30 billion pertains to the depreciation expense recognized in 2019 due to the adoption of PFRS 16 (resulted in the decline in occupancy and equipment related expenses by ₱1.33 billion), and miscellaneous expenses by ₱1.34 billion or 8.80%. Provision for credit and impairment losses increased by ₱2.31 billion from ₱7.77 billion to ₱10.08 billion and provision for income tax was higher by ₱2.32 billion from ₱7.75 billion to ₱10.06 billion due to net movements in corporate, final and deferred income taxes.

Income attributable to non-controlling interests went down to ₱0.82 billion from ₱1.43 billion or by ₱0.61 billion or 42.61% due to decrease in ownership of minority particularly on MCC and PSBank.

Total comprehensive income went up by ₱11.76 billion from ₱20.78 billion to ₱32.54 billion for the year ended December 31, 2018 and 2019, respectively, due to the net effect of the increase in net income; the net unrealized gain recognized this year on FVOCI investments compared with the net unrealized loss recognized in previous year; and the loss recognized in retirement liability. Total comprehensive income attributable to equity holders of the Parent Company for the year ended December 31, 2019, went up to ₱31.21 billion or by ₱11.55 billion from ₱19.67 billion for the same year in 2018.

Market share price was at ₱66.30 from ₱80.95 as of December 31, 2018 with a market capitalization of ₱298.18 billion as at December 31, 2019.

<u>2018 Performance</u>

Financial Position

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

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

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

Loans and Receivables, representing 62.0% and 60.83% of the Group's total assets as of December 31, 2018 and 2017, respectively, went up by ₱125.57 billion or 9.92% driven by the strong demand for loans from all segments. Non-performing loans were at 1.20% as of December 31, 2018. Deferred Tax Assets (DTA) increased by ₱1.08 billion or 11.76% primarily attributable to allowance for credit and impairment losses. Other Assets increased by ₱5.26 billion or 50.21% from ₱10.47 billion to ₱15.72 billion primarily due to the increases in miscellaneous assets (inclusive of the funding for retirement) and interoffice float items.

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

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

The decrease of ₱0.49 billion or 6.07% in Manager's Checks and Demand Drafts Outstanding resulted from normal banking operations of the Bank and PSBank. Income taxes payable decreased by ₱0.55 billion or 16.30% while

Accrued Interest and Other Expenses went up by ₱2.65 billion or 37.95% due to increases in accruals of other bank expenses and interests on deposit liabilities. Bonds payable increased by ₱27.83 billion on account of the ₱10.00 billion and ₱18.00 billion fixed rate bonds issued by the Parent Company on November 9 and December 17, 2018, respectively, which bear an interest rate of 7.15% per annum and will mature on November 9, 2020. Deferred tax liabilities increased by ₱0.08 billion or 28.88%. Non-equity Non-controlling Interest representing the portion of net income and net assets of the mutual fund subsidiaries of FMIC not attributed to the Group went down by ₱1.26 billion or 15.68% on account of the net decline in income of these mutual funds.

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

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

Results of Operations

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

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

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

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

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

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

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

2017 Performance

Financial Position

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

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

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

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

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

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

The increase of ₱1.12 billion or 16.19% in Manager's Checks and Demand Drafts Outstanding resulted from normal banking operations of the Bank and PSBank. Income taxes payable increased by ₱1.20 billion or 54.74% representing additional corporate income tax due for the year. Bonds payable decreased by ₱8.59 billion or 74.69% due to the maturity of FMIC bonds with total face value of ₱9.0 billion in 2017. The early redemption of PSBank's ₱3.0 billion Tier 2 Notes on February 21, 2017 accounted for the 9.97% decline in Subordinated Debts. Deferred tax liabilities decreased by ₱0.04 billion or 11.22%. Other Liabilities increased by ₱9.16 billion or 18.43% primarily due to the recognition of ₱14.80 billion liability on the agreed purchase of 40% stake in MCC. As discussed in Note 11 of the audited financial statements of the Group as presented in Exhibit 6, on October 18, 2017, the Parent Company's BOD approved and the Parent Company has entered into a purchase agreement with its joint venture partner (the Seller). On December 28, 2017, the BSP approved the transaction and with this, the purchase of 20% is deemed completed and the acquisition cost for the remaining 20% is required to be recognized for accounting purposes. Other accounts affected by the said transaction were "translation adjustment and others" and "other equity reserves."

Results of Operations

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

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

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

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

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

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

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

Key Variable and Other Qualitative and Quantitative Factors

Plans for 2020

A year after the Bank's 2018 relaunch of its Core Values program, the Bank introduced the Meaningful Banking campaign first to its employees as reinforcement of the work ethic and institutional values in their daily lives, then to the public as testament to its commitment of delivering the "You're in Good Hands" promise to each client. The Bank plans to continue this to sustain and increase market relevance, alongside with continuous improvement in customer experience, products and services, operational efficiency and people development. Moreover, the Bank aims to deepen its commitment to instill financial discipline across new and underserved markets, and explore venues outside its current CSR activities by which it can increase its socio-economic impact.

All these will rely on a sustainable culture transformation and change management program, a robust IT infrastructure, and sound control and risk management practices. Thus, investments in people are further backed by investments in IT and information security, process efficiencies, and risk and control systems.

Capital position

The Bank will continue to actively improve on the Group's strong capital position. The Bank has benefited from a series of capital markets transactions to raise Tier 1 and Tier 2 capital.

In 2006, the Bank issued US$125.0 million Hybrid Tier 1 capital security in February and 173,618,400 common shares at ₱38.00 per common share in October. In May 2010, the Bank raised an additional ₱5.0 billion in capital through a private placement of common shares. In January 2011, the Bank raised approximately US$220.0 million through a rights offer for 200 million common shares at the offer price of P50.00 per rights share. In August 2013, the Bank increased its capital stock from P50 billion to P100 billion and on September 16, 2013, it issued a stock dividend equivalent to 633,415,805 common shares (with a par value of P20) that was applied as payment of the required subscription to the increase in capital stock. In April 2015, the Bank raised ₱32.0 billion through a rights offer for 435,371,720 common shares with par value of ₱20.00 priced at ₱73.50 per share. The newly issued shares were listed on the PSE on April 7, 2015. Further, in April 2018, the Bank raised ₱60.0 billion through a rights offer for 799,842,250 common shares with par value of ₱20.00 priced at ₱75.00 per share. The newly issued shares were listed on the PSE on April 12, 2018. In October 2019, the Bank increased its capital stock from ₱100 billion to ₱140 billion and on November 26, 2019, it issued a stock dividend equivalent to 517,401,955 common shares (with a par value of ₱20) that was applied as payment of the required subscription to the increase in capital stock, which further improved the Bank's capital position.

The Bank also issued Tier 2 instruments to boost its capital adequacy ratio. The Bank issued Basel II compliant Tier 2 subordinated notes in October 2007 for ₱8.5 billion with a coupon of 7.0%; in October 2008 for ₱5.5 billion with a coupon of 7.75%; and in May 2009 for ₱4.5 billion with a coupon of 7.5%. With the advent of Basel III, the Bank subsequently redeemed these previously issued subordinated debt issuances as they would not have been considered as capital beginning January 1, 2014. The Bank exercised the call option on its ₱8.5 billion 7.0%; ₱5.5 billion 7.75% and ₱4.5 billion 7.5% Lower Tier 2 Notes on October 22, 2012, October 4, 2013 and May 6, 2014, respectively. The early redemptions of these instruments were in accordance with the terms and conditions of the notes when they were originally issued. By redeeming the notes, the Bank avoided a step-up in the interest rate and the capital decay from the instruments. In 2014, the Bank raised a total of ₱22.5 billion in subordinated debt wherein ₱16.0 billion was issued on March 27, 2014 at a coupon rate of 5.375% and ₱6.5 billion on August 8, 2014 at 5.25%. The terms of the notes contain a loss absorption feature, allowing them to be recognized as bank capital in accordance with Basel III standards. The transactions were done in part to replace the Basel II Tier 2 notes which were redeemed on their call option dates. As approved by the BSP on April 25, 2019, on June 27, 2019, the Bank redeemed its 2024 Peso Notes amounting to ₱16.0 billion, ahead of its maturity.

As part of the Group's capital efficiency initiatives, the Group has been active in optimizing its allied and non-allied undertakings. Among the initiatives include the sale of the Bank's ownership in Toyota Motor Philippines Corporation in tranches between 2012 and 2013 as well as the sale of FMIC's holdings in Global Business Power Corporation in tranches between 2013 and 2016 and FMIC's holdings in Charter Ping An Insurance Corporation in 2014. In 2014, the Bank and PSBank also disposed of its holdings in Toyota Financial Services Philippines Corporation. Altogether, these sales further improved the Bank's capital adequacy under Basel III. As discussed in Part I - Business item number 2 "Description of Business-Business of Registrant", on March 13, 2019, the respective BODs of the Bank and MCC approved the proposal to merge MCC into the Bank. The proposed merger was ratified by the stockholders of the Bank on April 24, 2019, approved by the BSP on October 23, 2019, and approved by the SEC on January 3, 2020.

As of December 31, 2019, the Group's Capital Adequacy Ratio (CAR) and Common Equity Tier 1 (CET1) Ratio are 17.49% and 16.19%, respectively, both well above the regulatory requirements.

2019 Economic Performance

Philippine economic growth capped 2019 still above the 6% level as fourth quarter growth came in at 6.4%. Full-year average real GDP growth is at 5.9% from 6.2% in 2018. Despite the full-year average coming in short of the government's target for the year, the economy still managed to post a solid growth in the last quarter even amid the negative developments in the global economy during the period and despite the sustained slowdowns in some of its ASEAN peers. The expansion in the fourth quarter could be mainly attributed to accelerated Government expenditures, solid Household spending, vibrant Service sector, and tempered Net Trade drag.

Full-year average inflation came in lower at 2.5% compared to 5.2% in 2018 on the back of sustained easing in the prices key food items, especially rice, and stable global crude oil prices. The Rice Tariffication Law helped bring down domestic rice prices, while Brent crude stayed in the $60 per barrel level through most of the year.

Consequently, domestic interest rates also declined on improving liquidity condition, benign inflation expectations, and subsequent policy rate cuts from the US Federal Reserve and the BSP. The Fed slashed the federal funds rate three times in 2019 to support the US economy, while the BSP cut key policy rates by a total of 75 basis points amid the sustained easing in domestic inflation. Furthermore, the BSP reduced the universal and commercial banks' reserve requirement ratio by a total of 400 basis points to help improve domestic liquidity and also support economic growth.

Concerns over a slowing global economy, US Fed policy decisions, and the US-China trade war were the main factors that influenced the global financial market. The Philippine peso, however, remained relatively stable and even appreciated by 4% as of end-2019 amid peso-positive factors like benign inflation, robust international reserves, and solid remittance inflows.

Heightened trade tensions negatively impacted the global economy through most of 2019 as the tit-for-tat trade dispute dampened economic activity and eroded business confidence in most of the world's economies. For 2020, the global economy is seen to stage a rebound as trade and investment gradually recover. Nevertheless, downside risks like geopolitical tensions and financial market volatility remain.

The outlook for the Philippine economy, meanwhile, remains bullish amid expectations of still solid household spending, accelerated government spending, and recovery in investment spending. The timely approval of the 2020 national budget gives the government enough spending power to fast-track infra projects and guarantees the faster growth of construction activities in the different regions of the country. Solid domestic demand will help shield the Philippine economy from negative external developments.

Liquidity

To ensure that funds are more than adequate to meet its obligations, the Bank proactively monitors its liquidity position daily. Based on this system of monitoring, the Bank does not anticipate having any cash flow or liquidity problem within the next twelve months. As of December 31, 2019, the contractual maturity profile shows that the Bank has at its disposal about ₱984.43 billion of cash inflows in the next twelve (12) months from its portfolio of cash, placements with banks, debt securities and receivable from customers. This will cover 66.89% of the ₱1.47 trillion total deposits that may mature during the same period. These cash inflows exclude securities booked in FVTPL and FVOCI whose maturities beyond one (1) year but may easily be liquidated in an active secondary market. Inclusive of these securities, the total current assets will cover 82.0% of the total deposits that may mature within one (1) year. On the other hand, historical balances of deposits showed that no substantial portion has been withdrawn in one year.

Events That Will Trigger Material Direct or Contingent Financial Obligation

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

Upon its own discovery, the Bank immediately caused the arrest of its Corporate Service Management Division Head, Ma. Victoria S. Lopez on July 17, 2017 for qualified theft through falsification of commercial documents. Both the Motion to Fix Bail and Motion for Reconsideration were denied. On July 24, 2017, another criminal complaint for qualified theft through falsification of commercial documents and violation of Section 55 of the General Banking Law (GBL) was filed against her and her cohorts for the abstraction of ₱900.0 million before the Regional Trial Court (RTC) of Makati City. On December 5, 2017, a third criminal case for the qualified theft through falsification of commercial documents and violation of Section 55 of GBL was filed against her, her cohorts and family members relative to the abstraction of ₱850.0 million. In addition, foreign proceedings are ongoing on the cases which were filed in the United States of America and in Singapore to preserve and recover their identified properties. Accounts receivable classified under 'Loans and Receivables' includes total identified claims of ₱1.75 billion with provisioning. Relative to this incident, the Monetary Board (MB) approved the imposition of certain sanctions to the Bank (as discussed in Note 4 of the audited financial statements of the Group) and added that the MB took into consideration the strong financial condition and immediate corrective actions of the Bank as well as its safety and soundness given the medium to long-term initiatives that improve governance, controls and compliance. The Bank does not expect this isolated incident to have long term material impact on its financial statements. Further, the Bank is reinforcing its commitment to the highest standards of integrity and upholds the protection of its customers as its main priority.

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

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

Material Off-Balance Sheet Transactions, Arrangements or Obligations

The following is a summary of contingencies and commitments of the Group at their peso-equivalent contractual amounts arising from off-balance sheet items as of December 31, 2019 and 2018 (in millions):

	2019	2018
Trust Banking Group accounts	**₱491,659**	₱429,162
Credit card lines	**209,766**	188,211
Unused commercial letters of credit	**44,036**	43,051
Undrawn commitments – facilities to lend	**21,980**	6,890
Bank guaranty with indemnity agreement	**9,904**	11,708
Credit line certificate with bank commission	**5,984**	5,509
Outstanding shipside bonds/airway bills	**1,931**	6,350
Late deposits/payments received	**1,539**	1,376
Inward bills for collection	**991**	1,141
Confirmed export letters of credits	**935**	235
Outward bills for collection	**850**	747
Outstanding guarantees	**139**	209
Others	**12,933**	9,080
	₱802,647	₱703,669

Other Relationships of the Registrant with Unconsolidated Entities or Other Persons

The Group has ownership in the following significant unconsolidated entities as of December 31, 2019:

	Effective % of Ownership
Taal Land, Inc.	35.00%
Cathay International Resources Corporation	34.74%
Sumisho Motor Financing Corporation*	30.00% *
SMBC Metro Investment Corporation	30.00%
Lepanto Consolidated Mining Company	13.45%

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

Material Commitments for Capital Expenditures

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

Significant Elements from Continuing Operations

Standards Issued But Not Yet Effective

Standards issued but not yet effective up to date of issuance of the Group's financial statements are listed in Note 2 of the audited financial statements of the Group as presented in Exhibit 6. The listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements. The Group will assess impact of these amendments on its financial position or performance when they become effective.

Interim Financial Statements

The Interim Condensed Consolidated Financial Statements of the Group as of March 31, 2020 (Unaudited) and December 31, 2019 (Audited) and for the quarters ended March 31, 2020 and 2019 (Unaudited) are presented in Exhibit 8 as an attachment to this report.

Information on Independent Accountant

1. SGV has been the external auditors of the registrant since 1962. In compliance with the revised SRC Rule 68 (3) (b) (ix), the signing partners are rotated after every five years reckoned from the year 2002 (increased to seven years effective August 2019). The following SGV Partners have reviewed/audited the financial statements of the registrant and signed the reports of the independent auditors for the years ended as indicated below:

SGV Partner	Years Ended December 31
Ms. Josephine Adrienne A. Abarca	2019 and 2018
Ms. Janeth T. Nuñez-Javier	2018 and 2017 2017 and 2016 2016 and 2015 2015 and 2014 2014 and 2013
Mr. Aris C. Malantic	2013 and 2012 2012 and 2011 2011 and 2010 2010 and 2009 2009 and 2008

2. The Bank intends to retain SGV as its external auditors for the year 2020. The external auditors are appointed annually by the registrant's Board of Directors in its organizational meeting held immediately after the Annual Stockholders' Meeting.

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

Nature of Services Rendered		Aggregate Fees (in millions)	
		2019	**2018**
Audit and Audit-Related Fees	Annual and interim audit of the Consolidated, Parent Company and FCDU Financial Statements in connection with statutory and regulatory filings; annual audit of the Combined Financial Statements of Trust and Managed Funds Operated by the Trust Banking Group with Supplementary Combined Information; limited review of financial statements and offering circulars based on agreed-upon procedures and issuance of comfort letters relative to the issuances of debt securities (LTNCDs, bonds) and shares of stocks.	₱41.77	₱16.85
Tax Fees		-	-
All Other Fees	Seminars and others	4.61	22.14
Total Fees		**₱46.38**	**₱38.99**

Audit Committee's Approval Policies and Procedures for Above Services

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

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

On March 13, 2019, the Board of Directors approved the endorsement of the Audit Committee re-appointing SyCip Gorres Velayo & Co. (SGV) as the external auditors for 2019 and it was ratified by the stockholders during the Annual Stockholders' Meeting on April 24, 2019.

Appointment of Members and Composition of the Audit Committee

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

Each member shall serve for a maximum tenure of nine years. If a member does not serve the position of director within the term, his/her Audit Committee membership is automatically removed; the vacancy should then be filled up by the remaining Board of Directors, if still constituting a quorum. Once an independent director loses his/her independent director's position within the term, he/she will automatically lose qualification of Audit Committee chairperson. A new chairperson shall be appointed subject to the approval of the Board of Directors. The Audit Committee chairperson or member so appointed to fill a vacancy shall be appointed only for the unexpired term of his predecessor in office. The Audit Committee members may also be occasionally rotated.

Metrobank's Audit Committee is composed of the following:

Names of Members	Designation - Audit Committee	Designation - Registrant
Edgar O. Chua	Chairman	Independent Director
Francisco F. Del Rosario, Jr.	Vice Chairman	Independent Director
Solomon S. Cua	Regular Member	Director
Angelica H. Lavares	Regular Member	Independent Director
Cornelio C. Gison	Adviser	Board Adviser

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

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

with external auditor and management to decide on the appropriate action to be taken to address issues noted before these are submitted to the Board of Directors for approval;

10. Understand and assess the external auditors' opinion regarding the capability of the management and the adequacy of accounting or information systems to comply with the financial and prudential reporting responsibilities;
11. Meet with external auditors every semester or as the need arises; and,
12. Recommend necessary enhancements in the audit processes and continually engage the external auditor on matters concerning audit quality.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

SGV has been the external auditors of the Bank since 1962 with engagement partner being changed every five (5) years effective 2002 (increased to seven years effective August 2019) in accordance with SEC and BSP regulations. There have been no disagreements with the Bank's independent accountants on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

Material Subsequent Events

1. The SEC approved the merger of MCC into the Parent Company effective January 3, 2020.
2. As discussed in Note 16 of the audited financial statements of the Group as presented in Exhibit 6, on January 10, 2020, the BSP approved the Bank's application to issue up to ₱25.0 billion LTNCD over a period of one year from BSP approval.
3. On January 16, 2020, the BOD of PSBank declared a 7.50% regular cash dividend for the fourth quarter of 2019 amounting to ₱287.3 million or ₱0.75 per share, payable on February 17, 2020 to all stockholders of record as of January 31, 2020.
4. On January 16, 2020, PSBank received the SEC Order fixing the Record Date of the 11.42% stock dividend involving 43,750,000 shares on January 31, 2020. Payment date of February 21, 2020 was set in accordance with the BOD approval and the rules of the PSE.
5. On February 4, 2020, PSBank issued ₱4.65 billion fixed rate bonds with an issue price at 100% face value, which bear an interest rate of 4.50% per annum and will mature on February 4, 2023.
6. On February 19, 2020, the BOD of the Bank approved the following:
   i. Declaration of 5% regular cash dividend payable on March 20, 2020 to all stockholders of record as of March 6, 2020; and
   ii. Exercise the call option on the Parent Company's ₱6.50 billion 2025 Peso Notes described in Note 20 of the audited financial statements of the Group as presented in Exhibit 6, on August 8, 2020 in accordance with its terms and conditions subject to BSP approval.

Others

As of December 31, 2019, the Group has no significant matters to report on the following:

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

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

3. Issuances, repurchases and repayments of debt and equity securities except for the issuances of ₱17.5 billion, ₱11.25 billion and ₱13.75 billion fixed rate bonds and the redemption of the 2024 Peso Notes by the Bank; the issuance of ₱6.3 billion fixed rate bonds and the redemption of the 2024 Peso Notes by PSBank; and the issuance of ₱4.16 billion fixed rate bonds by ORIX Metro as discussed in Notes 19 and 20 of the audited financial statements of the Group as presented in Exhibit 6.

4. Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows except for the payments of cash dividends by the Bank as discussed in Note 23 of the audited financial statements of the Group as presented in Exhibit 6; and

5. Effect of changes in the composition of the Group during the year, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations (except as discussed in Notes 2 and 11 of the audited financial statements of the Group as presented in Exhibit 6).

SEC FORM 17-A (ANNUAL REPORT)

A copy of SEC Form 17-A (2019 Annual Report) will be provided free of charge upon request to corpsecoffice@metrobank.com.ph

PART IV – SIGNATURE

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

This report is signed in the City of Makati on May 7, 2020.

METROPOLITAN BANK & TRUST COMPANY
Registrant

By:

LAARNI D. BERNABE
Assistant Corporate Secretary

EXHIBIT 1

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **JESLI A. LAPUS,** Filipino, of legal age and a resident of [redacted] after having been sworn to in accordance with law do hereby declare that:

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

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

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

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

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

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

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

Offense Charged/ Investigated	**Tribunal or Agency Involved**	**Status**
Not Applicable		

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

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

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

Done, this 23rd day of MARCH 2020, at Makati City.

JESLI A. LAPUS
Affiant

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

SUBSCRIBED AND SWORN to before me this _____ day of MAR 23 2020 at ____________, affiant personally appeared before me and exhibited to me his Tax Identification No. [redacted].

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Book No.: VIII
Series of 2020.

CYNTHIA G. RUIZ
Notary Public for Makati City
Appointment No. 48 until December 31, 2020
10/F Metrobank Plaza, Sen. Gil Puyat Ave., Makati City
Roll# 57155
PTR# MKT 8121476 / 01-06-2020 / Makati City
IBP# 101469 / 01-06-2020 / Makati City
MCLE Compliance# VI-0011287 / 08-20-2018

EXHIBIT 2

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **FRANCISCO F. DEL ROSARIO, JR.**, Filipino, of legal age and a resident of [redacted] after having been sworn to in accordance with law do hereby declare that:

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

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

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

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

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

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

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

Offense Charged/ Investigated	Tribunal or Agency Involved	Status
Not Applicable		

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

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

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

Done, this 23rd day of MARCH 2020, at Makati City.

FRANCISCO F. DEL ROSARIO, JR.
Affiant

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

SUBSCRIBED AND SWORN to before me this _____ day of MAR 23 2020 at MAKATI CITY, affiant personally appeared before me and exhibited to me his Tax Identification No. [redacted]

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Page No.: 83
Book No.: 8
Series of 2020.

CYNTHIA G. RUIZ
Notary Public for Makati City
Appointment No. 48 until December 31, 2020
10/F Metrobank Plaza, Sen. Gil Puyat Ave., Makati City
Roll# 57155
PTR# MKT 8121476 / 01-06-2020 / Makati City
IBP# 101469 / 01-06-2020 / Makati City
MCLE Compliance# VI-0011287 / 08-20-2018

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **EDGAR O. CHUA,** Filipino, of legal age and a resident of [redacted] after having been sworn to in accordance with law do hereby declare that:

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

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

Company/Organization	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Cavitex Holdings Inc.	President and Chief Executive Officer	Current
Energy Development Corp.	Independent Director	Current
IMI	Independent Director	Current
PhilCement	Independent Director	Current
Makati Business Club	Chairman	Current
Philippine Eagle Foundation	Chairman	Current
Philippine Business for Environment	Chairman	Current
De La Salle Philippines	CEO	Current
De La Salle Science Foundation	Chairman	Current
Integrity Initiative	Chairman	Current
College of Saint Benilde	Chairman	Current
De La Salle Bacolod	Chairman	Current
De La Salle Araneta Salikneta	Trustee	Current
De La Salle National Mission Council	Trustee	Current
Philippine Business for Education	Trustee	Current
Gawad Kalinga Foundation	Trustee	Current
Pilipinas Shell Foundation	Trustee	Current
English Speaking Union of the Phil	Chairman	Current
Philippine Disaster Relief Foundation	Trustee	Current
Philippine British Business Council	Vice Chairman	Current
Mitsubishi Motors Philippines Corporation	Member, Advisory Board	Current
Coca Cola Bottlers Philippines	Member, Advisory Board	Current

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

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

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

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

Offense Charged/ Investigated	Tribunal or Agency Involved	Status
Not Applicable		

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

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

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

Done, this 23rd day of MARCH 2020, at Makati City.

EDGAR O. CHUA
Affiant

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

SUBSCRIBED AND SWORN to before me this MAR 23 2020 day of ____________ at MAKATI CITY, affiant personally appeared before me and exhibited to me his Tax Identification No. [redacted]

Doc. No.: 409
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Book No.: 8
Series of 2020.

CYNTHIA G. RUIZ
Notary Public for Makati City
Appointment No. 48 until December 31, 2020
10/F Metrobank Plaza, Sen. Gil Puyat Ave., Makati City
Roll# 57155
PTR# MKT 8121476 / 01-06-2020 / Makati City
IBP# 101459 / 01-06-2020 / Makati City
MCLE Compliance# VI-0011287 / 08-20-2018

EXHIBIT 4

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **ANGELICA H. LAVARES,** Filipino, of legal age and a resident of [redacted], after having been sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Metropolitan Bank & Trust Company and have been its independent director since Apr. 24, 2019.

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

Company/Organization	Position/Relationship	Period of Service
Institute of Corporate Directors	Teaching Fellow	Mar 2011 – to date
Bank of Commerce	Consultant	Nov 2015 – to date
Prulife UK	Independent Director	June 2019 – to date

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

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

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

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

Offense Charged/ Investigated	Tribunal or Agency Involved	Status
Not Applicable		

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

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

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

Done, this 23rd day of MARCH 2020, at Makati City.

ANGELICA H. LAVARES
Affiant

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

SUBSCRIBED AND SWORN to before me this _____ day of MAR 23 2020 at MAKATI CITY, affiant personally appeared before me and exhibited to me her Tax Identification [redacted]

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CYNTHIA G. RUIZ
Notary Public for Makati City
Appointment No. 48 until December 31, 2020
10/F Metrobank Plaza, Sen. Gil Puyat Ave., Makati City
Roll# 57155
PTR# MKT 8121476 / 01-06-2020 / Makati City
IBP# 101469 / 01-06-2020 / Makati City
MCLE Compliance# VI-0011287 / 08-20-2018

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **PHILIP G. SOLIVEN,** Filipino, of legal age and a resident of [redacted], after having been sworn to in accordance with law do hereby declare that:

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

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

Company/Organization	Position/Relationship	Period of Service
Cargill Philippines, Inc.	Chairman Emeritus & Senior Adviser	2019– Present
First Metro Investment Corporation	Independent Director	2018 – Present
Philippine Bio-Industries, Inc.	President	2017 – Present
Cargill Joy Poultry Meats Production Inc.	Treasurer	2016 - Present
Management Association of the Philippines	Member	2016 – Present
Scorbin, Inc.	Director	2013 – Present
Makati Business Club	Member	2011 - Present
Rotary Club of Makati	Director	2005 – Present
American Chamber of Commerce of the Philippines	Director/Treasurer	2001 - Present
Multico Prime Power	Director	1998 – Present

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

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

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

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

Offense Charged/ Investigated	Tribunal or Agency Involved	Status
Not Applicable		

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

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

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

Done, this 23rd day of MARCH 2020, at Makati City.

PHILIP G. SOLIVEN
Affiant

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

SUBSCRIBED AND SWORN to before me this _____ day of MAR 23 2020 at _____________, affiant personally appeared before me and exhibited to me his Tax Identification No. [redacted]

Doc. No.: 411
Page No.: 84
Book No.: VIII
Series of 2020.

CYNTHIA G. RUIZ
Notary Public for Makati City
Appointment No. 48 until December 31, 202[illegible]
10/F Metrobank Plaza, Sen. Gil Puyat Ave., Mak[illegible]y
Roll# 57155
PTR# MKT 8121476 / 01-06-2020 / Makati City
IBP# 101469 / 01-06-2020 / Makati City
MCLE Compliance# VI-0011287 / 08-20-2018

Metrobank

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Metropolitan Bank & Trust Company and Subsidiaries (the Group) and of Metropolitan Bank & Trust Company (the Parent Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

ARTHUR TY
Chairman

FABIAN S. DEE
President

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

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

MARILOU C. BARTOLOME-CIRILO
SVP and Controller

Signed this 19th day of February, 2020.

METROPOLITAN BANK & TRUST COMPANY
Metrobank Plaza, Sen. Gil J. Puyat Avenue, 1200 Makati City, Philippines; Tel. no. (632) 898-8000 / 857-0000; Fax (632) 817-6248; www. metrobank.com.ph

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

SUBSCRIBED AND SWORN to before me at Makati City, Metro Manila this MAR 10 2020, affiants exhibiting to me their respective Passports with the following details:

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

ATTY. ROWENA R. W[illegible]LWAYCO
Notary Public, City of Makati
Appointment No. M-419 – Until December 31, 2020
10th Floor, Metrobank Plaza
Sen. Gil Puyat Avenue, Makati City 1200
Roll of Attorneys No. 30245
PTR No. MKT 7912 1463 01-06-2020/ Makati City
IBP No. 101456/01-06-2020/ PPLM
MCLE Certificate No. VI-002047, 04-14-2022

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EXHIBIT 6

C O V E R S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number: 2 0 5 7 3

COMPANY NAME

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
https://www.metrobank.com.ph	8898-8000	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,986		12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Marilou C. Bartolome-Cirilo	marilou.bartolome@metrobank.com.ph	8898-8805	09178172814

CONTACT PERSON's ADDRESS

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of Metropolitan Bank & Trust Company and its subsidiaries (the Group) and the parent company financial statements of Metropolitan Bank & Trust Company (the Parent Company), which comprise the consolidated and parent company statements of financial position as at December 31, 2019 and 2018, and the consolidated and parent company statements of income, consolidated and parent company statements of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements present fairly, in all material respects, the financial position of the Group and the Parent Company as at December 31, 2019 and 2018, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2019, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

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

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

Adoption of PFRS 16, Leases
Effective January 1, 2019, the Group and the Parent Company adopted PFRS 16, *Leases*, under the modified retrospective approach which resulted in significant changes in the Group's and the Parent Company's accounting policy for leases. The Group's and the Parent Company's adoption of PFRS 16 is significant to our audit because the Group and the Parent Company have high volume of lease agreements; the recorded amounts are material to the consolidated and parent company financial statements; and adoption involves application of significant judgment and estimation in determining the lease term, including evaluating whether the Group and the Parent Company are reasonably certain to exercise options to extend or terminate the lease, and in determining the incremental borrowing rate. This resulted in the recognition of right-of-use assets amounting to ₱4.2 billion and ₱2.2 billion for the Group and Parent Company, respectively, and lease liability amounting to ₱4.5 billion and ₱2.4 billion for the Group and Parent Company, respectively, as of January 1, 2019, and the recognition of depreciation expense of ₱1.3 billion and ₱687.0 million for the Group and Parent Company, respectively, and interest expense of ₱319.3 million and ₱169.9 million for the Group and Parent Company, respectively, for the year ended December 31, 2019.

The disclosures related to the adoption of PFRS 16 are included in Notes 2, 10 and 13 to the financial statements.

Audit response
We obtained an understanding of the Group's and the Parent Company's process in implementing the new standard, including the determination of the population of the lease contracts covered by PFRS 16, the application of the short-term and low value assets exemptions, the selection of the transition approach and any election of available practical expedients. We tested the completeness of the population of lease agreements by comparing the number of leases per operational report against the master lease schedule. On a test basis, we inspected lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements) from the master lease schedule, identified their contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management, which covers the calculation of the financial impact of PFRS 16, including the transition adjustments.

For selected lease contracts with renewal and/or termination option, we reviewed the management's assessment of whether it is reasonably certain that the Group and the Parent Company will exercise the option to renew or not exercise the option to terminate. We tested the parameters used in the determination of the incremental borrowing rate by reference to market data. We test computed the lease calculation prepared by management on a sample basis, including the transition adjustments.

We reviewed the disclosures related to the transition adjustments based on the requirements of PFRS 16 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

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

Allowance for credit losses as of December 31, 2019 for the Group and the Parent Company amounted to ₱24.3 billion and ₱13.9 billion, respectively. Provision for credit losses of the Group and the Parent Company in 2019 amounted to ₱9.6 billion and ₱1.6 billion, respectively.

Refer to Note 15 of the financial statements for the disclosure on the details of the allowance for credit losses using the ECL model.

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

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

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

We recalculated impairment provisions on a sample basis. We reviewed the completeness of the disclosures made in the financial statements.

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

Applicable to the audit of the consolidated financial statements

Recoverability of Investments in Associates and a Joint Venture
The Group assesses the impairment of its investments in associates and a joint venture whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. As of December 31, 2019, the Group has an investment in associate amounting to ₱2.0 billion where its fair value declined significantly compared to the carrying value. The Group performed impairment testing using the investment's value-in-use (VIU). We considered the impairment testing of the Group's investment in this associate as a key audit matter as significant judgment and estimates are involved in the determination of the investment's VIU.

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

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

Recoverability of Goodwill
As of December 31, 2019, the Group has goodwill amounting to ₱5.2 billion as a result of various business acquisitions. Under PFRS, the Group is required to annually test the amount of goodwill for impairment. The Group performed the impairment testing using the cash generating unit's (CGU) fair value less costs to sell (FVLCTS). The annual impairment test was significant to our audit because significant judgment and estimates are involved in the determination of the CGU's FVLCTS. The CGU's assets include significant investments in unquoted equity shares and their fair values were determined using price-to-earnings (P/E) ratios of comparable companies. Other assets of the CGU include investments in quoted equity shares and debt financial assets, and real properties, while liabilities include unquoted debt financial liabilities.

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated and parent company financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Josephine Adrienne A. Abarca

SYCIP GORRES VELAYO & CO.

Josephine Adrienne A. Abarca
Partner
CPA Certificate No. 92126
SEC Accreditation No. 0466-AR-4 (Group A),
November 13, 2018, valid until November 12, 2021
Tax Identification No. 163-257-145
BIR Accreditation No. 08-001998-61-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125200, January 7, 2020, Makati City

February 19, 2020

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

(In Millions)

	Consolidated		Parent Company	
	December 31			
	2019	2018	**2019**	2018
ASSETS				
Cash and Other Cash Items	**₱32,956**	₱33,091	**₱30,659**	₱29,280
Due from Bangko Sentral ng Pilipinas (BSP) (Notes 4 and 16)	**219,994**	240,134	**195,770**	206,289
Due from Other Banks (Note 4)	**54,767**	45,802	**38,698**	35,218
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA) (Notes 4, 7 and 26)	**72,174**	50,719	**56,152**	24,712
Investment Securities at				
Fair Value Through Profit or Loss (FVTPL) (Note 8)	**61,867**	39,689	**49,550**	30,166
Fair Value Through Other Comprehensive Income (FVOCI) (Notes 4 and 8)	**202,520**	111,288	**188,676**	92,144
Amortized Cost (Notes 4 and 8)	**251,628**	265,376	**216,644**	212,607
Loans and Receivables (Notes 4 and 9)	**1,483,568**	1,391,034	**1,177,101**	1,116,257
Property and Equipment (Note 10)	**25,700**	21,954	**17,857**	15,632
Investments in Subsidiaries (Note 11)	**–**	–	**95,739**	81,288
Investments in Associates and a Joint Venture (Note 11)	**6,591**	5,947	**542**	494
Goodwill (Note 11)	**5,200**	5,200	**–**	–
Investment Properties (Note 12)	**7,762**	7,500	**3,291**	2,825
Deferred Tax Assets (Note 28)	**10,512**	10,238	**6,918**	6,769
Other Assets (Note 14)	**15,574**	15,721	**9,838**	9,983
	₱2,450,813	₱2,243,693	**₱2,087,435**	₱1,863,664
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 16 and 31)				
CASA	**₱1,077,507**	₱964,944	**₱1,003,249**	₱900,186
Time	**592,897**	548,019	**461,713**	390,475
Long-Term Negotiable Certificates	**43,740**	43,790	**35,330**	35,330
	1,714,144	1,556,753	**1,500,292**	1,325,991
Bills Payable and Securities Sold Under Repurchase Agreements (SSURA) (Notes 17 and 31)	**238,281**	259,607	**139,072**	151,079
Derivative Liabilities (Note 8)	**7,427**	6,537	**5,994**	6,182
Manager's Checks and Demand Drafts Outstanding	**6,806**	7,565	**5,508**	5,950
Income Taxes Payable	**4,188**	2,830	**3,259**	1,670
Accrued Interest and Other Expenses (Note 18)	**10,499**	9,619	**6,654**	5,625
Bonds Payable (Notes 19 and 31)	**80,486**	30,743	**70,110**	27,826
Subordinated Debts (Note 20)	**7,660**	26,618	**6,494**	22,471
Deferred Tax Liabilities (Note 28)	**108**	357	**–**	–
Non-equity Non-controlling Interest (Note 21)	**6,553**	6,747	**–**	–
Other Liabilities (Note 21)	**56,170**	45,613	**30,060**	24,107
	2,132,322	1,952,989	**1,767,443**	1,570,901

(Forward)

	Consolidated		Parent Company	
	December 31			
	2019	2018	**2019**	2018
EQUITY				
Equity Attributable to Equity Holders of the Parent Company				
Common stock (Note 23)	**₱89,948**	₱79,600	**₱89,948**	₱79,600
Capital paid in excess of par value (Note 23)	**85,252**	85,252	**85,252**	85,252
Treasury stock (Notes 23 and 31)	**(72)**	(67)	**(72)**	(67)
Surplus reserves (Note 24)	**2,098**	1,956	**2,098**	1,956
Surplus (Note 23)	**144,154**	130,550	**144,154**	130,550
Net unrealized gain (loss) on investment securities at FVOCI (Note 8)	**2,629**	(2,994)	**2,629**	(2,994)
Remeasurement losses on retirement plan (Notes 11 and 27)	**(5,531)**	(3,591)	**(5,531)**	(3,591)
Equity in other comprehensive income (losses) of investees (Note 11)	**345**	(27)	**345**	(27)
Translation adjustment and others (Note 11)	**(9,269)**	(7,719)	**1,169**	2,084
	309,554	282,960	**319,992**	292,763
Non-controlling Interest (Note 11)	**8,937**	7,744	–	–
	318,491	290,704	**319,992**	292,763
	₱2,450,813	₱2,243,693	**₱2,087,435**	₱1,863,664

See accompanying Notes to Financial Statements.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF INCOME

(In Millions, Except Earnings Per Share)

	Consolidated			Parent Company		
	Years Ended December 31					
	2019	2018	2017	**2019**	2018	2017
INTEREST INCOME ON						
Loans and receivables (Notes 9 and 31)	**₱95,847**	₱79,659	₱63,391	**₱59,603**	₱46,860	₱35,072
Investment securities at FVOCI/AFS investments and at amortized cost (Note 8)	**16,573**	14,610	13,480	**13,778**	11,592	10,655
Investment securities at FVTPL (Note 8)	**1,936**	1,170	1,585	**1,695**	1,006	1,362
Interbank loans receivable and securities purchased under resale agreements (SPURA) (Notes 7 and 31)	**941**	1,092	1,231	**468**	441	606
Deposits with banks and others	**886**	655	635	**689**	422	316
	116,183	97,186	80,322	**76,233**	60,321	48,011
INTEREST AND FINANCE CHARGES						
Deposit liabilities (Notes 16 and 31)	**23,407**	18,968	12,613	**17,293**	13,447	8,777
Bills payable and securities sold under repurchase agreements, bonds payable, subordinated debts and others (Notes 13, 17, 19, 20, 21 and 31)	**15,779**	9,396	6,303	**9,019**	4,546	2,741
	39,186	28,364	18,916	**26,312**	17,993	11,518
NET INTEREST INCOME	**76,997**	68,822	61,406	**49,921**	42,328	36,493
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES (Note 15)	**10,078**	7,770	7,507	**1,644**	807	1,395
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	**66,919**	61,052	53,899	**48,277**	41,521	35,098
OTHER OPERATING INCOME						
Service charges, fees and commissions (Notes 25 and 31)	**14,266**	12,695	11,045	**5,145**	4,954	4,171
Trading and securities gain (loss) - net (Notes 8, 21 and 31)	**5,472**	2,541	(402)	**4,352**	3,041	(1,079)
Foreign exchange gain (loss) - net (Note 31)	**3,798**	210	4,257	**3,521**	(66)	4,101
Leasing (Notes 12, 13 and 31)	**2,122**	2,252	2,129	**210**	224	215
Profit from assets sold (Notes 12 and 31)	**585**	1,371	1,075	**210**	623	639
Income from trust operations (Notes 24 and 31)	**1,241**	1,290	1,377	**1,204**	1,259	1,351
Dividends (Note 8)	**172**	141	182	**29**	23	19
Miscellaneous (Note 25)	**1,398**	2,410	2,484	**83**	401	446
	29,054	22,910	22,147	**14,754**	10,459	9,863
OTHER OPERATING EXPENSES						
Compensation and fringe benefits (Notes 27 and 31)	**23,706**	22,368	20,218	**16,023**	15,115	13,526
Taxes and licenses (Note 28)	**10,219**	8,776	6,580	**6,466**	5,253	3,701
Depreciation and amortization (Notes 10, 12 and 14)	**5,538**	4,084	4,018	**2,568**	1,690	1,708
Occupancy and equipment-related costs (Note 13)	**1,867**	3,193	2,929	**1,162**	1,824	1,730
Miscellaneous (Note 25)	**16,576**	15,235	13,730	**11,086**	9,573	8,553
	57,906	53,656	47,475	**37,305**	33,455	29,218
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE	**38,067**	30,306	28,571	**25,726**	18,525	15,743
SHARE IN NET INCOME OF SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE (Note 11)	**868**	874	689	**8,938**	7,967	6,995
INCOME BEFORE INCOME TAX	**38,935**	31,180	29,260	**34,664**	26,492	22,738
PROVISION FOR INCOME TAX (Note 28)	**10,061**	7,745	7,990	**6,609**	4,484	4,515
NET INCOME	**₱28,874**	₱23,435	₱21,270	**₱28,055**	₱22,008	₱18,223
Attributable to:						
Equity holders of the Parent Company (Note 32)	**₱28,055**	₱22,008	₱18,223			
Non-controlling interest (Note 11)	**819**	1,427	3,047			
	₱28,874	₱23,435	₱21,270			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 32)	**₱6.24**	₱5.16*	₱4.97*			

*Restated to show the effect of stock dividends issued in 2019 and stock rights issued in 2018

See accompanying Notes to Financial Statements.

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

	Consolidated			Parent Company		
	Years Ended December 31					
	2019	2018	2017	**2019**	2018	2017
Net Income	**₱28,874**	₱23,435	₱21,270	**₱28,055**	₱22,008	₱18,223
Other Comprehensive Income for the Year, Net of Tax						
Items that may not be reclassified to profit or loss:						
Change in net unrealized loss on equity securities at FVOCI	**(414)**	(351)	–	**(410)**	(347)	–
Change in remeasurement gain (loss) on retirement plan (Notes 11 and 27)	**(2,038)**	498	26	**(1,940)**	434	(18)
	(2,452)	147	26	**(2,350)**	87	(18)
Items that may be reclassified to profit or loss:						
Change in net unrealized gain (loss) on investment on debt securities at FVOCI/AFS investments (Note 8)	**6,142**	(2,443)	(5,772)	**6,052**	(2,324)	(5,689)
Change in equity in other comprehensive income (loss) of investees (Note 11)	**375**	(50)	(32)	**372**	(49)	(32)
Translation adjustment and others (Note 11)	**(399)**	(309)	733	**(915)**	(57)	881
	6,118	(2,802)	(5,071)	**5,509**	(2,430)	(4,840)
Total Comprehensive Income for the Year	**₱32,540**	₱20,780	₱16,225	**₱31,214**	₱19,665	₱13,365
Attributable to:						
Equity holders of the Parent Company	**₱31,214**	₱19,665	₱13,365			
Non-controlling interest	**1,326**	1,115	2,860			
	₱32,540	₱20,780	₱16,225			

See accompanying Notes to Financial Statements.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

(In Millions)

	Consolidated												
	Equity Attributable to Equity Holders of the Parent Company												
	Common Stock (Note 23)	**Capital Paid In Excess of Par Value** (Note 23)	**Treasury Stock** (Note 23)	**Surplus Reserves** (Note 23)	**Surplus** (Note 23)	**Net Unrealized Gain (Loss) on Investment Securities at FVOCI/AFS Investments** (Note 8)	**Remeasurement Losses on Retirement Plan** (Notes 11 and 27)	**Equity in Other Comprehensive Income (Losses) of Investees** (Note 11)	**Translation Adjustment and Others** (Note 11)	**Total**	**Other Equity Reserve** (Note 11)	**Non-controlling Interest** (Note 11)	**Total Equity**
Balance as at January 1, 2019	**₱79,600**	**₱85,252**	**(₱67)**	**₱1,956**	**₱130,550**	**(₱2,994)**	**(₱3,591)**	**(₱27)**	**(₱7,719)**	**₱282,960**	**₱–**	**₱7,744**	**₱290,704**
Issuance of stock dividend	**10,348**	**–**	**–**	**–**	**(10,348)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**–**	**28,055**	**5,642**	**(1,940)**	**372**	**(915)**	**31,214**	**–**	**1,326**	**32,540**
Transfer to surplus reserves	**–**	**–**	**–**	**142**	**(142)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Cash dividend	**–**	**–**	**–**	**–**	**(3,980)**	**–**	**–**	**–**	**–**	**(3,980)**	**–**	**(133)**	**(4,113)**
Realized gain (loss) on sale of equity securities at FVOCI	**–**	**–**	**–**	**–**	**19**	**(19)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Parent Company shares held by mutual fund subsidiary	**–**	**–**	**(5)**	**–**	**–**	**–**	**–**	**–**	**–**	**(5)**	**–**	**–**	**(5)**
Acquisition of acquired non-controlling interest (Note 11)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(635)**	**(635)**	**–**	**–**	**(635)**
Balance as at December 31, 2019	**₱89,948**	**₱85,252**	**(₱72)**	**₱2,098**	**₱144,154**	**₱2,629**	**(₱5,531)**	**₱345**	**(₱9,269)**	**₱309,554**	**₱–**	**₱8,937**	**₱318,491**
Balance as at December 31, 2017	₱63,603	₱42,139	(₱46)	₱1,810	₱116,786	(₱15,804)	(₱4,025)	₱22	(₱2,530)	₱201,955	(₱7,400)	₱9,535	₱204,090
Effect of adoption of Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments*	–	–	–	–	(4,756)	15,359	–	–	–	10,603	–	(108)	10,495
Effect of adoption of PFRS 15, *Revenue from Contracts with Customers*	–	–	–	–	(40)	–	–	–	–	(40)	–	(10)	(50)
Balance as at January 1, 2018	63,603	42,139	(46)	1,810	111,990	(445)	(4,025)	22	(2,530)	212,518	(7,400)	9,417	214,535
Issuance of stock rights	15,997	43,113	–	–	–	–	–	–	–	59,110	–	–	59,110
Total comprehensive income (loss) for the year	–	–	–	–	22,008	(2,671)	434	(49)	(57)	19,665	–	1,115	20,780
Transfer to surplus reserves	–	–	–	146	(146)	–	–	–	–	–	–	–	–
Cash dividend	–	–	–	–	(3,180)	–	–	–	–	(3,180)	–	(520)	(3,700)
Realized gain (loss) on sale of equity securities at FVOCI	–	–	–	–	(122)	122	–	–	–	–	–	–	–
Parent Company shares held by mutual fund subsidiary	–	–	(21)	–	–	–	–	–	–	(21)	–	–	(21)
Settlement of non-controlling interest acquired (Note 11)	–	–	–	–	–	–	–	–	(5,132)	(5,132)	7,400	(2,268)	–
Balance as at December 31, 2018	₱79,600	₱85,252	(₱67)	₱1,956	₱130,550	(₱2,994)	(₱3,591)	(₱27)	(₱7,719)	₱282,960	₱–	₱7,744	₱290,704
Balance as at January 1, 2017	₱63,603	₱42,139	(₱485)	₱1,653	₱101,900	(₱10,115)	(₱4,007)	₱54	₱1,260	₱196,002	₱–	₱9,551	₱205,553
Total comprehensive income for the year	–	–	–	–	18,223	(5,689)	(18)	(32)	881	13,365	–	2,860	16,225
Transfer to surplus reserves	–	–	–	157	(157)	–	–	–	–	–	–	–	–
Cash dividend	–	–	–	–	(3,180)	–	–	–	–	(3,180)	–	(147)	(3,327)
Disposal of Parent Company shares held by mutual fund subsidiaries	–	–	439	–	–	–	–	–	–	439	–	–	439
Acquisition of non-controlling interest (Note 11)	–	–	–	–	–	–	–	–	(4,671)	(4,671)	(7,400)	(2,729)	(14,800)
Balance as at December 31, 2017	₱63,603	₱42,139	(₱46)	₱1,810	₱116,786	(₱15,804)	(₱4,025)	₱22	(₱2,530)	₱201,955	(₱7,400)	₱9,535	₱204,090

	Parent Company									
	Common Stock (Note 23)	Capital Paid In Excess of Par Value (Note 23)	Treasury Stock (Note 23)	Surplus Reserves (Note 24)	Surplus (Note 23)	Net Unrealized Gain (Loss) on Investment Securities at FVOCI/AFS Investments (Note 8)	Remeasurement Losses on Retirement Plan (Notes 11 and 27)	Equity in Other Comprehensive Income (Losses) of Investees (Note 11)	Translation Adjustment and Others (Note 11)	Total Equity
Balance as at January 1, 2019	**₱79,600**	**₱85,252**	**(₱67)**	**₱1,956**	**₱130,550**	**(₱2,994)**	**(₱3,591)**	**(₱27)**	**₱2,084**	**₱292,763**
Issuance of stock dividend	**10,348**	–	–	–	**(10,348)**	–	–	–	–	–
Total comprehensive income (loss) for the year	–	–	–	–	**28,055**	**5,642**	**(1,940)**	**372**	**(915)**	**31,214**
Transfer to surplus reserves	–	–	–	**142**	**(142)**	–	–	–	–	–
Cash dividend	–	–	–	–	**(3,980)**	–	–	–	–	**(3,980)**
Share in realized gain (loss) on sale of equity securities at FVOCI	–	–	–	–	**19**	**(19)**	–	–	–	–
Parent Company shares held by mutual fund subsidiary	–	–	**(5)**	–	–	–	–	–	–	**(5)**
Balance as at December 31, 2019	**₱89,948**	**₱85,252**	**(₱72)**	**₱2,098**	**₱144,154**	**₱2,629**	**(₱5,531)**	**₱345**	**₱1,169**	**₱319,992**
Balance as at December 31, 2017	₱63,603	₱42,139	(₱46)	₱1,810	₱116,786	(₱15,804)	(₱4,025)	₱22	₱2,141	₱206,626
Effect of adoption of PFRS 9	–	–	–	–	(4,756)	15,359	–	–	–	10,603
Effect of adoption of PFRS 15	–	–	–	–	(40)	–	–	–	–	(40)
Balance as at January 1, 2018	63,603	42,139	(46)	1,810	111,990	(445)	(4,025)	22	2,141	217,189
Issuance of stock rights	15,997	43,113	–	–	–	–	–	–	–	59,110
Total comprehensive income (loss) for the year	–	–	–	–	22,008	(2,671)	434	(49)	(57)	19,665
Transfer to surplus reserves	–	–	–	146	(146)	–	–	–	–	–
Cash dividend	–	–	–	–	(3,180)	–	–	–	–	(3,180)
Share in realized gain (loss) on sale of equity securities at FVOCI	–	–	–	–	(122)	122	–	–	–	–
Parent Company shares held by mutual fund subsidiary	–	–	(21)	–	–	–	–	–	–	(21)
Balance as at December 31, 2018	₱79,600	₱85,252	(₱67)	₱1,956	₱130,550	(₱2,994)	(₱3,591)	(₱27)	₱2,084	₱292,763
Balance as at January 1, 2017	₱63,603	₱42,139	(₱485)	₱1,653	₱101,900	(₱10,115)	(₱4,007)	₱54	₱1,260	₱196,002
Total comprehensive income for the year	–	–	–	–	18,223	(5,689)	(18)	(32)	881	13,365
Transfer to surplus reserves	–	–	–	157	(157)	–	–	–	–	–
Cash dividends	–	–	–	–	(3,180)	–	–	–	–	(3,180)
Disposal of Parent Company shares held by mutual fund subsidiaries	–	–	439	–	–	–	–	–	–	439
Balance as at December 31, 2017	₱63,603	₱42,139	(₱46)	₱1,810	₱116,786	(₱15,804)	(₱4,025)	₱22	₱2,141	₱206,626

See accompanying Notes to Financial Statements.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
(In Millions)

	Consolidated			Parent Company		
	Years Ended December 31					
	2019	2018	2017	**2019**	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	**₱38,935**	₱31,180	₱29,260	**₱34,664**	₱26,492	₱22,738
Adjustments for:						
Provision for credit and impairment losses (Note 15)	**10,078**	7,770	7,507	**1,644**	807	1,395
Trading and securities loss (gain) on investment securities at FVOCI/AFS investments (Note 8)	**(4,403)**	115	(641)	**(3,788)**	24	(554)
Depreciation and amortization (Notes 10, 12 and 14)	**4,906**	3,572	3,524	**2,327**	1,559	1,585
Unrealized market valuation loss (gain) on financial assets and liabilities at FVTPL	**1,395**	(3,499)	1,652	**1,612**	(3,494)	1,652
Profit from assets sold (Notes 10 and 12)	**(585)**	(1,371)	(1,075)	**(210)**	(623)	(639)
Share in net income of subsidiaries, associates and a joint venture (Note 11)	**(868)**	(874)	(689)	**(8,938)**	(7,967)	(6,995)
Gain on initial recognition of investment properties and chattel properties acquired in foreclosure (Note 25)	**(487)**	(638)	(1,075)	**(33)**	(23)	(26)
Amortization of software costs (Note 14)	**632**	512	494	**241**	131	123
Dividends (Note 8)	**(172)**	(141)	(182)	**(29)**	(23)	(19)
Amortization of discount on subordinated debts, bonds payable and lease liability (Notes 19 and 20)	**605**	45	66	**342**	34	33
Decrease (increase) in:						
Investment securities at FVTPL	**(22,009)**	5,735	(7,497)	**(21,184)**	3,617	(6,327)
Loans and receivables	**(107,137)**	(138,128)	(213,951)	**(63,413)**	(117,786)	(161,020)
Other assets	**143**	(5,785)	1,033	**(1,390)**	(4,737)	938
Increase (decrease) in:						
Deposit liabilities	**157,391**	28,791	138,660	**174,301**	12,044	108,260
Bills payable - deposit substitutes	**7,972**	(14,952)	2,425	–	–	–
Manager's checks and demand drafts outstanding	**(759)**	(489)	1,122	**(442)**	110	669
Accrued interest and other expenses	**880**	2,646	(94)	**1,029**	1,720	(741)
Other liabilities	**6,624**	(8,732)	(5,704)	**4,034**	(3,187)	(7,317)
Non-equity non-controlling interest	**(194)**	(1,255)	68	–	–	–
Net cash provided by (used in) operations	**92,947**	(95,498)	(45,097)	**120,767**	(91,302)	(46,245)
Dividends received (Note 8)	**172**	141	182	**29**	23	19
Income taxes paid	**(8,715)**	(8,489)	(7,053)	**(5,097)**	(4,886)	(3,704)
Net cash provided by (used in) operating activities	**84,404**	(103,846)	(51,968)	**115,699**	(96,165)	(49,930)
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Investment securities at FVOCI/AFS investments (Note 4)	**(1,286,010)**	(786,157)	(108,623)	**(1,267,741)**	(774,480)	(89,874)
Investment securities at amortized cost (Note 4)	**(4.488)**	(7,017)	–	**(4,333)**	(5,037)	–
Property and equipment (Note 10)	**(3,722)**	(2,889)	(3,556)	**(1,999)**	(1,473)	(1,826)
Investments in subsidiaries and associates (Note 11)	**(9)**	–	(235)	**(7,839)**	(15,011)	–
Software (Note 14)	–	(636)	(978)	–	(233)	(144)
Proceeds from sale of:						
Investment securities at FVOCI/AFS investments (Notes 4 and 11)	**1,203,883**	764,214	77,175	**1,180,411**	759,803	67,936
Property and equipment (Note 10)	**955**	585	165	**76**	278	85
Investments in associates (Note 11)	–	–	190	–	–	–
Investment properties (Note 12)	**1,475**	1,896	3,031	**553**	626	1,407
Proceeds from:						
Maturity of investment securities at amortized cost	**920**	4,077	–	**469**	30	–
Disposal of investment securities at amortized cost (Note 8)	**16,686**	–	–	–	–	–
Return of investment from an associate (Note 11)	–	180	–	–	180	–
Cash dividends from investees (Note 11)	**169**	462	288	**1,073**	2,448	3,655
Decrease (increase) in interbank loans receivable and SPURA (Note 26)	**6,489**	1,388	3,039	**407**	5,984	(322)
Net cash used in investing activities	**(63,652)**	(23,897)	(29,504)	**(98,923)**	(26,885)	(19,083)

(Forward)

	Consolidated			Parent Company		
	Years Ended December 31					
	2019	2018	2017	**2019**	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES (Note 26)						
Settlements of bills payable	**(₱4,721,604)**	(₱4,472,284)	(₱2,808,869)	**(₱3,574,659)**	(₱3,445,236)	(₱2,458,936)
Availments of bills payable and SSURA	**4,692,306**	4,519,008	2,872,903	**3,562,652**	3,489,833	2,496,553
Proceeds from issuance of:						
Bonds payable (Note 19)	**52,499**	27,826	–	**42,135**	27,826	–
Notes payable (Note 21)	–	2,600	–	–	–	–
Stock rights (Note 23)	–	59,110	–	–	59,110	–
Maturity of bonds payable (Note 19)	**(3,000)**	–	(8,599)	–	–	–
Repayments of subordinated debts (Note 20)	**(19,000)**	–	(3,000)	**(16,000)**	–	–
Cash dividends paid (Note 23)	**(4,113)**	(3,700)	(3,327)	**(3,980)**	(3,180)	(3,180)
Payment of principal portion of lease liabilities	**(1,213)**	–	–	**(748)**	–	–
Proceeds from disposal of Parent Company shares by mutual fund subsidiaries (Note 31)	–	10	455	–	–	–
Acquisition of Parent Company shares by a mutual fund subsidiary (Note 23)	**(5)**	(31)	(16)	–	–	–
Net cash provided by (used in) financing activities	**(4,130)**	132,539	49,547	**9,400**	128,353	34,437
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**16,622**	4,796	(31,925)	**26,176**	5,303	(34,576)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and other cash items	**33,091**	27,631	26,553	**29,280**	24,975	23,470
Due from BSP	**240,134**	261,959	238,806	**206,289**	224,723	203,781
Due from other banks	**45,808**	31,291	44,315	**35,218**	19,286	30,101
Interbank loans receivable and SPURA (Note 26)	**39,380**	32,736	75,868	**22,742**	19,242	65,450
	358,413	353,617	385,542	**293,529**	288,226	322,802
CASH AND CASH EQUIVALENTS AT END OF YEAR						
Cash and other cash items	**32,956**	33,091	27,631	**30,659**	29,280	24,975
Due from BSP	**219,994**	240,134	261,959	**195,770**	206,289	224,723
Due from other banks	**54,772**	45,808	31,291	**38,698**	35,218	19,286
Interbank loans receivable and SPURA (Note 26)	**67,313**	39,380	32,736	**54,578**	22,742	19,242
	₱375,035	₱358,413	₱353,617	**₱319,705**	₱293,529	₱288,226

OPERATIONAL CASH FLOWS FROM INTEREST

	Consolidated			Parent Company		
	Years Ended December 31					
	2019	2018	2017	**2019**	2018	2017
Interest paid	**₱39,558**	₱25,910	₱18,347	**₱26,207**	₱17,452	₱11,391
Interest received	**113,745**	95,315	79,549	**73,717**	61,129	47,253

See accompanying Notes to Financial Statements.

1. Corporate Information

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) that have been measured at fair value.

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

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

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

Presentation of Financial Statements
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position. Income and expense are not

offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and of its subsidiaries and are prepared for the same reporting period as the Parent Company using consistent accounting policies. The following are the wholly and majority-owned foreign and domestic subsidiaries of the Parent Company in 2019 and 2018 (Note 11):

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

* In 2019, the Parent Company's effective percentage of ownership in FMIC and PSBank increased from 99.25% and 82.68%, respectively.
** Dissolved in April 2019
*** In process of dissolution
**** In process of liquidation

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full at consolidation (Note 31). Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of subsidiaries ceases when control is transferred out of the Group or the Parent Company. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of income and consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

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

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

Entity with Significant Influence over the Group
GT Capital Holdings, Inc. (GT Capital) holds 36.65% and 36.36% interest in the Parent Company as of December 31, 2019 and 2018, respectively (Note 31).

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

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

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

Changes in Accounting Policies and Disclosures
Except for these new and amended standards which were adopted as of January 1, 2019, the accounting policies adopted are consistent with those of previous financial year.

The Group applied for the first time, Philippine Financial Reporting Standards (PFRS) 16, *Leases.* It supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, SIC-15, *Operating Leases – Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lesses to account for most leases under a single on-balance sheet model. The Group adopted the modified retrospective approach with certain transition reliefs with the date of initial application of January 1, 2019 and applied the following practical expedients wherein it:

- Applied the standard only to contracts that were previously identified as leases, applying the old standards at the date of initial application;
- Used the recognition exemptions for short-term leases and lease contracts for low value assets;
- Relied on its assessement of whether leases are onerous immediately before the date of initial application; and
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

As of January 1, 2019, the weighted average incremental borrowing rate applied to the lease liabilities ranges from 6.14% to 9.35%. The reconciliation of the operating lease commitments to the total gross lease payments used in the measurement of the lease liabilities are as follows:

	Consolidated	Parent Company
Operating lease commitments as of December 31, 2018	₱5,418	₱3,073
Lease payments relating to renewal periods not included in operating lease commitments as of December 31, 2018	51	43
Lease payments pertaining to leases of short-term and low-value assets	(125)	–
Operating lease commitments not considered on lease term	(14)	–
Total gross lease payments as of January 1, 2019	₱5,330	₱3,116
Weighted average incremental borrowing rate	6.14% - 9.35%	7.89%
Lease liability as of January 1, 2019	₱4,530	₱2,407

Except for the additional disclosures required, PFRS 16 has no impact for leases where the Group is the lessor.

The Group has lease contracts for various office spaces used as branch offices. Prior to 2019, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the lease asset to the Group; otherwise it was classified as an operating lease. All leases (as lessee) were classified as operating leases. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense under 'Occupancy and equipment-related cost' in the statement of income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under 'Prepaid expenses' lodged in 'Other assets', and 'Accrued other expenses' lodged in 'Accrued interest and other expenses', respectively.

Effective January 1, 2019, the Group applied a single recognition and measurement approach for all leases (as lessee) except for short-term leases and leases of low-value assets. The Group recognized lease liabilities representing lease payments and right-of-use (ROU) assets representing the right to use the underlying assets. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate (IBR) at the date of initial application. ROU assets were recognized based on the amount equal to the lease liabilities adjusted for any related prepaid and accrued lease payments previously recognized.

Based on the foregoing, as of January 1, 2019, the Group and the Parent Company recognized ROU assets of ₱4.2 billion and ₱2.2 billion, respectively (presented under 'Property and equipment'); lease liability of ₱4.5 billion and ₱2.4 billion, respectively (presented under 'Other liabilities'); and derecognized accrued other expenses of ₱368.5 million and ₱182.2 million, respectively, related to previous operating leases.

The adoption of the following amendments and interpretation to standards did not have significant impact on the financial statements of the Group:

Amendments

- Amendments to PFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to PAS 28, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*
- Amendments to PAS 19, Employee Benefits – *Plan Amendment, Curtailment or Settlement*
- Annual Improvements to PFRS 2015 to 2017 Cycle
  - PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements – Previously held interest in a joint operation*
  - PAS 12, *Income Taxes - Income tax consequence of payments on financial instruments classified as equity*
  - PAS 23, *Borrowing Costs – Borrowing costs eligible for capitalization*

Interpretation

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

The Group is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The Group shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. Since the Group operates in a complex and regulated environment, it assessed whether the Interpretation had an impact on its consolidated financial statement. The Group determined, based on its assessment, in consultation with its tax counsel, that it is probable that its uncertainincome tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group.

Significant Accounting Policies

Foreign Currency Translation

Transactions and balances

For financial reporting purposes, the foreign currency-denominated monetary assets and liabilities in the RBU are translated in Philippine peso based on the Bankers Association of the Philippines (BAP) closing rate (for 2019 and 2018) and the Philippine Dealing System (PDS) closing rate (for 2017) prevailing at the statement of financial position date and foreign currency-denominated income and expenses, at the prevailing exchange rates as at the date of transaction. Foreign exchange differences arising from revaluation and translation of foreign currency-denominated assets and liabilities are credited to or charged against operations in the year in which the rates change. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

FCDU, foreign branches and subsidiaries

As at the reporting date, the assets and liabilities of foreign branches and subsidiaries and FCDU of the Parent Company and PSBank are translated into the Parent Company's presentation currency (the PHP) at BAP (PDS in 2017) closing rate prevailing at the statement of financial position date, and their income and expenses are translated at BAP weighted average rate for 2019 and 2018 while in 2017, the basis was the PDS weighted average rate. Exchange differences arising on translation are taken to the statement of comprehensive income under 'Translation adjustment and others'. Upon disposal of a foreign entity or when the Parent Company ceases to have control over the subsidiaries or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statement of income.

Fair Value Measurement

The Group measures certain financial instruments, such as derivatives, at fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 5.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability; or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid - ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets and liabilities not listed in an active market, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group determines the policies and procedures for both recurring fair value measurement, such as financial assets and liabilities at FVTPL, and for non-recurring measurement, such as investment properties.

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

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

<u>Financial Instruments – Initial Recognition and Subsequent Measurement</u>

Date of recognition
Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on trade date basis. Deposits, amounts due to banks and customers and loans are recognized when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments
All financial instruments are initially measured at fair value. Except for financial assets and financial liabilities at FVTPL, the initial measurement of financial instruments includes transaction costs.

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

Classification and Subsequent Measurement
Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

As a second step of it classification process, the Group assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL.

Financial assets at FVTPL
These are recorded in the statements of financial position at fair value with changes in fair value recognized in 'Trading, securities and foreign exchange gain - net'. Interest earned is recorded in 'Interest Income' while dividend income is recorded in 'Dividends' when the right to receive payment has been established. Included in this classification are debt and equity securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

Derivatives recorded at FVTPL
The Parent Company and some of its subsidiaries are counterparties to derivative contracts, such as currency forwards, currency swaps, interest rate swaps (IRS), call options, non-deliverable forwards (NDF) and other interest rate derivatives. These derivatives are entered into as a service to customers and as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the statement of income and are included in 'Trading, securities and foreign exchange gain - net'. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Investment securities at FVOCI
Investment securities at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of investment securities at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statement of comprehensive income as 'Change in net unrealized loss on investment securities at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flow that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVOCI is reported in the statement of income. Interest earned on holding debt securities at FVOCI are reported as 'Interest Income' using the effective interest rate (EIR) method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the statement of comprehensive income is recognized as 'Trading, securities and foreign exchange gain - net' in the statement of income. The expected credit loss (ECL) arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision for credit and impairment losses' in the statement of income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the statement of income as 'Dividends' when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statement of comprehensive income is reclassified to 'Surplus' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

Financial assets at amortized cost
Financial assets at amortized cost are debt financial assets that meet both of the following conditions: (i) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. This accounting policy relates to the statement of financial position captions 'Due from BSP', 'Due from other banks', 'Interbank loans receivable and SPURA', 'Investment securities at amortized cost' and 'Loans and receivables'.

After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the EIR method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of income. Gains and losses are recognized in statement of income when these investments are derecognized or impaired, as well as through the amortization process. The ECL are recognized in the statement of income under 'Provision for credit and impairment losses'. The effects of revaluation on foreign currency-denominated investments are recognized in the statement of income

Financial liabilities at amortized cost
Issued financial instruments or their components, which are not designated at FVTPL, are classified as liabilities under 'Deposit liabilities', 'Bills payable and securities sold under repurchase agreements (SSURA)', 'Bonds payable', or 'Subordinated debts' or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, bills payable and similar financial liabilities not qualified as and not designated at FVTPL, are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Financial Guarantees and Undrawn Loan Commitments
The Group issues financial guarantees and loan commitments. Financial guarantees are those issued by the Group to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract/agreement. Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. Starting January 1, 2018, these contracts are in the scope of the ECL requirements where the Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and undrawn loan commitments is recognized in ‘Miscellaneous liabilities’ under ‘Other liabilities’.

Derecognition of Financial Assets and Financial Liabilities
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:
- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. The extent of the Group’s continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Group’s continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group’s continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Group could be required to repay (‘the guarantee amount’). When the Group’s continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in case of a written put option to an asset that is measured at fair value, the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Group’s continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Group’s continuing involvement is measured in the same way as that which results from non-cash settled options.

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

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

Repurchase and reverse repurchase agreements
Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized in the statement of financial position as SSURA included in 'Bills payable and SSURA' and is considered as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized in the statement of financial position. The corresponding cash paid including accrued interest, is recognized in the statement of financial position as SPURA, and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the EIR method.

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

Impairment of Financial Assets
Policies applicable beginning January 1, 2018
The adoption of PFRS 9 has changed the Group's loss impairment method on financial assets by replacing PAS 39's incurred loss approach with a forward-looking ECL approach which covers all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts.

Overview of the ECL principles
ECL represents credit losses that reflect an unbiased and probability weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and time value of money. The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no SICR of the financial asset since origination. Otherwise if a SICR is observed, then the ECL estimation is extended until the end of the life of the financial asset. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the reporting date. The Lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The major portfolios of financial assets identified upon initial analysis of the Group's credit exposure are loan receivables, treasury accounts, and other receivables. Loan receivables may be availed by specific individuals, corporations or organizations. Hence, these portfolios can be further segmented to commercial and consumer portfolios. After segmentation, financial assets are grouped into Stage 1, Stage 2, and Stage 3 as described below.

Definition of "default" and "cure"
The Group defines a financial instrument as in default, which is fully aligned with the definition of non-performing loans i.e. credit impaired, in all cases when the borrower becomes more than 90 days (more than 30 days in 2018) past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

Treasury exposures are considered in default upon occurrence of a credit event such as but not limited to bankruptcy of counterparty, restructuring, failure to pay on agreed settlement date, or request for moratorium.

SICR
In order to determine whether an instrument is subject to 12-month or Lifetime ECL, the Group assesses whether there has been a SICR since initial recognition. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative and qualitative factors. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses (i.e. with internal credit rating of 6 due to financial or repayment concerns or lower). These may include adverse trends or developments of financial, managerial, economic or political nature, or a significant weakness in collateral. Credit weakness may be manifested by unfavorable record or unsatisfactory characteristics or may only be potential that deserves management's close attention and may lead to significant losses or may result in collection or liquidation of the outstanding loan amount to be highly improbable. For exposures without internal credit grades, if contractual payments are more than 30 days past due (1 day past due in 2018), the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial asset improves over an observable period such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.

Staging assessment
For non-credit-impaired financial assets:

- Stage 1 is comprised of all non-impaired financial assets which have not experienced a SICR since initial recognition. The Group recognizes a 12-month ECL for Stage 1 financial assets.
- Stage 2 is comprised of all non-impaired financial assets which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 financial assets.

For credit-impaired financial assets:

- Financial assets are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial asset or a portfolio of financial assets. ECL for Stage 3 exposure are computed on a per account, taking into consideration the present value of the expected recoverable cash flows from each transaction.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired (POCI) assets. These are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs. POCI assets pertain to loans purchased by the Parent Company from MBCL.

Assessment of ECL on a collective basis
The Group calculates ECL either on an individual or a collective basis. The Group performs collective impairment by grouping exposures into smaller homogenous portfolios based on a combination of borrower and account characteristics. Accounts with similar risk attributes (i.e. facility, security, credit rating, months-on-books, utilization and collateral type, etc.) are pooled together for calculating provisions based on the ECL models.

ECL parameters and methodologies
ECL is a function of the probability of default (PD), exposure-at-default (EAD), and loss-given default (LGD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgement.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual financial asset is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

EAD consists of the amortized cost and any accrued interest receivable. For off-balance sheet and undrawn committed amounts, EAD includes a credit conversion factor which is an estimate of any further amount to be drawn at the time of default.

LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

The Group applies a simplified ECL approach for its accounts receivables wherein the Group uses a provisioning matrix that considers historical changes in the behavior of the portfolio to predict conditions over the span of a given observation period.

MCC offers credit card facilities, in which MCC has the right to cancel and/or reduce the facilities with one-day notice. MCC does not limit its exposure to credit losses to the contractual notice period, but instead, calculates ECL over a period that reflects MCC's expectations of the customers' behavior, their likelihood of default, and MCC's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and MCC's expectations, the period over which MCC calculates ECL for these products is two years. The interest rate used to discount the ECL for credit cards is based on contractual interest rate. These rates are also used to discount future recoveries over a period of five years as these cover the cost of securing an equivalent fund. MCC uses the contractual interest rate as discounting factor as MCC estimates that this rate is reflective of the EIR.

Forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as growth of the gross domestic product, inflation rates, unemployment rates, interest rates and BSP statistical indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

In 2018, the Company incorporated forward-looking information to its ECL estimation using the following economic inputs:
- Gross Domestic Product (GDP) (current) growth
- London Interbank Offered Rate (LIBOR)
- PHP / USD exchange rate

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

Debt investment securities measured at FVOCI
The ECL for debt securities at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to profit or loss upon derecognition of these financial assets.

Policies applicable prior to January 1, 2018
The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost
For financial assets carried at amortized cost such as loans and receivables, due from other banks, interbank loans and SPURA, and HTM investments, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. For individually assessed

financial assets, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment. The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of income. Interest income continues to be recognized based on the original EIR of the asset. Financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to 'Recovery on charged-off assets' under 'Miscellaneous income' in the statements of income. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as industry, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such as changes in property prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The Group also uses the Net Flow Rate (NFR) method to determine the credit loss rate of a particular delinquency age bucket based on historical data of flow-through and flow-back of loans across specific delinquency age buckets. The allowance for credit losses is determined based on the results of the net flow to write-off methodology. Net flow tables are derived from monitoring of monthly peso movements between different stage buckets, from 1-day past due to 180-day past due. The net flow to write-off methodology relies on the last 12 months of net flow tables to establish a NFR percentage of accounts receivable that are current or in any state of delinquency (i.e., 30, 60, 90, 120, 150 and 180 day past due) as of reporting date that will eventually result in write-off. The gross provision is then computed based on the outstanding balances of the receivables as of statement of financial position date and the NFRs determined for the current and each delinquency bucket. This gross provision is reduced by the estimated recoveries, which are also based on historical data, to arrive at the required allowance for credit losses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS investments
In case of quoted equity securities classified as 'AFS investments', this would include a significant or prolonged decline in the fair value of the securities below their cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income - is removed from OCI and recognized in the statement of income. Impairment losses on equity securities are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in OCI. In case of unquoted equity securities classified as 'AFS investments', the amount of the impairment is measured as the difference between their carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

In case of debt instruments classified as 'AFS investments', impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the statement of income. If subsequently, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

Restructured Loans
Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews and monitors restructured loans until derecognition to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for credit and impairment losses' in the statement of income. When the loan has been restructured but not derecognized, the Group also reassesses whether there has been a SICR and considers whether the assets should be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.

Collateral Valuation of Financial Assets
Collateral, unless repossessed, is not recorded in the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed every other year. However, some collaterals, for example, cash or securities relating to margining requirements, are valued daily.

Revenue Recognition
Effective January 1, 2018
Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group concluded that it is acting as a principal in all of its revenue arrangements except for certain brokerage transactions. The following specific recognition criteria must also be met before revenue is recognized within the scope of PFRS 15:

Fee and commission income
The Group earns fee and commission income from a diverse range of services it provides to its customers, which are divided into the following two categories:

a. *Fee income earned from services that are provided over a certain period of time*
Fees earned for the provision of services over a period of time are accrued over that period as the customer simultaneously receives and consumes the benefits provided by the Group. Using an output method, revenue is recognized if the Group has a right to invoice the customer for services directly corresponding to performance completed to date. These fees include investment fund fees, custodian fees, fiduciary fees, asset management fees, and income from trust operations.

b. *Fee income from providing transaction services*
Fees arising from negotiating or participating in the negotiation of a transaction for a third party - such as commission income, underwriting fees, corporate finance fees, advisory fees and brokerage fees for the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Prior to January 1, 2018, the Group adopted PAS 18 in accounting for the above fees and commissions. The Group assessed that there is no difference in accounting for the above fees and commission income under PFRS 15 and PAS 18.

Discounts earned, membership fees and awards revenue on credit cards
The following table provides information about the nature and timing of the satisfaction of performance obligations for the Group's credit card business, including significant payment terms, and the related revenue recognition policies.

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under PFRS 15	Revenue recognition under PAS 18
Discounts earned	Charges arising from credit availments by the Group's and other credit companies' cardholders when the Group is acting as an acquirer. These discounts are computed based on certain agreed rates. These also include interchange income from transactions processed by other acquirers through VISA and Mastercard and fees from cash advance transactions of cardholders.	Recognized as revenue upon receipt from member establishments of charges arising from credit availments by the Group's cardholders and other credit companies' cardholders when the Group is acting as an acquirer.	Recognized as revenue upon receipt from member establishments of charges arising from credit availments by the Group's cardholders and other credit companies' cardholders when the Group is acting as an acquirer.
Membership fees and dues	Periodically charged to cardholders upfront.	Deferred and recorded under 'Deferred revenue' and recognized on a straight-line basis over the period the fee entitles the cardholders to use the card.	Deferred and recorded under 'Deferred revenue' and recognized on a straight-line basis over the period the fee entitles the cardholders to use the card.

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under PFRS 15	Revenue recognition under PAS 18
Awards revenue	The Group operates a loyalty points program, which allows customers to accumulate points when they purchase from member establishments using the issued card of the Group. The points accumulate and do not expire.	The Group allocates a portion of the consideration received from discounts earned and interchange fees from credit cards to the reward points based on the estimated stand-alone selling prices. The amount allocated to the loyalty program is deferred, and is recognized as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote.	A proportion of the revenue from discounts earned and interchange fees from credit cards is allocated to the reward points. The allocated revenue that corresponds to the total fair value of the reward points is determined by applying statistical analysis. The fair value of the points issued is deferred and recorded under 'Deferred revenue' and recognized as revenue when the points are redeemed.

Revenues outside the scope of PFRS 15

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as investment securities at FVOCI investments, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as 'Interest income'. Loan commitment fees that are likely to be drawn down are deferred (together with any incremental costs) and recognized as an adjustment to the EIR of the loan.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3 (as discussed in "Impairment of Financial Assets" above), the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis. Under PAS 39 (applicable prior to January 1, 2018), once the recorded value of a financial asset or group of similar financial assets carried at amortized cost has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Purchases by credit cardholders, collectible on an installment basis, are recorded at the cost of the items purchased plus a certain percentage of cost. The excess over cost is credited to 'Unearned discount' and is shown as a deduction from 'Loans and receivables' in the consolidated statement of financial position. The unearned discount is taken up to interest income over the installment terms and is computed using the EIR method.

Recovery on charged-off assets

Income arising from collections on accounts or recoveries from impairment of items previously written off are recognized in the year of recovery.

Leasing income - Finance lease

The excess of aggregate lease rentals plus the estimated residual value over the cost of the leased equipment constitutes the unearned lease income. Residual values represent estimated proceeds from the disposal of equipment at the time lease is estimated. The unearned lease income is amortized over the term of the lease, commencing on the month the lease is executed using the EIR method.

Dividend income

Dividend income is recognized when the Group's right to receive payment is established.

Trading and securities gain (loss) - net
Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL and gains and losses from disposal of investment securities at FVTPL, debt securities at FVOCI/AFS and HTM investments.

Rental income
Rental income arising on leased properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the statement of income under 'Leasing'.

Income on direct financing leases and receivables financed
Income on loans and receivables financed with short-term maturities is recorded in 'Interest income' and is recognized using the EIR method. Interest and finance fees on finance leases and loans and receivables financed with long-term maturities and the excess of the aggregate lease rentals plus the estimated terminal value of the leased equipment over its cost are credited to unearned discount and amortized over the term of the note or lease using the EIR method.

Gain on sale of investment in associate
Upon loss of significant influence over an associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Gain on sale of non-current asset held for sale
The gain or loss arising from the sale of non-current asset held for sale is included in profit or loss when the item is derecognized. The gain or loss arising from the derecognition of non-current asset held for sale is determined as the difference between the net disposal proceeds and its carrying amount on the date of the transaction.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks, and interbank loans receivable and SPURA with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value.

Property and Equipment
Land is stated at cost less any impairment in value and depreciable properties including buildings, furniture, fixtures and equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization, and any impairment in value. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met but excludes repairs and maintenance costs. Building under construction (BUC) is stated at cost and includes cost of construction and other direct costs. BUC is not depreciated until such time that the relevant asset is completed and put into operational use.

Depreciation is calculated on the straight-line method over the estimated useful life of the depreciable assets. Leasehold improvements are amortized over the shorter of the terms of the covering leases and the estimated useful lives of the improvements. The range of estimated useful lives of property and equipment follows:

Buildings	25 to 50 years
Furniture, fixtures and equipment	2 to 5 years
Leasehold improvements	5 to 20 years

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income under 'Profit from assets sold' in the year the asset is derecognized.

Investments in Subsidiaries, Associates and a Joint Venture (JV)

Investment in subsidiaries

Subsidiaries pertain to all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights.

Investment in associates

Associates pertain to all entities over which the Group and the Parent Company have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investment in associates is accounted for under the equity method of accounting.

Investment in a JV

A JV is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the JV. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investment in a JV is accounted for under the equity method of accounting. The Group's investment in a JV represents the 30% interest of PSBank in Sumisho Motor Finance Corporation (SMFC) (Note 11).

Upon loss of significant influence over the associate or joint control over the JV, the Group and the Parent Company measure and recognize any retained investment at its fair value. Any difference between the carrying amount of the associate or JV upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the statement of income.

Under the equity method, investments in associates and a JV are carried in the statement of financial position at cost plus post-acquisition changes in the Group's and the Parent Company's share of the net assets of the associate or JV less any impairment in value. Post-acquisition changes in the share of net assets of the associate or a JV include the share in the: (a) income or losses; and (b) unrealized gain or loss on investment securities, remeasurement of retirement plans and others. Dividends received are treated as a reduction in the carrying values of the investments. Goodwill relating to the associate and a JV is included in the carrying value of the investment and is not amortized. When the Group and the Parent Company increase its ownership interest in an associate or a JV that continues to be accounted for under the equity method, the cost for the additional interest is added to the existing carrying amount of the associate or JV and the existing interest in the associate or JV is not remeasured. The share in an associate or a JV's post-acquisition profits or losses is recognized in the statement of income as 'Share in net income of subsidiaries, associates and a joint venture' while its share of post-acquisition movements in the associate or JV's equity reserves is recognized directly in the statement of comprehensive income. When the share of losses in an associate or a JV equals or exceeds its interest in the associate or JV, including any other unsecured receivables, the Group and the Parent Company do not recognize further losses, unless it incurred obligations or made payments on behalf of the associate or JV which is recognized as miscellaneous liabilities. Profits and losses resulting from transactions between the Group or the Parent Company and an associate or JV are eliminated to the extent of the Group or the Parent Company's interest in the associate or JV.

Investments in subsidiaries in the separate financial statements are accounted for under the equity method similarly as investments in associates and JV. Equity in other comprehensive income (losses) of subsidiaries and changes therein are included in remeasurement losses on retirement plan, net unrealized loss on investment securities at FVOCI and AFS investments, and translation adjustments and others as appropriate together with the Parent Company in the separate statement of financial position and statement of comprehensive income.

Investment Properties
Investment properties are measured initially at cost, including transaction costs. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured in which case the investment property acquired is measured at the carrying amount of asset given up. The difference between the fair value of the asset received and the carrying amount of the asset given up is recorded as 'Gain on initial recognition of investment properties' under 'Miscellaneous income'. Foreclosed properties are classified under 'Investment properties' upon: a.) entry of judgment in case of judicial foreclosure; b.) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or c.) notarization of the Deed of Dacion in case of dation in payment (*dacion en pago*). Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation (for depreciable investment properties) and impairment in value.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of income under 'Profit from assets sold' in the year of retirement or disposal.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to operations in the year in which the costs are incurred. Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the investment properties based on appraisal reports but not to exceed 50 years for buildings and condominium units.

Transfers are made to investment properties when, and only when, there is a change in use evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use evidenced by commencement of owner occupation or commencement of development with a view to sale.

Interest in Joint Operations
The Group is a party to joint operations whereby it contributed parcels of land for development into residential and commercial units. In respect of the Group's interest in the joint operations, the Group recognizes the following: (a) the assets that it controls and the liabilities that it incurs; and (b) the expenses that it incurs and its share of the income that it earns from the sale of units by the joint

operations. The assets contributed to the joint operations are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale (Note 14).

Chattel Mortgage Properties
Chattel mortgage properties comprise of repossessed vehicles. Chattel mortgage properties are stated at cost less accumulated depreciation and impairment in value. Depreciation is calculated on a straight-line basis using the remaining useful lives from the time of acquisition of the vehicles. The useful lives of chattel mortgage properties are estimated to be five years.

Subordinated Notes
Subordinated notes issued by Special Purpose Vehicles (SPV) (presented as 'Investment in SPVs' under 'Other assets') are stated at amortized cost reduced by an allowance for credit losses. The allowance for credit losses is determined based on the difference between the outstanding principal amount and the recoverable amount which is the present value of the future cash flow expected to be received as payment for the subordinated notes.

Intangible Assets
Software costs
Software costs (presented under 'Other assets') are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortized over three to five years on a straight-line basis. Costs associated with maintaining the computer software programs are recognized as expense when incurred. Software costs are carried at cost less accumulated amortization.

Exchange trading right
Exchange trading right (included in 'Miscellaneous assets' presented under 'Other assets') is a result of the PSE conversion plan to preserve access of First Metro Securities Brokerage Corporation (FMSBC), a subsidiary of FMIC, to the trading facilities and continue transacting business in the PSE. The exchange trading right has an indefinite useful life as there is no foreseeable limit to the period over which this asset is expected to generate net cash inflows. It is carried at the amount allocated from the original cost to the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less any allowance for impairment losses. FMSBC does not intend to sell the exchange trading right in the near future.

Goodwill
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. With respect to investments in associates and a JV, goodwill is included in the carrying amounts of the investments. Following initial recognition, goodwill is measured at cost net of impairment losses (see accounting policy on "Impairment of Non-financial Assets").

Customized System Development Cost
Customized system development cost consists of payments for customization of various banking systems. This account will be reclassified to appropriate accounts upon completion and will be depreciated and amortized from the time the asset is ready for its intended use (Note 14).

Impairment of Non-financial Assets
Property and equipment, investments in subsidiaries, associates and a JV, investment properties, chattel mortgage properties, intangible assets with finite useful lives and other assets
At each statement of financial position date, the Group assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when an annual

impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell (FVLCTS) and its value in use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to operations in the year in which it arises.

An assessment is made at each statement of financial position date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Intangible assets with indefinite useful lives and customized system development cost not yet available for use
Intangible assets with indefinite useful lives such as exchange trading right and customized system development cost not yet available for use are tested for impairment annually at statement of financial position date either individually or at the cash generating unit level, as appropriate.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit (CGU) (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which goodwill has been allocated, an impairment loss is recognized immediately in the statement of income. The Group uses the higher of FVLCTS and VIU using cash flow projections from financial budgets approved by senior management in determining the recoverable amount.

<u>Leases</u>
Group as lessee
<u>Policies applicable beginning January 1, 2019</u>
The Group assesses at contract inception whether a contract is, or contains a lease. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right-of-use the underlying assets.

ROU assets
The Group recognizes ROU assets (included in 'Property and Equipment') at the commencement date of the lease (i.e. the date the underlying asset is available for use). ROU assets are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of

lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

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

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

The Group's lease liabilities are included in Other Liabilities (Note 21).

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

Residual value of leased assets and deposits on lease contracts
The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

<u>*Policies applicable prior to January 1, 2019*</u>
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:
(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
(c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to the ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in 'Property and equipment' with the corresponding liability to the lessor included in 'Other liabilities'. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded directly to 'Interest expense'.

Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risk and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income under 'Ocupancy and equipment-related cost' on a straight-line basis over the lease term. Contingent rental payables are recognized as expense in the year in which they are incurred. Any prepaid rent and accrued rent were recognized under 'Prepaid expenses' lodged in 'Other assets' and 'Accrued other expenses' lodged in 'Accrued interest and other expenses', respectively.

Group as lessor
Finance leases, where the Group transfers substantially all the risks and benefits incidental to the ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and receivables'. All income resulting from the receivable is included in 'Interest income' in the statement of income.

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

<u>Retirement Cost</u>
The Group has a non-contributory defined benefit retirement plan except for FMIIC and its subsidiary which follow the defined contribution retirement benefit plan and the Mandatory Provident Fund Scheme (MPFS). The retirement cost of the Parent Company and most of its subsidiaries is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current year. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (DBO) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries. Net interest on the net defined benefit liability or asset is the change during the year in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss. Retirement expense is presented under 'Compensation and fringe benefits' in the statement of income. Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the DBO, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a DBO is recognized as a separate asset at fair value when and only when reimbursement is virtually certain. Payments to the defined contribution retirement benefit plans and the MPFS are recognized as expenses when employees have rendered service entitling them to the contributions.

Equity

When the shares are sold at a premium, the difference between the proceeds and par value is credited to 'Capital paid in excess of par value', net of direct costs incurred related to the equity issuance. If 'Capital paid in excess of par value' is not sufficient, the excess is charged against surplus. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of stocks issued.

Surplus represents accumulated earnings of the Group less dividends declared.

Own equity instruments which are reacquired or Parent Company's shares acquired by its subsidiaries (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in 'Capital paid in excess of par value'. Voting rights related to treasury stocks are nullified and no dividends are allocated. When the stocks are retired, the Common stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to capital paid in excess of par value at the time the stocks were issued and to surplus for the remaining balance.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as 'Interest expense'.

Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Income Taxes

Current taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxing authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date. Effective January 1, 2019, management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred taxes

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

a. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
b. In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized except:

a. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
b. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current tax and deferred tax relating to items recognized directly in equity are recognized in OCI and not in the statement of income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same taxation authority.

Earnings Per Share
Basic earnings per share is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year. The Group does not have dilutive potential common shares.

Dividends on Common Shares
Cash dividends on common shares are recognized as a liability and deducted from the equity when approved by the Board of Directors (BOD) of the Parent Company while stock dividends are deducted from equity when approved by BOD and shareholders of the Parent Company. Dividends declared during the year but are paid or issued after the statement of financial position date are dealt with as a subsequent event.

Debt Issuance Costs
Issuance, underwriting and other related costs incurred in connection with the issuance of debt instruments are deferred and amortized over the terms of the instruments using the EIR method. Unamortized debt issuance costs are included in the related carrying amount of the debt instrument in the statement of financial position.

Capital Securities Issuance Costs
Issuance, underwriting and other related costs incurred in connection with the issuance of the capital securities are treated as a reduction of equity against ‘Capital paid in excess of par value’.

Events after the Statement of Financial Position Date
Post year-end events that provide additional information about the Group’s position at the statement of financial position date (adjusting event) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

Segment Reporting
The Group’s operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6.

Fiduciary Activities
Assets and income arising from fiduciary activities together with related undertakings to return such assets to customers are excluded from the financial statements where the Parent Company and PSBank act in a fiduciary capacity such as nominee, trustee or agent.

Standards Issued but not yet Effective

The list below consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial statements.

Effective beginning on or after January 1, 2020
Amendments to PFRS 3, *Business Combinations - Definition of a Business*
The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business. An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments will apply to future business combinations of the Group.

Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*
The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements. An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021
PFRS 17, *Insurance Contracts*
PFRS 17 provides updated information about the obligation, risks and performance of insurance contracts, increases transparency in financial information reported by insurance companies, and introduces consistent accounting for all insurance contracts based on a current measurement model. The standard is effective for annual periods beginning on or after January 1, 2021. Early application is permitted but only if the entity also applies PFRS 9 and PFRS 15.

Deferred effectivity
Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments and Estimates

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

Judgments

a. *Classification of financial assets*

Beginning January 1, 2018, the Group classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial asset are SPPI on the principal amount outstanding. The Group performs the business model assessment based on observable factors such as:

- Performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- Compensation of business units whether based on the fair value of the assets managed or on the contractual cash flows collected
- Expected frequency, value and timing of sales

In performing the SPPI test, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, the period for which the interest rate is set, contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms and other features that may modify the consideration for the time value of money.

b. *Consolidation of subsidiaries*

The determination whether the Group has control over an investee company requires significant judgment. The Group considers that the following criteria are all met, including: (a) an investor has the power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's return.

In accordance with PFRS 10, the Group included the accounts of First Metro Save and Learn Balance Fund, Inc. (FMSALBF), First Metro Save and Learn Equity Fund, Inc. (FMSALEF), First Metro Save and Learn Fixed Income Fund (FMSLFIF), First Metro Philippine Equity Exchange Traded Fund, Inc. (FMPETF), First Metro Save and Learn F.O.C.C.U.S. Dynamic Fund, Inc. and First Metro Save and Learn Money Market Fund, Inc., collectively the "Funds", in its consolidated financial statements. The Group re-assessed the control conclusion for these Funds. Although the ownership is less than half of the voting power of these investees, the Group has control due to its power to direct the relevant activities of the Funds through First Metro Asset Management Inc. (FAMI), a subsidiary of FMIC, which acts as the fund manager of the Funds. Further, the Group has the exposure to variable returns from its investments and its ability to use its power over the Funds to affect their returns.

c. *Existence of significant influence over an associate with less than 20.00% ownership*
As discussed in Note 11, there are instances that an investor exercises significant influence even if its ownership is less than 20.00%. The Group applies significant judgment in assessing whether it holds significant influence over an investee and considers the following:
(a) representation in the board of directors or equivalent governing body of the investee;
(b) participation in policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions between the investor and the investee;
(d) interchange of managerial personnel; (e) joint voting agreement with other investors; or
(f) provision of essential technical information.

d. *Fair value of financial instruments*
Where the fair values of financial assets and financial liabilities recorded in the statement of financial position 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 (Note 5).

e. *Leases*
Group as lessor
The Group has entered into commercial property leases on its investment properties portfolio and over various items of furniture, fixtures and equipment. The Group has determined, based on an evaluation of the terms and conditions of the arrangements (i.e., the lease does not transfer ownership of the asset to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life), that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Extension and termination options
The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors such as leasehold improvements and location that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Estimating the IBR for lease liabilities
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR for lease liabilities is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Group estimates the IBR for lease liabilities using observable inputs (by reference to prevailing risk-free rates) adjusted to take into account the entity's credit risk (i.e., credit spread).

f. Contingencies
The Group is currently involved in legal proceedings. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsel handling the Group's defense in this matter and is based upon an analysis of potential results. It is probable, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to this proceeding (Note 31).

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.

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. In 2019, 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. In 2019, the Parent Company recalibrated its lifetime PD models and loss rates (for portfolios to which the loss rate approach is applied).
- 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 December 31, 2019 and December 31, 2018 are disclosed in Note 4, while the related ECL allowances for credit losses are disclosed in Note 15. In 2019 and 2018, provision for credit losses on these financial assets amounted to ₱9.6 billion and ₱7.7 billion, respectively for the Group and ₱1.6 billion and ₱0.8 billion, repectively for the Parent Company (Note 16).

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. The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The recognized net deferred tax assets and unrecognized deferred tax assets for the Group and the Parent Company are disclosed in Note 28.

c. *Present value of retirement liability*
The cost of defined retirement pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and the long-term nature of these plans, such estimates are subject to significant uncertainty. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the statement of financial position date. The present values of the retirement liability of the Group and the Parent Company are disclosed in Note 27.

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

The Group uses the higher of FVLCTS and VIU in determining recoverable amount. As of December 31, 2019 and 2018, 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 December 31, 2019, allowance for impairment loss on investment in associate amounted to ₱513.6 million.

The carrying values of the property and equipment, investments in subsidiaries, associates and a JV, investment properties, software costs, chattel mortgage properties, and other assets of the Group and the Parent Company are disclosed in Notes 11, 12, 13 and 15, respectively.

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

The fair value of the CGU is determined using the 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 December 31, 2019 and 2018, the Group's goodwill amounted to ₱5.2 billion (Note 11).

4. Financial Risk and Capital Management

Introduction

The Group has exposure to the following risks from its use of financial instruments: (a) credit; (b) liquidity; and (c) market risks.

Risk management framework

The Board of Directors (BOD) has overall responsibility for the oversight of the Parent Company's risk management process. On the other hand, the risk management processes of the subsidiaries are the separate responsibilities of their respective BOD. Supporting the BOD in this function are certain Board-level committees such as Risk Oversight Committee (ROC), Audit Committee (AC) and senior management committees through the Executive Committee and 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 the RSK and Internal Audit Group, respectively.

Management of credit risk

The Group faces potential credit risks every time it extends funds to borrowers, commits funds to counterparties, guarantees the paying performance of its clients, invests funds to issuers (e.g., investment securities issued by either sovereign or corporate entities) or enter into either market-traded or over-the-counter derivatives, either through implied or actual contractual agreements (i.e., on- or off-balance sheet exposures). The Parent Company manages its credit risk at various levels (i.e., strategic level, portfolio level down to individual obligor or transaction) by adopting a credit risk management environment that has the following components:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit/financial assessment, risk grading and reporting and compliance with regulatory requirements;
- Establishment of authorization limits for the approval and renewal of credit facilities;
- Limiting concentrations of exposure to counterparties and industries (for loans), and by issuer (for investment securities);
- Utilizing the Internal Credit Risk Rating System (ICRRS) in order to categorize exposures according to their risk profile. The risk grading system is used for determining impairment provisions against credit exposures. The current risk grading framework consists of ten grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation; and
- Monitoring compliance with approved exposure limits.

Borrowers, counterparties or group of related accounts across the Group are aggregated and managed by the Parent Company's Institutional Banking Sector as the "Control Unit". Group Limits for conglomerates are set-up and approved to guide subsidiaries and affiliates of the Group. Consolidated exposures are regularly reported to senior management and the ROC.

Credit risk at initial recognition
The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

Modification
In certain circumstances, the Group modifies the original terms and conditions of a credit exposure to form a new loan agreement or payment schedule. The modifications can be given depending on the borrower's or counterparty's current or expected financial difficulty. The modifications may include, but are not limited to, change in interest rate and terms, principal amount, maturity date, date and amount of periodic payments and accrual of interest and charges.

Maximum exposure to credit risk
An analysis of the maximum credit risk exposure (net of allowance for ECL) relating to financial assets with collateral or credit enhancements is shown below:

	Consolidated							
	2019				2018			
	Maximum Exposure to Credit Risk	**Fair Value of Collateral**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Interbank loans receivable and SPURA	**₱401**	**₱401**	**₱401**	**₱–**	₱8,067	₱8,060	₱8,058	₱9
Loans and receivables - net								
Receivables from customers								
Commercial loans	**341,616**	**856,065**	**299,588**	**42,028**	305,371	793,563	283,893	21,478
Auto loans	**116,069**	**202,470**	**115,636**	**433**	116,975	197,160	116,465	510
Residential mortgage loans	**109,093**	**207,864**	**93,723**	**15,370**	106,818	202,043	96,980	9,838
Trade loans	**61,260**	**59,907**	**59,785**	**1,475**	59,972	58,936	58,718	1,254
Others	**796**	**738**	**702**	**94**	674	694	655	19
	628,834	**1,327,044**	**569,434**	**59,400**	589,810	1,252,396	556,711	33,099
Accrued interest receivable	**3,507**	**3,370**	**3,370**	**137**	3,424	3,416	3,416	8
Sales contract receivable	**142**	**414**	**100**	**42**	155	347	122	33
	632,483	**1,330,828**	**572,904**	**59,579**	593,389	1,256,159	560,249	33,140
Total	**₱632,884**	**₱1,331,229**	**₱573,305**	**₱59,579**	₱601,456	₱1,264,219	₱568,307	₱33,149

	Parent Company							
	2019				2018			
	Maximum Exposure to Credit Risk	**Fair Value of Collateral**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**	Maximum Exposure to Credit Risk	Fair Value of Collateral	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Interbank loans receivable and SPURA	**₱–**	**₱–**	**₱–**	**₱–**	₱1,459	₱1,634	₱1,459	₱–
Loans and receivables - net								
Receivables from customers								
Commercial loans	**296,577**	**806,784**	**264,137**	**32,440**	269,607	753,469	254,545	15,062
Auto loans	**23,674**	**63,917**	**23,330**	**344**	29,109	74,249	28,646	463
Residential mortgage loans	**56,977**	**114,374**	**56,780**	**197**	57,239	113,903	57,026	213
Trade loans	**61,260**	**59,907**	**59,785**	**1,475**	59,908	58,873	58,654	1,254
Others	**796**	**738**	**703**	**93**	659	685	647	12
	439,284	**1,045,720**	**404,735**	**34,549**	416,522	1,001,179	399,518	17,004
Accrued interest receivable	**1,659**	**1,656**	**1,656**	**3**	1,489	1,483	1,483	6
Sales contract receivable	**100**	**187**	**100**	–	116	140	109	7
	441,043	**1,047,563**	**406,491**	**34,552**	418,127	1,002,802	401,110	17,017
Total	**₱441,043**	**₱1,047,563**	**₱406,491**	**₱34,552**	₱419,586	₱1,004,436	₱402,569	₱17,017

The maximum exposure to credit risks for the other financial assets is limited to their carrying values as of December 31, 2019 and 2018.

Collaterals on loans and receivables includes real estate and chattel mortgages, guarantees, and other registered securities over assets (Note 9). Generally, collateral is not held over loans and advances to banks except for reverse repurchase agreements and certain due from other banks. Collateral usually is not held against investment securities, and no such collateral was held as of December 31, 2019 and 2018. Estimates of fair values of the collateral are based on the value of collateral assessed at the time of borrowing and are regularly updated according to internal lending policies and regulatory guidelines. The Group is not permitted to sell or repledge the collateral in the absence of default by the counterparty.

The following tables show the effect of rights of set-off associated with the recognized financial assets and financial liabilities.

	Gross Carrying Amounts (before offsetting)	**Gross Amounts Offset in accordance with the Offsetting Criteria**	**Net Amount Presented in Statement of Financial Position**	**Effect of Remaining Rights of Set-Off (including rights to set-off financial collateral) Not Meeting Offsetting Criteria**		
				Financial Instruments	**Fair Value of Financial Collateral**	**Net Exposure**
Financial assets recognized by type						
Consolidated						
2019						
Derivative assets	**₱233,601**	**₱225,128**	**₱8,473**	**₱1,634**	**₱–**	**₱6,839**
SPURA	**39,686**	–	**39,686**	–	**39,686**	–
	₱273,287	**₱225,128**	**₱48,159**	**₱1,634**	**₱39,686**	**₱6,839**
2018						
Derivative assets	₱178,920	₱168,270	₱10,650	₱1,534	₱–	₱9,116
SPURA	8,067	–	8,067	–	8,058	9
	₱186,987	₱168,270	₱18,717	₱1,534	₱8,058	₱9,125

	Gross Carrying Amounts (before offsetting)	Gross Amounts Offset in accordance with the Offsetting Criteria	Net Amount Presented in Statement of Financial Position	Effect of Remaining Rights of Set-Off (including rights to set-off financial collateral) Not Meeting Offsetting Criteria: Financial Instruments	Fair Value of Financial Collateral	Net Exposure
Financial assets recognized by type						
Parent Company						
2019						
Derivative assets	**₱233,601**	**₱225,128**	**₱8,473**	**₱1,634**	**₱–**	**₱6,839**
SPURA	**36,921**	**–**	**36,921**	**–**	**36,921**	**–**
	₱270,522	**₱225,128**	**₱45,394**	**₱1,634**	**₱36,921**	**₱6,839**
2018						
Derivative assets	₱177,295	₱166,659	₱10,636	₱1,534	₱–	₱9,102
Financial liabilities recognized by type						
Consolidated						
2019						
Derivative liabilities	**₱236,188**	**₱228,780**	**₱7,408**	**₱1,634**	**₱–**	**₱5,774**
SSURA	**91,492**	**–**	**91,492**	**–**	**91,428**	**64**
	₱327,680	**₱228,780**	**₱98,900**	**₱1,634**	**₱91,428**	**₱5,838**
2018						
Derivative liabilities	₱172,755	₱166,221	₱6,534	₱1,534	₱–	₱5,000
SSURA	95,247	–	95,247	–	95,247	–
	₱268,002	₱166,221	₱101,781	₱1,534	₱95,247	₱5,000
Parent Company						
2019						
Derivative liabilities	**₱216,963**	**₱210,986**	**₱5,977**	**₱1,634**	**₱–**	**₱4,343**
SSURA	**90,780**	**–**	**90,780**	**–**	**90,716**	**64**
	₱307,743	**₱210,986**	**₱96,757**	**₱1,634**	**₱90,716**	**₱4,407**
2018						
Derivative liabilities	₱154,742	₱148,562	₱6,180	₱1,534	₱–	₱4,646
SSURA	95,247	–	95,247	–	95,247	–
	₱249,989	₱148,562	₱101,427	₱1,534	₱95,247	₱4,646

Excessive risk concentration

Credit risk concentrations can arise whenever a significant number of borrowers have similar characteristics and are affected similarly by changes in economic or other conditions. The Parent Company analyzes the credit risk concentration to an individual borrower, related group of accounts, industry, internal rating buckets, and security. For risk concentration monitoring purposes, the financial assets are broadly categorized into (1) loans and receivables and (2) trading and financial investment securities. To mitigate risk concentration, the Parent Company constantly checks for breaches in regulatory and internal limits.

Concentration of risks of financial assets with credit risk exposure

Below is an analysis of concentrations of credit risk at the reporting date based on carrying amount:

	Consolidated: Loans and Receivables*	Loans and Advances to Banks**	Investment Securities***	Others****	Total
2019					
Concentration by Industry					
Financial and insurance activities	**₱241,154**	**₱346,941**	**₱69,197**	**₱221,912**	**₱879,204**
Wholesale and retail trade, repair of motor vehicles, motorcycles	**233,963**	–	**154**	**25,268**	**259,385**
Manufacturing	**218,319**	–	**1,010**	**19,620**	**238,949**
Real estate activities	**232,781**	–	**5**	**1,105**	**233,891**
Transportation and storage, information and communication	**111,277**	–	**293**	**3,017**	**114,587**
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	**101,210**	–	**1,812**	**1,781**	**104,803**

(Forward)

	Consolidated				
	Loans and Receivables*	**Loans and Advances to Banks****	**Investment Securities*****	**Others******	**Total**
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	**₱82,359**	**₱–**	**₱–**	**₱185**	**₱82,544**
Construction	**64,442**	–	–	**10,326**	**74,768**
Agricultural, forestry and fishing	**41,102**	–	–	**508**	**41,610**
Accommodation and food service activities	**35,310**	–	–	**19**	**35,329**
Others*****	**142,633**	–	**380,043**	**3,040**	**525,716**
	1,504,550	**346,941**	**452,514**	**286,781**	**2,590,786**
Less allowance for credit losses	**24,223**	**6**	**26**	**9,681**	**33,936**
	₱1,480,327	**₱346,935**	**₱452,488**	**₱277,100**	**₱2,556,850**
Concentration by Location					
Philippines	**₱1,450,466**	**₱256,774**	**₱379,799**	**₱280,584**	**₱2,367,623**
Asia	**53,781**	**57,586**	**44,213**	**6,071**	**161,651**
USA	**237**	**13,369**	**17,778**	**125**	**31,509**
Europe	**51**	**16,897**	**7,561**	–	**24,509**
Others	**15**	**2,315**	**3,163**	**1**	**5,494**
	1,504,550	**346,941**	**452,514**	**286,781**	**2,590,786**
Less allowance for credit losses	**24,223**	**6**	**26**	**9,681**	**33,936**
	₱1,480,327	**₱346,935**	**₱452,488**	**₱277,100**	**₱2,556,850**
2018					
Concentration by Industry					
Financial and insurance activities	₱184,848	₱336,673	₱80,486	₱199,358	₱801,365
Manufacturing	218,850	–	967	28,694	248,511
Wholesale and retail trade, repair of motor vehicles, motorcycles	231,924	–	–	8,023	239,947
Real estate activities	210,582	–	1,416	912	212,910
Transportation and storage, information and communication	113,058	–	152	1,372	114,582
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	100,346	–	4,238	3,601	108,185
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	86,926	–	–	257	87,183
Construction	58,218	–	–	488	58,706
Agricultural, forestry and fishing	34,356	–	–	2,810	37,166
Accommodation and food service activities	32,211	–	–	5	32,216
Others*****	138,767	–	288,324	25,571	452,662
	1,410,086	336,673	375,583	271,091	2,393,433
Less allowance for credit losses	22,688	18	48	10,598	33,352
	₱1,387,398	₱336,655	₱375,535	₱260,493	₱2,360,081
Concentration by Location					
Philippines	₱1,371,536	₱249,078	₱323,643	₱265,578	₱2,209,835
Asia	38,166	53,007	25,362	5,298	121,833
USA	273	10,968	13,829	215	25,285
Europe	81	14,672	7,727	–	22,480
Others	30	8,948	5,022	–	14,000
	1,410,086	336,673	375,583	271,091	2,393,433
Less allowance for credit losses	22,688	18	48	10,598	33,352
	₱1,387,398	₱336,655	₱375,535	₱260,493	₱2,360,081

	Parent Company				
	Loans and Receivables*	**Loans and Advances to Banks****	**Investment Securities*****	**Others******	**Total**
2019					
Concentration by Industry					
Financial and insurance activities	**₱160,968**	**₱290,621**	**₱30,010**	**₱11,938**	**₱493,537**
Wholesale and retail trade, repair of motor vehicles, motorcycles	**215,828**	–	**154**	**25,268**	**241,250**
Manufacturing	**210,633**	–	**1,009**	**19,620**	**231,262**
Real estate activities	**182,336**	–	–	**660**	**182,996**
Transportation and storage, information and communication	**96,581**	–	**293**	**3,017**	**99,891**
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	**95,041**	–	**1,672**	**1,780**	**98,493**
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	**81,911**	–	–	**185**	**82,096**

(Forward)

	Parent Company				
	Loans and Receivables*	**Loans and Advances to Banks****	**Investment Securities*****	**Others******	**Total**
Construction	**₱50,120**	**₱–**	**₱–**	**₱10,273**	**₱60,393**
Agricultural, forestry and fishing	**37,474**	–	–	**509**	**37,983**
Accommodation and food service activities	**34,869**	–	–	**19**	**34,888**
Others*****	**22,021**	–	**371,682**	**1,844**	**395,547**
	1,187,782	**290,621**	**404,820**	**75,113**	**1,958,336**
Less allowance for credit losses	**13,922**	**1**	–	**9,681**	**23,604**
	₱1,173,860	**₱290,620**	**₱404,820**	**₱65,432**	**₱1,934,732**
Concentration by Location					
Philippines	**₱1,168,082**	**₱233,721**	**₱339,445**	**₱68,951**	**₱1,810,199**
Asia	**19,410**	**24,558**	**36,879**	**6,038**	**86,885**
USA	**230**	**13,198**	**17,778**	**124**	**31,330**
Europe	**46**	**16,885**	**7,560**	–	**24,491**
Others	**14**	**2,259**	**3,158**	–	**5,431**
	1,187,782	**290,621**	**404,820**	**75,113**	**1,958,336**
Less allowance for credit losses	**13,922**	**1**	–	**9,681**	**23,604**
	₱1,173,860	**₱290,620**	**₱404,820**	**₱65,432**	**₱1,934,732**
2018					
Concentration by Industry					
Financial and insurance activities	₱120,484	₱266,231	₱31,692	₱11,000	₱429,407
Manufacturing	213,184	–	967	28,694	242,845
Wholesale and retail trade, repair of motor vehicles, motorcycles	215,810	–	–	8,023	223,833
Real estate activities	164,310	–	–	873	165,183
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	97,581	–	3,836	3,601	105,018
Transportation and storage, information and communication	98,907	–	152	1,372	100,431
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	86,271	–	–	257	86,528
Construction	44,195	–	–	435	44,630
Agricultural, forestry and fishing	29,837	–	–	2,810	32,647
Accommodation and food service activities	31,762	–	–	5	31,767
Others*****	23,077	–	267,679	24,397	315,153
	1,125,418	266,231	304,326	81,467	1,777,442
Less allowance for credit losses	12,797	12	48	9,685	22,542
	₱1,112,621	₱266,219	₱304,278	₱71,782	₱1,754,900
Concentration by Location					
Philippines	₱1,110,240	₱208,586	₱258,035	₱75,993	₱1,652,854
Asia	14,810	23,471	19,773	5,261	63,315
USA	258	10,589	13,769	213	24,829
Europe	80	14,637	7,727	–	22,444
Others	30	8,948	5,022	–	14,000
	1,125,418	266,231	304,326	81,467	1,777,442
Less allowance for credit losses	12,797	12	48	9,685	22,542
	₱1,112,621	₱266,219	₱304,278	₱71,782	₱1,754,900

* Excludes statutory receivables which are not considered financial assets.
** Comprised of due from BSP, due from other banks and interbank loans receivable and SPURA.
*** Comprised of debt securities at FVOCI and investment securities at amortized cost.
**** Comprised of applicable accounts under other assets, financial guarantees and loan commitments and other credit-related liabilities.
***** Includes government-issued debt securities.

Credit quality per class of financial assets
The credit quality of financial assets is assessed and managed using external and internal ratings (applying ICRRS).

The ICRRS contains the following:

a. Borrower Risk Rating (BRR) - an assessment of the credit worthiness of the borrower (or guarantor) without considering the type or amount of the facility and security arrangements. It is an indicator of the probability that a borrower cannot meet its credit obligations when they fall due. The components of the assessment is described below:

Component	Description	Credit Factor Weight
Financial Condition	Refers to the financial condition of the borrower based on audited financial statements as indicated by certain financial ratios. The Financial Factor Evaluation is conducted manually.	40.00%
Industry Analysis	Refers to the prospects of the industry as well as the company's performance and position in the industry.	30.00%
Management Quality	Refers to the management's ability to run the company successfully.	30.00%

b. Facility Risk Factor (FRF) - determined for each individual facility considering the term of the facility, security arrangement and quality of documentation. This factor can downgrade or upgrade the BRR based on the elements relating to cover (collateral including pledged cash deposits and guarantee), quality of documentation and structure of transactions.

c. Adjusted Borrower Risk Rating - combination of BRR and FRF.

Loans and receivables

The credit quality is generally monitored using the 10-grade ICRRS which is integrated in the credit process. Validation of the individual borrower's risk rating is performed by the Credit Group to maintain accurate and consistent risk ratings across the credit portfolio. For commercial loans, the credit quality with the corresponding ICRRS Grade and description follows:

High Grade

1 - Excellent

An excellent rating is given to a borrower with a very low probability of going into default and with high degree of stability, substance and diversity. Borrower has access to raise substantial amounts of funds through public market at any time; very strong debt service capacity and has conservative balance sheet ratios. Track record in profit terms is very good. Borrower exhibits highest quality under virtually all economic conditions.

2 - Strong

This rating is given to borrowers with low probability of going into default in the coming year. Normally has a comfortable degree of stability, substance and diversity. Under normal market conditions, borrower has good access to public markets to raise funds. Have a strong market and financial position with a history of successful performance. Overall debt service capacity is deemed very strong; critical balance sheet ratios are conservative. Concerned multinationals or local corporations are well capitalized.

Standard Grade

3 - Good

This rating is given to smaller corporations with limited access to public capital markets or to alternative financial markets during favorable economic and/or market conditions. As it bears characteristics of some degree of stability and substance, probability of default is quite low. However, susceptibility to cyclical changes and more concentration of business risk, by product or market, may be present. Typical is the combination of comfortable asset protection and an acceptable balance sheet structure. Debt service capacity is strong.

4 - Satisfactory
A 'satisfactory' rating is given to a borrower where clear risk elements exist and probability of default is somewhat greater. Due to volatility of earnings and overall performance, borrower normally has limited access to public markets. Borrower should be able to withstand normal business cycles, but any prolonged unfavorable economic period would create deterioration beyond acceptable levels. With the combination of reasonable sound asset and cash flow protection, the debt service capacity is adequate. Reported profits in the past year and is expected to report a profit in the current year.

5 - Acceptable
An 'acceptable' rating is given to a borrower whose risk elements are sufficiently pronounced although borrower should still be able to withstand normal business cycles. Any prolonged unfavorable economic and/or market period would create an immediate deterioration beyond acceptable levels. Risk is still acceptable as there is sufficient cash flow either historically or expected in the future from new business or projected finance transaction; an existing borrower where the nature of the exposure represents a higher risk because of extraordinary developments but for which a decreasing risk within an acceptable period can be expected.

<u>Substandard Grade</u>
6 - Watchlist
This rating is given to a borrower that belongs to an unfavorable industry or has company-specific risk factors which represent a concern. Operating performance and financial strength may be marginal and it is uncertain if borrower can attract alternative course of finance. Borrower finds it hard to cope with any significant economic downturn and a default in such a case is more than a possibility. Borrower which incurs net losses and has salient financial weaknesses specifically in profitability. Credit exposure is not at risk of loss at the moment but performance of the borrower has weakened which, unless present trends are reversed, could lead to losses.

7 - Especially Mentioned
This rating is given to a borrower that exhibits potential weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus, increase credit risk of the Group.

<u>Impaired</u>
8 - Substandard
These are loans or portions thereof which appear to involve a substantial and unreasonable degree of risk to the Group because of unfavorable record or unsatisfactory characteristics. There exists the possibility of future losses to the Group unless given closer supervision. Borrower has well-defined weaknesses or weaknesses that jeopardize loan liquidation. Such well-defined weaknesses may include adverse trends or development of financial, managerial, economic or political nature, or a significant weakness in collateral.

9 - Doubtful
This rating is given to a nonperforming borrower whose loans or portions thereof have the weaknesses inherent in those classified as Substandard, with the added characteristics that existing facts, conditions, and values make collection or liquidation in full, highly improbable and in which substantial loss is probable.

10 - Loss
This rating is given to a borrower whose loans or portions thereof are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recoveries or salvage value. The amount of loss is difficult to measure and

it is not practical or desirable to defer writing off these basically worthless assets even though partial recovery may be obtained in the future.

The credit quality of consumer loan applicants are currently evaluated using quantitative and qualitative criteria. For booked consumer loans, the description of credit quality is as follows:

High Grade
Good credit rating
This rating is given to a good repeat client with very satisfactory track record of its loan repayment (paid at least 50.00%) and whose account did not turn past due during the entire term of the loan.

Standard Grade
Good
A good rating is given to accounts which did not turn past due for 90 days and over.

Limited
This rating is given to borrowers who have average track record on loan repayment (paid less than 50.00%) and whose account did not turn past due for 90 days and over.

Substandard Grade
Poor
A poor rating is given to accounts who reached 90 days past due regardless of the number of times and the number of months past due.

Poor litigation
This rating is given to accounts that were past due for 180 days and over and are currently being handled by lawyers.

Impaired
Poor repossessed
This rating is given to accounts whose collaterals were repossessed.

Poor written-off
This rating is given to accounts that were recommended for write-off.

Investment securities
In ensuring quality investment portfolio, the Group uses the credit risk rating from the published data providers like Moody's, Standard & Poor's (S&P) or other reputable rating agencies. The following indicates the levels of equivalent credit quality and its relevant external rating:

Credit Quality	**External Rating**								
High grade	Aaa	Aa1	Aa2	A1	A2	A3	Baa1	Baa2	Baa3
Standard grade	Ba1	Ba2	Ba3	B1	B2				
Substandard grade	B3	Caa1	Caa2	Caa3	Ca	C			
Impaired	D								

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to those rated by external rating agencies as 'Investment grade' (i.e., those under High grade in the table above).

The following tables show the credit quality of loans and advances to banks and investment securities, gross of allowance for credit losses, as of December 31, 2019 and 2018. All loans and advances to banks are classified as Stage 1 in 2019 and 2018. As of December 31, 2018, all investment securities are classified as Stage 1. In 2019, sovereign debt securities at FVOCI with total carrying value of ₱37.8 million as of December 31, 2018 was transferred from Stage 1 to Stage 3. As of December 31, 2019, the total carrying value of investment securities classified as Stage 1 and Stage 3 amounts to ₱200.8 billion and ₱28.9 million, respectively.

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Due from BSP				
High grade	**₱219,994**	₱240,134	**₱195,770**	₱206,289
Due from other banks				
High grade	**53,472**	44,707	**38,671**	35,137
Standard grade	**941**	697	**–**	50
Unrated	**359**	404	**27**	31
	54,772	45,808	**38,698**	35,218
Interbank loans receivable and SPURA				
High grade	**71,646**	48,757	**55,624**	22,750
Unrated	**529**	1,974	**529**	1,974
	72,175	50,731	**56,153**	24,724
Total loans and advances to banks				
High grade	**345,112**	333,598	**290,065**	264,176
Standard grade	**941**	697	**–**	50
Unrated	**888**	2,378	**556**	2,005
	₱346,941	₱336,673	**₱290,621**	₱266,231
Debt securities at FVOCI				
Private				
High grade	**₱32,793**	₱41,872	**₱25,827**	₱32,576
Standard grade	**3,163**	258	**254**	258
Unrated	**243**	239	**243**	239
	36,199	42,369	**26,324**	33,073
Treasury notes and bonds				
High grade	**111,791**	40,786	**109,203**	37,377
Government				
High grade	**52,841**	26,226	**52,620**	20,443
Sub-standard grade	**29**	778	**29**	778
	52,870	27,004	**52,649**	21,221
Total debt securities at FVOCI				
High grade	**197,425**	108,884	**187,650**	90,396
Standard grade	**3,163**	258	**254**	258
Sub-standard grade	**29**	778	**29**	778
Unrated	**243**	239	**243**	239
	200,860	110,159	**188,176**	91,671
Investment securities at amortized cost				
Treasury notes and bonds				
High grade	**227,442**	237,476	**208,514**	204,176
Government				
High grade	**20,110**	21,859	**8,130**	8,479
Standard grade	**122**	–	**–**	–
	20,232	21,859	**8,130**	8,479
Private				
High grade	**331**	5,298	**–**	–
Standard grade	**3,543**	742	**–**	–
Unrated	**6**	–	**–**	–
	3,880	6,040	**–**	–
Treasury bills				
High grade	**100**	49	**–**	–
Total investment securities at amortized cost				
High grade	**247,983**	264,682	**216,644**	212,655
Standard grade	**3,665**	742	**–**	–
Unrated	**6**	–	**–**	–
	251,654	265,424	**216,644**	212,655

(Forward)

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Total debt investment securities				
High grade	**₱445,408**	₱373,566	**₱404,294**	₱303,051
Standard grade	**6,828**	1,000	**254**	258
Sub-standard grade	**29**	778	**29**	778
Unrated	**249**	239	**243**	239
	₱452,514	₱375,583	**₱404,820**	₱304,326

As of December 31, 2019 and 2018, availments of interbank loans and SPURA amounted to ₱73.4 billion and ₱33.0 billion, respectively, for the Group and ₱56.2 billion and ₱24.7 billion, respectively, for the Parent Company while maturities of interbank loans and SPURA amounted to ₱50.7 billion and ₱27.7 billion, respectively, for the Group and ₱24.7 billion and ₱27.2 billion, respectively, for the Parent Company. As of December 31, 2019 and 2018, net decrease in due from BSP amounted to ₱20.1 billion and ₱21.8 billion, respectively, for the Group, and ₱10.5 billion and ₱18.4 billion, respectively, for the Parent Company and net increase in due from other banks amounted to ₱9.0 billion and ₱14.5 billion, respectively, for the Group, and ₱3.5 billion and ₱15.9 billion, respectively, for the Parent Company.

As of December 31, 2019 and 2018, purchases of investment in debt securities at FVOCI amounted to ₱1.3 trillion and ₱786.2 billion, respectively, for the Group and ₱1.3 trillion and ₱774.5 billion, respectively, for the Parent Company while disposals/maturities amounted to ₱1.2 trillion and ₱764.2 billion, respectively, for the Group and ₱1.2 trillion and ₱759.8 billion, respectively, for the Parent Company. Other movements, which include amortization of premiums/discounts, mark-to-market and foreign exchange revaluations, resulted in an increase/(decrease) in carrying value of debt securities at FVOCI as of December 31, 2019 and 2018 amounting to ₱8.6 billion and (₱10.1 billion), respectively, for the Group and an increase increase/(decrease) in carrying value of ₱9.2 billion and (₱2.2 billion), respectively for the Parent Company.

As of December 31, 2019 and 2018, purchases of investment securities at amortized cost amounted to ₱4.5 billion and ₱7.0 billion, respectively, for the Group and ₱4.3 billion and ₱5.0 billion, respectively, for the Parent Company while maturities and disposals amounted to ₱17.6 billion and ₱4.1 billion, respectively, for the Group and ₱468.8 million and ₱29.6 million, respectively, for the Parent Company. Other movements, which include amortization of premiums/discounts, mark-to-market and foreign exchange revaluations, resulted in an increase/(decrease) in carrying value of investment securities at amortized cost as of December 31, 2019 and 2018 amounting to (₱651.2 million) and ₱1.5 billion, respectively, for the Group and an increase/(decrease) in carrying value of (₱0.1 billion) and ₱2.9 million, respectively, for the Parent Company.

The credit quality of receivables from customers, net of unearned discount and capitalized interest, as of December 31, 2019 and 2018 follow:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2019				
Commercial loans				
High grade	**₱320,456**	**₱662**	**₱–**	**₱321,118**
Standard grade	**540,388**	**1,670**	**–**	**542,058**
Sub-standard grade	**52,925**	**133,775**	**–**	**186,700**
Unrated	**93**	**–**	**–**	**93**
Non-performing individually impaired	**–**	**–**	**10,652**	**10,652**
	913,862	**136,107**	**10,652**	**1,060,621**

(Forward)

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Auto loans				
High grade	**₱83,179**	**₱6,418**	**₱–**	**₱89,597**
Standard grade	**20,186**	**5,245**	**–**	**25,431**
Sub-standard grade	**12**	**8**	**–**	**20**
Non-performing individually impaired	**–**	**–**	**3,360**	**3,360**
	103,377	**11,671**	**3,360**	**118,408**
Residential mortgage loans				
High grade	**42,893**	**8,595**	**–**	**51,488**
Standard grade	**53,176**	**1,186**	**–**	**54,362**
Sub-standard grade	**1,506**	**292**	**–**	**1,798**
Non-performing individually impaired	**–**	**–**	**2,351**	**2,351**
	97,575	**10,073**	**2,351**	**109,999**
Trade loans				
High grade	**8,530**	**–**	**–**	**8,530**
Standard grade	**47,930**	**17**	**–**	**47,947**
Sub-standard grade	**4,636**	**2,142**	**–**	**6,778**
Non-performing individually impaired	**–**	**–**	**105**	**105**
	61,096	**2,159**	**105**	**63,360**
Credit card				
Standard grade	**83,481**	**–**	**–**	**83,481**
Sub-standard grade	**–**	**2,040**	**–**	**2,040**
Non-performing individually impaired	**–**	**–**	**1,509**	**1,509**
	83,481	**2,040**	**1,509**	**87,030**
Other loans				
High grade	**14,705**	**241**	**–**	**14,946**
Standard grade	**21,733**	**2,117**	**–**	**23,850**
Sub-standard grade	**54**	**712**	**–**	**766**
Unrated	**13**	**–**	**–**	**13**
Non-performing individually impaired	**–**	**–**	**1,494**	**1,494**
	36,505	**3,070**	**1,494**	**41,069**
Total receivables from customers				
High grade	**469,763**	**15,916**	**–**	**485,679**
Standard grade	**766,894**	**10,235**	**–**	**777,129**
Sub-standard grade	**59,133**	**138,969**	**–**	**198,102**
Unrated	**106**	**–**	**–**	**106**
Non-performing individually impaired	**–**	**–**	**19,471**	**19,471**
	₱1,295,896	**₱165,120**	**₱19,471**	**₱1,480,487**
2018				
Commercial loans				
High grade	₱266,886	₱–	₱–	₱266,886
Standard grade	595,361	792	–	596,153
Sub-standard grade	104,142	7,488	3,793	115,423
Past due but not impaired	–	111	–	111
Non-performing individually impaired	–	230	7,114	7,344
	966,389	8,621	10,907	985,917
Auto loans				
High grade	71,575	8,104	–	79,679
Standard grade	25,154	6,205	–	31,359
Sub-standard grade	22	1,558	13	1,593
Past due but not impaired	–	3,301	–	3,301
Non-performing individually impaired	–	34	4,006	4,040
	96,751	19,202	4,019	119,972
Residential mortgage loans				
High grade	41,224	6,181	–	47,405
Standard grade	52,462	2,247	–	54,709
Sub-standard grade	1,009	253	310	1,572
Past due but not impaired	–	1,855	–	1,855
Non-performing individually impaired	–	142	2,264	2,406
	94,695	10,678	2,574	107,947

(Forward)

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Trade loans				
High grade	₱6,664	₱–	₱–	₱6,664
Standard grade	53,566	–	–	53,566
Sub-standard grade	2,521	276	–	2,797
Non-performing individually impaired	–	–	99	99
	62,751	276	99	63,126
Credit card				
Standard grade	67,776	–	–	67,776
Non-performing individually impaired	–	1,692	1,186	2,878
	67,776	1,692	1,186	70,654
Other loans				
High grade	13,053	345	–	13,398
Standard grade	23,956	1,434	–	25,390
Sub-standard grade	6	420	–	426
Past due but not impaired	–	86	–	86
Non-performing individually impaired	–	385	920	1,305
	37,015	2,670	920	40,605
Total receivables from customers				
High grade	399,402	14,630	–	414,032
Standard grade	818,275	10,678	–	828,953
Sub-standard grade	107,700	9,995	4,116	121,811
Past due but not impaired	–	5,353	–	5,353
Non-performing individually impaired	–	2,483	15,589	18,072
	₱1,325,377	₱43,139	₱19,705	₱1,388,221

	Parent Company				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
2019					
Commercial loans					
High grade	**₱275,842**	**₱–**	**₱–**	**₱–**	**₱275,842**
Standard grade	**538,993**	**1,200**	**–**	**–**	**540,193**
Sub-standard grade	**52,898**	**133,472**	**–**	**–**	**186,370**
Non-performing individually impaired	**–**	**–**	**6,753**	**2,992**	**9,745**
	867,733	**134,672**	**6,753**	**2,992**	**1,012,150**
Auto loans					
High grade	**3,804**	**–**	**–**	**–**	**3,804**
Standard grade	**20,162**	**54**	**–**	**–**	**20,216**
Sub-standard grade	**12**	**8**	**–**	**–**	**20**
Non-performing individually impaired	**–**	**–**	**142**	**–**	**142**
	23,978	**62**	**142**	**–**	**24,182**
Residential mortgage loans					
High grade	**1,843**	**–**	**–**	**–**	**1,843**
Standard grade	**53,176**	**225**	**–**	**–**	**53,401**
Sub-standard grade	**1,506**	**292**	**–**	**–**	**1,798**
Non-performing individually impaired	**–**	**–**	**478**	**–**	**478**
	56,525	**517**	**478**	**–**	**57,520**
Trade loans					
High grade	**7,824**	**–**	**–**	**–**	**7,824**
Standard grade	**47,930**	**17**	**–**	**–**	**47,947**
Sub-standard grade	**4,636**	**2,142**	**–**	**–**	**6,778**
Non-performing individually impaired	**–**	**–**	**105**	**–**	**105**
	60,390	**2,159**	**105**	**–**	**62,654**
Other loans					
High grade	**14,120**	**–**	**–**	**–**	**14,120**
Standard grade	**376**	**–**	**–**	**–**	**376**
Sub-standard grade	**6**	**–**	**–**	**–**	**6**
Non-performing individually impaired	**–**	**–**	**40**	**–**	**40**
	14,502	**–**	**40**	**–**	**14,542**

(Forward)

	Parent Company				
	Stage 1	Stage 2	Stage 3	POCI	Total
Total receivables from customers					
High grade	**₱303,433**	**₱–**	**₱–**	**₱–**	**₱303,433**
Standard grade	**660,637**	**1,496**	**–**	**–**	**662,133**
Sub-standard grade	**59,058**	**135,914**	**–**	**–**	**194,972**
Non-performing individually impaired	**–**	**–**	**7,518**	**2,992**	**10,510**
	₱1,023,128	**₱137,410**	**₱7,518**	**₱2,992**	**₱1,171,048**
2018					
Commercial loans					
High grade	₱255,970	₱–	₱–	₱–	₱255,970
Standard grade	569,963	–	–	–	569,963
Sub-standard grade	104,141	7,290	3,793	–	115,224
Non-performing individually impaired	–	57	3,127	3,309	6,493
	930,074	7,347	6,920	3,309	947,650
Auto loans					
High grade	4,014	1	–	–	4,015
Standard grade	25,120	313	–	–	25,433
Sub-standard grade	16	2	12	–	30
Non-performing individually impaired	–	34	169	–	203
	29,150	350	181	–	29,681
Residential mortgage loans					
High grade	1,802	–	–	–	1,802
Standard grade	52,428	1,462	–	–	53,890
Sub-standard grade	1,009	183	311	–	1,503
Non-performing individually impaired	–	142	637	–	779
	55,239	1,787	948	–	57,974
Trade loans					
High grade	6,664	–	–	–	6,664
Standard grade	53,502	–	–	–	53,502
Sub-standard grade	2,521	276	–	–	2,797
Non-performing individually impaired	–	–	99	–	99
	62,687	276	99	–	63,062
Other loans					
High grade	12,194	–	–	–	12,194
Standard grade	336	–	–	–	336
Non-performing individually impaired	–	–	41	–	41
	12,530	–	41	–	12,571
Total receivables from customers					
High grade	280,644	1	–	–	280,645
Standard grade	701,349	1,775	–	–	703,124
Sub-standard grade	107,687	7,751	4,116	–	119,554
Non-performing individually impaired	–	233	4,073	3,309	7,615
	₱1,089,680	₱9,760	₱8,189	₱3,309	₱1,110,938

Movements during 2019 and 2018 for receivables from customers follows:

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
2019				
Commercial loans				
Balance at January 1, 2019	**₱966,389**	**₱8,621**	**₱10,907**	**₱985,917**
New assets originated	**533,499**	**–**	**–**	**533,499**
Assets derecognized or repaid	**(440,204)**	**(12,696)**	**(3,570)**	**(456,470)**
Amounts written-off	**–**	**–**	**(294)**	**(294)**
Transfers to/(from) Stage 1	**(143,955)**	**–**	**–**	**(143,955)**
Transfers to/(from) Stage 2	**–**	**140,182**	**–**	**140,182**
Transfers to/(from) Stage 3	**–**	**–**	**3,773**	**3,773**
Others	**(1,867)**	**–**	**(164)**	**(2,031)**
Balance at December 31, 2019	**913,862**	**136,107**	**10,652**	**1,060,621**

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Auto loans				
Balance at January 1, 2019	**₱96,751**	**₱19,202**	**₱4,019**	**₱119,972**
New assets originated	**44,354**	**–**	**–**	**44,354**
Assets derecognized or repaid	**(34,357)**	**(8,527)**	**(2,876)**	**(45,760)**
Amounts written-off	**(1)**	**(45)**	**(112)**	**(158)**
Transfers to/(from) Stage 1	**(3,370)**	**–**	**–**	**(3,370)**
Transfers to/(from) Stage 2	**–**	**1,041**	**–**	**1,041**
Transfers to/(from) Stage 3	**–**	**–**	**2,329**	**2,329**
Balance at December 31, 2019	**103,377**	**11,671**	**3,360**	**118,408**
Residential mortgage loans				
Balance at January 1, 2019	**94,695**	**10,678**	**2,574**	**107,947**
New assets originated	**21,914**	**–**	**–**	**21,914**
Assets derecognized or repaid	**(16,607)**	**(2,462)**	**(793)**	**(19,862)**
Amounts written-off	**–**	**–**	**–**	**–**
Transfers to/(from) Stage 1	**(2,427)**	**–**	**–**	**(2,427)**
Transfers to/(from) Stage 2	**–**	**1,857**	**–**	**1,857**
Transfers to/(from) Stage 3	**–**	**–**	**570**	**570**
Balance at December 31, 2019	**97,575**	**10,073**	**2,351**	**109,999**
Trade loans				
Balance at January 1, 2019	**62,751**	**276**	**99**	**63,126**
New assets originated	**63,143**	**–**	**–**	**63,143**
Assets derecognized or repaid	**(62,673)**	**(232)**	**–**	**(62,905)**
Transfers to/(from) Stage 1	**(2,122)**	**–**	**–**	**(2,122)**
Transfers to/(from) Stage 2	**–**	**2,115**	**–**	**2,115**
Transfers to/(from) Stage 3	**–**	**–**	**7**	**7**
Others	**(3)**	**–**	**(1)**	**(4)**
Balance at December 31, 2019	**61,096**	**2,159**	**105**	**63,360**
Credit card				
Balance at January 1, 2019	**67,776**	**1,692**	**1,186**	**70,654**
New assets originated	**22,868**	**–**	**–**	**22,868**
Amounts written-off	**–**	**–**	**(6,492)**	**(6,492)**
Transfers to/(from) Stage 1	**(7,163)**	**–**	**–**	**(7,163)**
Transfers to/(from) Stage 2	**–**	**348**	**–**	**348**
Transfers to/(from) Stage 3	**–**	**–**	**6,815**	**6,815**
Balance at December 31, 2019	**83,481**	**2,040**	**1,509**	**87,030**
Other loans				
Balance at January 1, 2019	**37,015**	**2,670**	**920**	**40,605**
New assets originated	**30,574**	**–**	**–**	**30,574**
Assets derecognized or repaid	**(28,522)**	**(690)**	**(628)**	**(29,840)**
Amounts written-off	**(1)**	**(96)**	**(866)**	**(963)**
Transfers to/(from) Stage 1	**(2,559)**	**–**	**–**	**(2,559)**
Transfers to/(from) Stage 2	**–**	**1,186**	**–**	**1,186**
Transfers to/(from) Stage 3	**–**	**–**	**1,373**	**1,373**
Others	**(2)**	**–**	**695**	**693**
Balance at December 31, 2019	**36,505**	**3,070**	**1,494**	**41,069**
Total receivables from customers				
Balance at January 1, 2019	**1,325,377**	**43,139**	**19,705**	**1,388,221**
New assets originated	**716,352**	**–**	**–**	**716,352**
Assets derecognized or repaid	**(582,363)**	**(24,607)**	**(7,867)**	**(614,837)**
Amounts written-off	**(2)**	**(141)**	**(7,764)**	**(7,907)**
Transfers to/(from) Stage 1	**(161,596)**	**–**	**–**	**(161,596)**
Transfers to/(from) Stage 2	**–**	**146,729**	**–**	**146,729**
Transfers to/(from) Stage 3	**–**	**–**	**14,867**	**14,867**
Others	**(1,872)**	**–**	**530**	**(1,342)**
Balance at December 31, 2019	**₱1,295,896**	**₱165,120**	**₱19,471**	**₱1,480,487**
2018				
Commercial loans				
Balance at January 1, 2018	₱895,139	₱10,211	₱5,820	₱911,170
New assets originated	478,641	–	–	478,641
Assets derecognized or repaid	(405,069)	(3,954)	(420)	(409,443)
Amounts written-off	–	(1)	(78)	(79)
Transfers to/(from) Stage 1	(7,652)	–	–	(7,652)
Transfers to/(from) Stage 2	–	2,259	–	2,259
Transfers to/(from) Stage 3	–	–	5,393	5,393
Others	5,330	106	192	5,628
Balance at December 31, 2018	966,389	8,621	10,907	985,917

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Auto loans				
Balance at January 1, 2018	₱98,612	₱16,068	₱3,485	₱118,165
New assets originated	46,127	–	–	46,127
Assets derecognized or repaid	(33,364)	(7,986)	(2,511)	(43,861)
Amounts written-off	–	(12)	(447)	(459)
Transfers to/(from) Stage 1	(14,624)	–	–	(14,624)
Transfers to/(from) Stage 2	–	11,132	–	11,132
Transfers to/(from) Stage 3	–	–	3,492	3,492
Balance at December 31, 2018	96,751	19,202	4,019	119,972
Residential mortgage loans				
Balance at January 1, 2018	83,368	14,181	2,187	99,736
New assets originated	26,618	–	–	26,618
Assets derecognized or repaid	(14,891)	(2,768)	(748)	(18,407)
Transfers to/(from) Stage 1	(400)	–	–	(400)
Transfers to/(from) Stage 2	–	(735)	–	(735)
Transfers to/(from) Stage 3	–	–	1,135	1,135
Balance at December 31, 2018	94,695	10,678	2,574	107,947
Trade loans				
Balance at January 1, 2018	40,624	395	101	41,120
New assets originated	62,840	–	–	62,840
Assets derecognized or repaid	(41,071)	(253)	(20)	(41,344)
Transfers to/(from) Stage 1	(151)	–	–	(151)
Transfers to/(from) Stage 2	–	134	–	134
Transfers to/(from) Stage 3	–	–	17	17
Others	509	–	1	510
Balance at December 31, 2018	62,751	276	99	63,126
Credit card				
Balance at January 1, 2018	58,391	1,852	648	60,891
New assets originated	15,207	–	–	15,207
Amounts written off	–	–	(5,444)	(5,444)
Transfers to/(from) Stage 1	(5,822)	–	–	(5,822)
Transfers to/(from) Stage 2	–	(160)	–	(160)
Transfers to/(from) Stage 3	–	–	5,982	5,982
Balance at December 31, 2018	67,776	1,692	1,186	70,654
Other loans				
Balance at January 1, 2018	23,512	2,177	1,105	26,794
New assets originated	35,584	–	–	35,584
Assets derecognized or repaid	(20,626)	(668)	(242)	(21,536)
Amounts written off	(4)	(66)	(173)	(243)
Transfers to/(from) Stage 1	(1,457)	–	–	(1,457)
Transfers to/(from) Stage 2	–	1,227	–	1,227
Transfers to/(from) Stage 3	–	–	230	230
Others	6	–	–	6
Balance at December 31, 2018	37,015	2,670	920	40,605
Total receivables from customers				
Balance at January 1, 2018	1,199,646	44,884	13,346	1,257,876
New assets originated	665,017	–	–	665,017
Assets derecognized or repaid	(515,021)	(15,629)	(3,941)	(534,591)
Amounts written off	(4)	(79)	(6,142)	(6,225)
Transfers to/(from) Stage 1	(30,106)	–	–	(30,106)
Transfers to/(from) Stage 2	–	13,857	–	13,857
Transfers to/(from) Stage 3	–	–	16,249	16,249
Others	5,845	106	193	6,144
Balance at December 31, 2018	₱1,325,377	₱43,139	₱19,705	₱1,388,221

	Parent Company				
	Receivables from Customers				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
2019					
Commercial loans					
Balance at January 1, 2019	**₱930,074**	**₱7,347**	**₱6,920**	**₱3,309**	**₱947,650**
New assets originated	**505,051**	**–**	**–**	**–**	**505,051**
Assets derecognized or repaid	**(423,882)**	**(12,287)**	**(3,007)**	**(247)**	**(439,423)**
Amounts written-off	**–**	**–**	**(233)**	**–**	**(233)**
Transfers to/(from) Stage 1	**(142,769)**	**–**	**–**	**–**	**(142,769)**
Transfers to/(from) Stage 2	**–**	**139,612**	**–**	**–**	**139,612**
Transfers to/(from) Stage 3	**–**	**–**	**3,157**	**–**	**3,157**
Others	**(741)**	**–**	**(84)**	**(70)**	**(895)**
Balance at December 31, 2019	**867,733**	**134,672**	**6,753**	**2,992**	**1,012,150**

(Forward)

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Auto loans					
Balance at January 1, 2019	**₱29,150**	**₱350**	**₱181**	**₱–**	**₱29,681**
New assets originated	**8,710**	**–**	**–**	**–**	**8,710**
Assets derecognized or repaid	**(14,066)**	**(87)**	**(51)**	**–**	**(14,204)**
Amounts written-off	**–**	**–**	**(5)**	**–**	**(5)**
Transfers to/(from) Stage 1	**184**	**–**	**–**	**–**	**184**
Transfers to/(from) Stage 2	**–**	**(201)**	**–**	**–**	**(201)**
Transfers to/(from) Stage 3	**–**	**–**	**17**	**–**	**17**
Balance at December 31, 2019	**23,978**	**62**	**142**	**–**	**24,182**
Residential mortgage loans					
Balance at January 1, 2019	**55,239**	**1,787**	**948**	**–**	**57,974**
New assets originated	**11,842**	**–**	**–**	**–**	**11,842**
Assets derecognized or repaid	**(11,750)**	**(265)**	**(281)**	**–**	**(12,296)**
Transfers to/(from) Stage 1	**1,194**	**–**	**–**	**–**	**1,194**
Transfers to/(from) Stage 2	**–**	**(1,005)**	**–**	**–**	**(1,005)**
Transfers to/(from) Stage 3	**–**	**–**	**(189)**	**–**	**(189)**
Balance at December 31, 2019	**56,525**	**517**	**478**	**–**	**57,520**
Trade loans					
Balance at January 1, 2019	**62,687**	**276**	**99**	**–**	**63,062**
New assets originated	**62,499**	**–**	**–**	**–**	**62,499**
Assets derecognized or repaid	**(62,673)**	**(232)**	**–**	**–**	**(62,905)**
Transfers to/(from) Stage 1	**(2,123)**	**–**	**–**	**–**	**(2,123)**
Transfers to/(from) Stage 2	**–**	**2,115**	**–**	**–**	**2,115**
Transfers to/(from) Stage 3	**–**	**–**	**7**	**–**	**7**
Others	**–**	**–**	**(1)**	**–**	**(1)**
Balance at December 31, 2019	**60,390**	**2,159**	**105**	**–**	**62,654**
Other loans					
Balance at January 1, 2019	**12,530**	**–**	**41**	**–**	**12,571**
New assets originated	**9,633**	**–**	**–**	**–**	**9,633**
Assets derecognized or repaid	**(7,644)**	**–**	**(18)**	**–**	**(7,662)**
Transfers to/(from) Stage 1	**(17)**	**–**	**–**	**–**	**(17)**
Transfers to/(from) Stage 3	**–**	**–**	**17**	**–**	**17**
Balance at December 31, 2019	**14,502**	**–**	**40**	**–**	**14,542**
Total receivables from customers					
Balance at January 1, 2019	**1,089,680**	**9,760**	**8,189**	**3,309**	**1,110,938**
New assets originated	**597,735**	**–**	**–**	**–**	**597,735**
Assets derecognized or repaid	**(520,015)**	**(12,871)**	**(3,357)**	**(247)**	**(536,490)**
Amounts written-off	**–**	**–**	**(238)**	**–**	**(238)**
Transfers to/(from) Stage 1	**(143,531)**	**–**	**–**	**–**	**(143,531)**
Transfers to/(from) Stage 2	**–**	**140,521**	**–**	**–**	**140,521**
Transfers to/(from) Stage 3	**–**	**–**	**3,009**	**–**	**3,009**
Others	**(741)**	**–**	**(85)**	**(70)**	**(896)**
Balance at December 31, 2019	**₱1,023,128**	**₱137,410**	**₱7,518**	**₱2,992**	**₱1,171,048**
2018					
Commercial loans					
Balance at January 1, 2018	₱839,156	₱9,092	₱1,880	₱3,383	₱853,511
New assets originated	474,250	–	–	–	474,250
Assets derecognized or repaid	(381,738)	(3,661)	(265)	(74)	(385,738)
Transfers to/(from) Stage 1	(6,923)	–	–	–	(6,923)
Transfers to/(from) Stage 2	–	1,810	–	–	1,810
Transfers to/(from) Stage 3	–	–	5,113	–	5,113
Others	5,329	106	192	–	5,627
Balance at December 31, 2018	930,074	7,347	6,920	3,309	947,650
Auto loans					
Balance at January 1, 2018	32,153	1,579	151	–	33,883
New assets originated	10,921	–	–	–	10,921
Assets derecognized or repaid	(14,698)	(335)	(90)	–	(15,123)
Transfers to/(from) Stage 1	774	–	–	–	774
Transfers to/(from) Stage 2	–	(894)	–	–	(894)
Transfers to/(from) Stage 3	–	–	120	–	120
Balance at December 31, 2018	29,150	350	181	–	29,681
Residential mortgage loans					
Balance at January 1, 2018	46,938	5,519	684	–	53,141
New assets originated	16,379	–	–	–	16,379
Assets derecognized or repaid	(10,492)	(752)	(302)	–	(11,546)
Transfers to/(from) Stage 1	2,414	–	–	–	2,414
Transfers to/(from) Stage 2	–	(2,980)	–	–	(2,980)
Transfers to/(from) Stage 3	–	–	566	–	566
Balance at December 31, 2018	55,239	1,787	948	–	57,974

(Forward)

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Trade loans					
Balance at January 1, 2018	₱40,574	₱395	₱101	₱–	₱41,070
New assets originated	62,826	–	–	–	62,826
Assets derecognized or repaid	(41,071)	(253)	(20)	–	(41,344)
Transfers to/(from) Stage 1	(151)	–	–	–	(151)
Transfers to/(from) Stage 2	–	134	–	–	134
Transfers to/(from) Stage 3	–	–	17	–	17
Others	509	–	1	–	510
Balance at December 31, 2018	62,687	276	99	–	63,062
Other loans					
Balance at January 1, 2018	12,793	–	42	–	12,835
New assets originated	8,118	–	–	–	8,118
Assets derecognized or repaid	(8,387)	–	(1)	–	(8,388)
Others	6	–	–	–	6
Balance at December 31, 2018	12,530	–	41	–	12,571
Total receivables from customers					
Balance at January 1, 2018	971,614	16,585	2,858	3,383	994,440
New assets originated	572,494	–	–	–	572,494
Assets derecognized or repaid	(456,386)	(5,001)	(678)	(74)	(462,139)
Transfers to/(from) Stage 1	(3,886)	–	–	–	(3,886)
Transfers to/(from) Stage 2	–	(1,930)	–	–	(1,930)
Transfers to/(from) Stage 3	–	–	5,816	–	5,816
Others	5,844	106	193	–	6,143
Balance at December 31, 2018	₱1,089,680	₱9,760	₱8,189	₱3,309	₱1,110,938

The credit quality of other receivables, gross of allowance for credit losses, as of December 31, 2019 and 2018 follows:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2019				
Unquoted debt securities				
High grade	**₱630**	**₱–**	**₱–**	**₱630**
Non-performing individually impaired	–	–	**386**	**386**
	630	–	**386**	**1,016**
Accrued interest receivable				
High grade	**8,404**	**134**	–	**8,538**
Standard grade	**2,517**	**153**	–	**2,670**
Sub-standard grade	**285**	**745**	–	**1,030**
Unrated	**12**	–	–	**12**
Non-performing individually impaired	–	–	**855**	**855**
	11,218	**1,032**	**855**	**13,105**
Sales contract receivables				
High grade	**23**	–	–	**23**
Unrated	**100**	–	–	**100**
Non-performing individually impaired	–	–	**22**	**22**
	123	–	**22**	**145**
Other receivables				
High grade	**3**	–	–	**3**
Standard grade	**261**	–	–	**261**
Unrated	**65**	–	–	**65**
Non-performing individually impaired	–	–	**2**	**2**
	329	–	**2**	**331**
Total other receivables				
High grade	**9,060**	**134**	–	**9,194**
Standard grade	**2,778**	**153**	–	**2,931**
Sub-standard grade	**285**	**745**	–	**1,030**
Unrated	**177**	–	–	**177**
Non-performing individually impaired	–	–	**1,265**	**1,265**
	₱12,300	**₱1,032**	**₱1,265**	**₱14,597**
2018				
Unquoted debt securities				
Standard grade	₱632	₱–	₱–	₱632
Non-performing individually impaired	–	–	386	386
	632	–	386	1,018

(Forward)

	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Accrued interest receivable				
High grade	₱6,063	₱120	₱–	₱6,183
Standard grade	2,787	105	–	2,892
Sub-standard grade	488	49	2	539
Unrated	22	–	–	22
Past due but not impaired	3	95	–	98
Non-performing individually impaired	–	1	932	933
	9,363	370	934	10,667
Sales contract receivables				
High grade	45	–	–	45
Unrated	116	–	–	116
Non-performing individually impaired	–	–	29	29
	161	–	29	190
Other receivables				
High grade	3	–	–	3
Standard grade	282	–	–	282
Unrated	48	–	–	48
Non-performing individually impaired	–	–	2	2
	333	–	2	335
Total other receivables				
High grade	6,111	120	–	6,231
Standard grade	3,701	105	–	3,806
Sub-standard grade	488	49	2	539
Unrated	186	–	–	186
Past due but not impaired	3	95	–	98
Non-performing individually impaired	–	1	1,349	1,350
	₱10,489	₱370	₱1,351	₱12,210

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2019				
Unquoted debt securities				
Non-performing individually impaired	**₱–**	**₱–**	**₱386**	**₱386**
Accrued interest receivable				
High grade	**6,600**	–	–	**6,600**
Standard grade	**2,468**	**5**	–	**2,473**
Sub-standard grade	**285**	**741**	–	**1,026**
Unrated	**10**	–	–	**10**
Non-performing individually impaired	–	–	**394**	**394**
	9,363	**746**	**394**	**10,503**
Sales contract receivables				
Unrated	**100**	–	–	**100**
Non-performing individually impaired	–	–	**2**	**2**
	100	–	**2**	**102**
Other receivables				
Unrated	**10**	–	–	**10**
Non-performing individually impaired	–	–	**2**	**2**
	10	–	**2**	**12**
Total other receivables				
High grade	**6,600**	–	–	**6,600**
Standard grade	**2,468**	**5**	–	**2,473**
Sub-standard grade	**285**	**741**	–	**1,026**
Unrated	**120**	–	–	**120**
Non-performing individually impaired	–	–	**784**	**784**
	₱9,473	**₱746**	**₱784**	**₱11,003**
2018				
Unquoted debt securities				
Non-performing individually impaired	₱–	₱–	₱386	₱386
Accrued interest receivable				
High grade	4,188	–	–	4,188
Standard grade	2,737	6	–	2,743
Sub-standard grade	487	23	2	512
Unrated	21	–	–	21
Past due but not impaired	3	–	–	3
Non-performing individually impaired	–	1	519	520
	7,436	30	521	7,987
Sales contract receivables				
Unrated	117	–	–	117
Non-performing individually impaired	–	–	2	2
	117	–	2	119

(Forward)

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
Other receivables				
Unrated	₱11	₱–	₱–	₱11
Non-performing individually impaired	–	–	2	2
	11	–	2	13
Total other receivables				
High grade	4,188	–	–	4,188
Standard grade	2,737	6	2	2,743
Sub-standard grade	487	23	–	512
Unrated	149	–	–	149
Past due but not impaired	3	–	–	3
Non-performing individually impaired	–	1	909	910
	₱7,564	₱30	₱911	₱8,505

Movements during 2019 and 2018 for other receivables follow:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2019				
Balance at January 1, 2019	**₱10,489**	**₱370**	**₱1,351**	**₱12,210**
New assets originated	**8,985**	**–**	**–**	**8,985**
Assets derecognized or repaid	**(5,522)**	**(366)**	**(709)**	**(6,597)**
Amounts written-off	**–**	**–**	**(1)**	**(1)**
Transfers to/(from) Stage 1	**(1,652)**	**–**	**–**	**(1,652)**
Transfers to/(from) Stage 2	**–**	**1,028**	**–**	**1,028**
Transfers to/(from) Stage 3	**–**	**–**	**624**	**624**
Balance at December 31, 2019	**₱12,300**	**₱1,032**	**₱1,265**	**₱14,597**
2018				
Balance at January 1, 2018	₱8,899	₱452	₱878	₱10,229
New assets originated	3,811	–	–	3,811
Assets derecognized or repaid	(1,505)	(105)	(218)	(1,828)
Transfers to/(from) Stage 1	(716)	–	–	(716)
Transfers to/(from) Stage 2	–	23	–	23
Transfers to/(from) Stage 3	–	–	693	693
Others	–	–	(2)	(2)
Balance at December 31, 2018	₱10,489	₱370	₱1,351	₱12,210

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2019				
Balance at January 1, 2019	**₱7,564**	**₱30**	**₱911**	**₱8,505**
New assets originated	**7,575**	**–**	**–**	**7,575**
Assets derecognized or repaid	**(4,487)**	**(219)**	**(370)**	**(5,076)**
Amounts written-off	**–**	**–**	**(1)**	**(1)**
Transfers to/(from) Stage 1	**(1,179)**	**–**	**–**	**(1,179)**
Transfers to/(from) Stage 2	**–**	**935**	**–**	**935**
Transfers to/(from) Stage 3	**–**	**–**	**244**	**244**
Balance at December 31, 2019	**₱9,473**	**₱746**	**₱784**	**₱11,003**
2018				
Balance at January 1, 2018	₱6,004	₱145	₱726	₱6,875
New assets originated or purchased	2,861	–	–	2,861
Assets derecognized or repaid	(1,117)	(55)	(57)	(1,229)
Transfers to/(from) Stage 1	(184)	–	–	(184)
Transfers to/(from) Stage 2	–	(60)	–	(60)
Transfers to/(from) Stage 3	–	–	244	244
Others	–	–	(2)	(2)
Balance at December 31, 2018	₱7,564	₱30	₱911	₱8,505

The credit risk exposure on the accounts receivable (excluding statutory receivables which are not considered financial assets) of the Group and the Parent Company based on their aging as of December 31, 2019 and 2018 follows:

	Consolidated		**Parent Company**	
Age of accounts receivables	**2019**	2018	**2019**	2018
Up to 1 month	**₱5,775**	₱5,256	**₱2,191**	₱2,359
> 1 to 2 months	**76**	126	**41**	57
> 2 to 3 months	**36**	55	**26**	18
More than 3 months	**3,579**	4,218	**3,473**	3,541
Total gross carrying amount	**₱9,466**	₱9,655	**₱5,731**	₱5,975

The maximum exposure and credit quality of loan commitments and financial guarantees as of December 31, 2019 and 2018 follows:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2019				
Standard grade	**₱210,260**	**₱–**	**₱–**	**₱210,260**
Unrated	**62,768**	**1,460**	**–**	**64,228**
	₱273,028	**₱1,460**	**₱–**	**₱274,488**
2018				
High grade	₱71	₱–	₱–	₱71
Standard grade	188,211	–	–	188,211
Unrated	69,513	84	–	69,597
	₱257,795	₱84	₱–	₱257,879

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2019				
Unrated	**₱62,768**	**₱1,460**	**₱–**	**₱64,228**
2018				
Unrated	₱69,513	₱84	₱–	₱69,597

Movements during 2019 and 2018 for loan commitments and financial guarantees follow:

	Consolidated			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2019				
Balance at January 1, 2019	**₱257,795**	**₱84**	**₱–**	**₱257,879**
New assets originated or purchased	**47,799**	**–**	**–**	**47,799**
Assets derecognized or repaid	**(30,939)**	**(251)**	**–**	**(31,190)**
Transfers to/(from) Stage 1	**(1,627)**	**–**	**–**	**(1,627)**
Transfers to/(from) Stage 2	**–**	**1,627**	**–**	**1,627**
Balance at December 31, 2019	**₱273,028**	**₱1,460**	**₱–**	**₱274,488**
2018				
Balance at January 1, 2018	₱228,559	₱302	₱–	₱228,861
New assets originated or purchased	50,093	–	–	50,093
Assets derecognized or repaid	(20,980)	(95)	–	(21,075)
Transfers to/(from) Stage 1	123	–	–	123
Transfers to/(from) Stage 2	–	(123)	–	(123)
Balance at December 31, 2018	₱257,795	₱84	₱–	₱257,879

	Parent Company			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
2019				
Balance at January 1, 2019	**₱69,513**	**₱84**	**₱–**	**₱69,597**
New assets originated or purchased	**25,821**	**–**	**–**	**25,821**
Assets derecognized or repaid	**(30,939)**	**(251)**	**–**	**(31,190)**
Transfers to/(from) Stage 1	**(1,627)**	**–**	**–**	**(1,627)**
Transfers to/(from) Stage 2	**–**	**1,627**	**–**	**1,627**
Balance at December 31, 2019	**₱62,768**	**₱1,460**	**₱–**	**₱64,228**
2018				
Balance at January 1, 2018	₱68,419	₱302	₱–	₱68,721
New assets originated or purchased	21,939	–	–	21,939
Assets derecognized or repaid	(20,968)	(95)	–	(21,063)
Transfers to/(from) Stage 1	123	–	–	123
Transfers to/(from) Stage 2	–	(123)	–	(123)
Balance at December 31, 2018	₱69,513	₱84	₱–	₱69,597

Breakdown of restructured receivables from customers by class are shown below:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Commercial loans	**₱2,048**	₱1,798	**₱2,044**	₱1,793
Auto loans	**16**	25	**–**	–
Residential mortgage loans	**95**	123	**11**	23
Others	**276**	164	**–**	–
	₱2,435	₱2,110	**₱2,055**	₱1,816

As of December 31, 2019 and 2018, an analysis by past due status of receivables from customers wherein the SICR is based only on the past due information is as follows:

	Consolidated					
	Number of days past due					
	Within 30 days	31-60 days	61-90 days	91-180 days	Over 180 days	Total
2019						
Auto loans	**₱419**	**₱165**	**₱330**	**₱1,392**	**₱1,132**	**₱3,438**
Residential mortgage loans	**807**	**328**	**187**	**422**	**1,035**	**2,779**
	₱1,226	**₱493**	**₱517**	**₱1,814**	**₱2,167**	**₱6,217**
2018						
Auto loans	₱61	₱14	₱10	₱34	₱1,464	₱1,583
Residential mortgage loans	266	88	43	120	838	1,355
	₱327	₱102	₱53	₱154	₱2,302	₱2,938

	Parent Company					
	Number of days past due					
	Within 30 days	31-60 days	61-90 days	91-180 days	Over 180 days	Total
2019						
Auto loans	**₱61**	**₱20**	**₱8**	**₱11**	**₱121**	**₱221**
Residential mortgage loans	**322**	**84**	**39**	**105**	**357**	**907**
	₱383	**₱104**	**₱47**	**₱116**	**₱478**	**₱1,128**
2018						
Auto loans	₱54	₱12	₱9	₱26	₱103	₱204
Residential mortgage loans	265	87	43	119	436	950
	₱319	₱99	₱52	₱145	₱539	₱1,154

Liquidity Risk

Liquidity risk is the current and prospective risk to earnings or capital arising from the inability to meet obligations when they come due. This may be caused by the inability to liquidate assets or to obtain funding to meet liquidity needs.

The Group manages its liquidity risk by holding adequate stock of high quality liquid assets, analyzing net funding requirements over time, diversifying funding sources and contingency planning.

To measure the prospective liquidity needs, the Group uses Maximum Cumulative Outflow (MCO), a liquidity gap tool to project short-term as well as long-term cash flow expectations on a business-as-usual condition.

The MCO is generated by distributing the cash flows of the Group's assets, liabilities and off-balance sheet items to time bands based on cash flow expectations such as contractual maturity, nature of the account, behavioral patterns, projections on business strategies, and/or optionality of certain products. The incorporation of behavioral cash flow assumptions and business projections or targets results in a dynamic gap report which realistically captures the behavior of the products and creates a forward-looking cash flow projection.

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

The MCO is monitored regularly to ensure that it remains within the set limits. The Parent Company generates and monitors daily its MCO, while the subsidiaries generate the report at least monthly. 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 exercise is performed quarterly on a per firm basis, and at least annually on the Group-wide level.

Financial assets
Analysis of debt securities into maturity groupings is based on the expected date on which these assets will be realized. For other financial assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date the assets will be realized.

Financial liabilities
The maturity groupings are based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay.

The table below summarizes the maturity profile of financial instruments and gross-settled derivatives based on contractual undiscounted cash flows.

	Consolidated						
	On demand	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Beyond 1 year**	**Total**
2019							
Financial Assets							
Cash and other cash items	**₱32,956**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱32,956**
Due from BSP	**219,994**	**–**	**–**	**–**	**–**	**–**	**219,994**
Due from other banks	**51,867**	**26**	**2,724**	**164**	**4**	**–**	**54,785**
Interbank loans receivable and SPURA	**175**	**66,185**	**3,632**	**2,196**	**–**	**–**	**72,188**
Investment securities at FVTPL FVTPL investments	**–**	**12,310**	**38,502**	**–**	**–**	**38**	**50,850**
Derivative assets							
Trading:							
Receive	**–**	**53,050**	**27,989**	**29,617**	**14,099**	**3,018**	**127,773**
Pay	**–**	**(53,625)**	**(28,447)**	**(30,201)**	**(14,307)**	**(3,151)**	**(129,731)**
	–	**(575)**	**(458)**	**(584)**	**(208)**	**(133)**	**(1,958)**
Investment securities at FVOCI	**–**	**546**	**2,799**	**5,049**	**2,940**	**230,995**	**242,329**
Investment securities at amortized cost	**–**	**15,370**	**150**	**312**	**9,766**	**317,901**	**343,499**
Loans and receivables							
Receivables from customers	**60,348**	**276,769**	**178,037**	**129,824**	**103,398**	**994,261**	**1,742,637**
Unquoted debt securities	**–**	**10**	**1**	**161**	**18**	**980**	**1,170**
Accrued interest receivable	**11,220**	**1,276**	**251**	**52**	**306**	**–**	**13,105**
Accounts receivable	**7,761**	**259**	**21**	**11**	**1,413**	**1**	**9,466**
Sales contract receivable	**9**	**–**	**19**	**13**	**26**	**86**	**153**
Other receivables	**15**	**316**	**–**	**–**	**–**	**–**	**331**
Other assets							
Returned checks and other cash items	**407**	**–**	**–**	**–**	**–**	**–**	**407**
Miscellaneous	**8**	**–**	**1**	**4**	**8**	**172**	**193**
	₱384,760	**₱372,492**	**₱225,679**	**₱137,202**	**₱117,671**	**₱1,544,301**	**₱2,782,105**

	Consolidated						
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
CASA	₱1,077,507	₱–	₱–	₱–	₱–	₱–	₱1,077,507
Time	–	394,827	125,808	23,838	30,119	21,280	595,872
LTNCD	–	34	104	8,375	590	40,253	49,356
	1,077,507	394,861	125,912	32,213	30,709	61,533	1,722,735
Bills payable and SSURA	–	91,394	50,379	22,665	26,319	51,687	242,444
Manager's checks and demand drafts outstanding	6,806	–	–	–	–	–	6,806
Accrued interest payable	766	1,295	1,199	171	339	146	3,916
Accrued other expenses	3,395	792	1	–	180	–	4,368
Bonds payable	–	–	442	1,098	30,283	56,468	88,291
Subordinated debts	–	–	54	104	6,623	1,394	8,175
Non-equity non-controlling interest	6,553	–	–	–	–	–	6,553
Other liabilities							
Bills purchased - contra	14,089	–	–	–	–	–	14,089
Accounts payable	5,089	9,964	–	2,384	–	–	17,437
Marginal deposits	6,138	–	236	–	–	–	6,374
Outstanding acceptances	–	488	378	324	398	23	1,611
Deposits on lease contracts	36	54	83	121	291	1,140	1,725
Notes payable	–	–	–	1,881	1,028	–	2,909
Dividends payable	90	–	–	–	–	–	90
Lease liability	59	125	225	341	644	3,593	4,987
Miscellaneous	3	–	–	–	–	–	3
	1,120,531	498,973	178,909	61,302	96,814	175,984	2,132,513
Derivative liabilities*							
Trading:							
Pay	–	84,202	26,452	17,814	17,521	2,097	148,086
Receive	–	(83,588)	(26,100)	(17,699)	(17,462)	(1,930)	(146,779)
	–	614	352	115	59	167	1,307
Loan commitments and financial guarantees	218,613	6,182	16,531	12,967	12,457	7,738	274,488
	₱1,339,144	₱505,769	₱195,792	₱74,384	₱109,330	₱183,889	₱2,408,308
2018							
Financial Assets							
Cash and other cash items	₱33,091	₱–	₱–	₱–	₱–	₱–	₱33,091
Due from BSP	240,134	–	–	–	–	–	240,134
Due from other banks	40,058	3,728	2,036	–	–	–	45,822
Interbank loans receivable and SPURA	2,200	27,992	13,294	3,749	3,521	–	50,756
Investment securities at FVTPL							
HFT investments	–	9,508	20,036	–	–	39	29,583
Derivative assets							
Trading:							
Receive	4	34,677	27,348	13,324	3,734	–	79,087
Pay	–	(59,215)	(24,785)	(12,371)	(5,417)	–	(101,788)
	4	(24,538)	2,563	953	(1,683)	–	(22,701)
Investment securities at FVOCI	–	309	1,314	5,405	15,132	109,071	131,231
Investment securities at amortized cost	29	40	253	929	3,773	366,156	371,180
Loans and receivables							
Receivables from customers	49,067	242,271	173,781	125,761	89,350	984,476	1,664,706
Unquoted debt securities	–	9	–	9	18	1,306	1,342
Accrued interest receivable	8,546	1,319	358	377	67	–	10,667
Accounts receivable	8,515	564	24	5	56	491	9,655
Sales contract receivable	8	1	13	14	26	143	205
Other receivables	15	320	–	–	–	–	335
Other assets							
Returned checks and other cash items	417	–	–	–	–	–	417
Miscellaneous	11	2	2	5	6	191	217
	₱382,095	₱261,525	₱213,674	₱137,207	₱110,266	₱1,461,873	₱2,566,640

	Consolidated						
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
CASA	₱964,944	₱–	₱–	₱–	₱–	₱–	₱964,944
Time	–	328,841	133,644	38,455	28,169	20,887	549,996
LTNCD	–	34	104	375	750	49,814	51,077
	964,944	328,875	133,748	38,830	28,919	70,701	1,566,017
Bills payable and SSURA	1,155	87,961	65,458	35,957	24,933	52,487	267,951
Manager's checks and demand drafts outstanding	7,565	–	–	–	–	–	7,565
Accrued interest payable	329	1,141	2,154	240	90	334	4,288
Accrued other expenses	2,592	848	325	195	–	2	3,962
Bonds payable	–	67	265	501	3,964	30,002	34,799
Subordinated debts	–	–	301	16,360	290	12,008	28,959
Non-equity non-controlling interest	6,747	–	–	–	–	–	6,747
Other liabilities							
Bills purchased - contra	12,171	–	–	–	–	–	12,171
Accounts payable	3,101	10,446	–	2,082	–	–	15,629
Marginal deposits	82	–	4,150	–	–	–	4,232
Outstanding acceptances	–	898	419	225	251	–	1,793
Deposits on lease contracts	–	46	93	81	320	1,103	1,643
Notes payable	–	16	31	47	96	2,699	2,889
Dividends payable	–	90	–	–	–	–	90
Miscellaneous	8	–	–	–	–	–	8
	998,694	430,388	206,944	94,518	58,863	169,336	1,958,743
Derivative liabilities*							
Trading:							
Pay	–	73,574	40,125	66,613	5,474	7,402	193,188
Receive	–	(36,064)	(30,290)	(15,322)	(4,895)	(7,277)	(93,848)
	–	37,510	9,835	51,291	579	125	99,340
Loan commitments and financial guarantees	199,507	7,373	19,844	10,917	14,763	5,475	257,879
	₱1,198,201	₱475,271	₱236,623	₱156,726	₱74,205	₱174,936	₱2,315,962

	Parent Company						
	On demand	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Beyond 1 year**	**Total**
2019							
Financial Assets							
Cash and other cash items	**₱30,659**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱30,659**
Due from BSP	**195,770**	–	–	–	–	–	**195,770**
Due from other banks	**34,495**	**1,498**	**2,717**	–	–	–	**38,710**
Interbank loans receivable and SPURA	–	**55,708**	**426**	**33**	–	–	**56,167**
Investment securities at FVTPL							
FVTPL investments	–	–	**38,502**	–	–	**38**	**38,540**
Derivative assets							
Trading:							
Receive	–	**53,050**	**27,989**	**29,617**	**14,099**	**3,018**	**127,773**
Pay	–	**(53,625)**	**(28,447)**	**(30,201)**	**(14,307)**	**(3,151)**	**(129,731)**
	–	**(575)**	**(458)**	**(584)**	**(208)**	**(133)**	**(1,958)**
Investment securities at FVOCI	–	**381**	**1,574**	**2,914**	**2,022**	**220,905**	**227,796**
Investment securities at amortized cost	–	**15,017**	–	–	**7,605**	**275,365**	**297,987**
Loans and receivables							
Receivables from customers	**10,053**	**276,409**	**160,093**	**105,231**	**49,435**	**722,173**	**1,323,394**
Unquoted debt securities	–	–	–	–	–	**482**	**482**
Accrued interest receivable	**10,503**	–	–	–	–	–	**10,503**
Accounts receivable	**5,731**	–	–	–	–	–	**5,731**
Sales contract receivable	**5**	–	**19**	**12**	**25**	**49**	**110**
Other receivables	**12**	–	–	–	–	–	**12**
Other assets							
Returned checks and other cash items	**378**	–	–	–	–	–	**378**
	₱287,606	**₱348,438**	**₱202,873**	**₱107,606**	**₱58,879**	**₱1,218,879**	**₱2,224,281**

	Parent Company						
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
CASA	₱1,003,249	₱–	₱–	₱–	₱–	₱–	₱1,003,249
Time	–	318,644	114,318	18,571	9,812	1,248	462,593
LTNCD	–	34	104	8,375	590	30,606	39,709
	1,003,249	318,678	114,422	26,946	10,402	31,854	1,505,551
Bills payable and SSURA	–	73,962	17,763	13,313	13,299	22,656	140,993
Manager's checks and demand drafts outstanding	5,508	–	–	–	–	–	5,508
Accrued interest payable	–	1,058	835	170	272	146	2,481
Accrued other expenses	2,124	–	–	–	–	–	2,124
Bonds payable	–	–	442	1,097	29,930	45,694	77,163
Subordinated debts	–	–	36	85	6,585	–	6,706
Other liabilities							
Bills purchased - contra	14,080	–	–	–	–	–	14,080
Accounts payable	–	8,269	–	–	–	–	8,269
Outstanding acceptances	–	488	378	324	398	23	1,611
Marginal deposits	–	–	236	–	–	–	236
Lease liability	59	62	121	181	340	1,981	2,744
	1,025,020	402,517	134,233	42,116	61,226	102,354	1,767,466
Derivative liabilities*							
Trading:							
Pay	–	80,750	26,452	17,814	18,566	–	143,582
Receive	–	(80,276)	(26,100)	(17,699)	(18,487)	–	(142,562)
	–	474	352	115	79	–	1,020
Loan commitments and financial guarantees	8,776	6,169	16,531	12,557	12,457	7,738	64,228
	₱1,033,796	₱409,160	₱151,116	₱54,788	₱73,762	₱110,092	₱1,832,714
2018							
Financial Assets							
Cash and other cash items	₱29,280	₱–	₱–	₱–	₱–	₱–	₱29,280
Due from BSP	206,289	–	–	–	–	–	206,289
Due from other banks	29,607	3,701	1,923	–	–	–	35,231
Interbank loans receivable and SPURA	–	18,046	6,106	–	601	–	24,753
Investment securities at FVTPL							
HFT investments	–	–	20,036	–	–	38	20,074
Derivative assets							
Trading:							
Receive	–	34,674	27,341	13,324	3,734	–	79,073
Pay	–	(59,215)	(24,785)	(12,371)	(5,417)	–	(101,788)
	–	(24,541)	2,556	953	(1,683)	–	(22,715)
Investment securities at FVOCI	–	240	866	4,788	10,751	91,191	107,836
Investment securities at amortized cost	–	–	57	–	423	298,611	299,091
Loans and receivables							
Receivables from customers	6,227	236,314	159,325	107,788	43,325	732,624	1,285,603
Unquoted debt securities	–	–	–	–	–	595	595
Accrued interest receivable	7,987	–	–	–	–	–	7,987
Accounts receivable	5,975	–	–	–	–	–	5,975
Sales contract receivable	4	1	13	13	25	77	133
Other receivables	13	–	–	–	–	–	13
Other assets							
Returned checks and other cash items	397	–	–	–	–	–	397
	₱285,779	₱233,761	₱190,882	₱113,542	₱53,442	₱1,123,136	₱2,000,542

	Parent Company						
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	Total
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
CASA	₱900,186	₱–	₱–	₱–	₱–	₱–	₱900,186
Time	–	255,265	98,486	24,356	12,121	1,563	391,791
LTNCD	–	34	104	375	750	39,946	41,209
	900,186	255,299	98,590	24,731	12,871	41,509	1,333,186
Bills payable and SSURA	–	58,122	42,463	26,629	5,396	21,201	153,811
Manager's checks and demand drafts outstanding	5,950	–	–	–	–	–	5,950
Accrued interest payable	–	807	1,149	238	88	93	2,375
Accrued other expenses	1,881	–	–	–	–	–	1,881
Bonds payable	–	–	265	501	1,001	30,002	31,769
Subordinated debts	–	–	241	16,300	171	6,756	23,468
Other liabilities							
Bills purchased - contra	12,158	–	–	–	–	–	12,158
Accounts payable	–	7,104	–	–	–	–	7,104
Outstanding acceptances	–	898	419	225	251	–	1,793
Marginal deposits	–	–	166	–	–	–	166
	920,175	322,230	143,293	68,624	19,778	99,561	1,573,661
Derivative liabilities*							
Trading:							
Pay	–	73,574	40,122	66,613	5,474	–	185,783
Receive	–	(36,064)	(30,290)	(15,322)	(4,895)	–	(86,571)
	–	37,510	9,832	51,291	579	–	99,212
Loan commitments and financial guarantees	11,296	7,373	19,791	10,900	14,762	5,475	69,597
	₱931,471	₱367,113	₱172,916	₱130,815	₱35,119	₱105,036	₱1,742,470

*Does not include derivatives embedded in financial and non-financial contracts.

Market Risk

Market risk is the possibility of loss to future earnings, fair values, or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign exchange rates, and other market factors. Market risk originates from holdings in foreign currencies, debt securities, and derivatives transactions.

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 VaR. VaR is an estimate of the potential decline in the value of a portfolio, under normal market conditions, for a given "confidence level" over a specified holding period. The Parent Company measures and monitors the Trading Book VaR daily, and this value is compared against the set VaR limit. Meanwhile, the Group VaR is monitored and reported monthly.

VaR methodology assumptions and parameters
Historical Simulation (HS) is used to compute the VaR. This method assumes that market rates volatility in the future will follow the same movement that occurred within the 260-day historical period. In calculating VaR, a 99.00% confidence level and a one-day holding period are assumed. This means that, statistically, within a one-day horizon, the trading losses will exceed VaR in 1 out of 100 trading days.

Like any other model, the HS method has its own limitations. To wit, it cannot predict volatility levels which did not happen in the specified historical period. The validity of the VaR model is verified through a daily backtesting analysis, which examines how frequently both actual and hypothetical daily losses exceed VaR. The result of the daily backtesting analysis is reported to the ALCO and ROC monthly.

A summary of the VaR levels of the trading portfolio of the Parent Company appears below:

	Rates and FX	Fixed Income	FX Options
As of December 31, 2019			
December 27	**₱189.27**	**₱139.49**	**₱9.18**
Average	**146.87**	**141.22**	**12.26**
Highest	**223.46**	**269.07**	**42.02**
Lowest	**57.91**	**32.93**	**2.12**
As of December 31, 2018			
December 28	₱47.91	₱34.15	₱2.58
Average	71.66	77.34	13.52
Highest	250.69	214.96	37.96
Lowest	23.21	28.84	1.88

Rates and Foreign Exchange (FX) VaR is the correlated VaR of the following products: FX spot, outright forward, non-deliverable forwards, FX swaps, interest rate swaps, and cross-currency swaps. The Fixed Income VaR is the correlated VaR of these products: peso and foreign currency bonds, bond forwards and credit default swaps (CDS).

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 the risks.

The table below summarizes the VaR levels of FMIC and PSBank:

	FMIC			PSBank		
		Bonds		Bonds		
	Equities	PHP	USD	PHP	USD	FX
As of December 31, 2019						
December 27	**₱–**	**₱9.05**	**₱0.18**	**₱0.00**		**₱0.98**
Average	**0.99**	**30.26**	**3.63**	**0.00**		**0.75**
Highest	**9.42**	**89.66**	**11.34**	**0.00**		**1.33**
Lowest	**0.64**	**4.86**	**0.18**	**0.00**		**0.01**
As of December 31, 2018						
December 28	₱–	₱7.58	₱–	₱0.00	₱–	₱0.86
Average	8.32	11.90	0.34	0.50	0.86	0.92
Highest	24.61	37.26	4.06	12.17	12.14	3.64
Lowest	1.45	4.40	1.31	0.00	–	0.12

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.

EaR measures the possible decline in the Group's net interest income as a result of adverse interest rate movements, given the current repricing profile. It is a tool used to evaluate the sensitivity of the accrual portfolio to changes in interest rates in the adverse direction over the next twelve (12) months.

EaR methodology assumptions and parameters
The Group calculates EaR using Historical Simulations (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.

The table below shows the EaR profile of the Parent Company and certain subsidiaries as of December 31, 2019 and 2018:

	Parent Company	**FMIC**	**PSBank**	**MCC**	**ORIX Metro**	**Group**
2019	**(₱2,892.41)**	**(₱88.73)**	**(₱1,411.33)**	**(₱140.61)**	**(₱97.92)**	**(₱2,498.06)**
2018	(1,407.13)	(166.00)	(1,121.72)	(197.34)	(18.12)	(2,910.31)

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

In March 2019, the Parent Company started to use Delta EVE as additional IRRBB risk metric. ΔEVE is used to measure changes in the net present value of its banking book at different interest rate 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 as well as scenarios internally developed by the Parent Company.

Aside from the tools above, the Parent Company and its subsidiaries perform regular sensitivity and stress testing analyses on their banking books to broaden their forward-looking analysis. This way, management can craft strategies to address and/or arrest probable risks, if necessary.

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

The following table sets forth, for the year indicated, the impact of reasonably possible changes in the USD exchange rate and other currencies per Philippine peso on pre-tax income and equity:

	Consolidated						**Parent Company**					
	2019			2018			**2019**			2018		
Currency	**Change in currency rate in %**	**Effect on profit before tax**	**Effect on equity**	Change in currency rate in %	Effect on profit before tax	Effect on equity	**Change in currency rate in %**	**Effect on profit before tax**	**Effect on equity**	Change in currency rate in %	Effect on profit before tax	Effect on equity
USD	**+1.00%**	**(12.81)**	**5.04**	+1.00%	(121.52)	1.89	**+1.00%**	**107.32**	**1.21**	+1.00%	(34.54)	0.09
EUR	**+1.00%**	**(36.41)**	**0.00**	+1.00%	24.26	–	**+1.00%**	**(36.41)**	**–**	+1.00%	23.40	0.00
JPY	**+1.00%**	**9.37**	**0.00**	+1.00%	(18.51)	–	**+1.00%**	**9.37**	**–**	+1.00%	(18.51)	0.00
GBP	**+1.00%**	**8.16**	**0.00**	+1.00%	22.25	–	**+1.00%**	**8.16**	**–**	+1.00%	22.25	0.00
Others	**+1.00%**	**(162.34)**	**0.00**	+1.00%	11.41	–	**+1.00%**	**(162.34)**	**–**	+1.00%	11.41	0.00
USD	**-1.00%**	**12.81**	**(5.04)**	-1.00%	121.52	(1.89)	**-1.00%**	**(107.32)**	**(1.21)**	-1.00%	34.54	(0.09)
EUR	**-1.00%**	**36.41**	**0.00**	-1.00%	(22.53)	–	**-1.00%**	**36.41**	**–**	-1.00%	(23.40)	0.00
JPY	**-1.00%**	**(9.37)**	**0.00**	-1.00%	18.51	–	**-1.00%**	**(9.37)**	**–**	-1.00%	18.51	0.00
GBP	**-1.00%**	**(8.16)**	**0.00**	-1.00%	(22.25)	–	**-1.00%**	**(8.16)**	**–**	-1.00%	(22.25)	0.00
Others	**-1.00%**	**162.34**	**0.00**	-1.00%	(11.41)	–	**-1.00%**	**162.34**	**–**	-1.00%	(11.41)	0.00

Information relating to the Parent Company's currency derivatives is included in Note 8. As of December 31, 2019 and 2018, the Parent Company has outstanding foreign currency spot transactions (in equivalent peso amounts) of ₱21.24 billion and ₱7.6 billion, respectively (sold), and ₱13.85 billion and ₱8.8 billion, respectively (bought).

The impact on the Parent Company's equity already excludes the impact on transactions affecting the profit and loss.

Capital Management
The primary objectives of the Group's capital management are to ensure that it complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure, or issue capital securities. No changes were made in the objectives, policies and processes from the previous year.

BSP Reporting

Regulatory Qualifying Capital

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

The Group complied with BSP Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%; capital conservation buffer of 2.50% comprised of CET1 capital and Total Capital Adequacy Ratio (CAR) of 10.00%. These ratios shall be maintained at all times. Further, BSP Circular No. 856 covers the implementing guidelines on the framework for dealing with domestic systemically important banks (DSIBs) in accordance with the Basel III standards. Banks identified as DSIBs shall be required to have higher loss absorbency, on top of the minimum CET1 capital and capital conservation buffer. Compliance with this requirement was phased-in starting January 1, 2017, with full compliance on January 1, 2019.

The details of CAR, as reported to the BSP, as of December 31, 2019 and 2018 follow:

	Consolidated		**Parent Company**	
	2019	2018	**2019**	2018
Tier 1 capital	**₱310,100**	₱278,930	**₱310,971**	₱281,282
CET1 Capital	**310,100**	278,930	**310,971**	281,282
Less: Required deductions	**33,812**	31,156	**127,872**	106,847
Net Tier 1 Capital	**276,288**	247,774	**183,099**	174,435
Tier 2 capital	**22,032**	41,177	**17,271**	32,649
Total Qualifying Capital	**₱298,320**	₱288,951	**₱200,370**	₱207,084
Credit Risk-Weighted Assets	**₱1,487,360**	₱1,469,970	**₱1,143,218**	₱1,160,414
Market Risk-Weighted Assets	**72,042**	57,101	**66,166**	46,045
Operational Risk-Weighted Assets	**146,694**	174,345	**86,437**	102,152
Total Risk-Weighted Assets	**1,706,096**	1,701,416	**1,295,821**	1,308,611
CET1 Ratio*	**16.19%**	14.56%	**14.13%**	13.33%
Tier 1 capital ratio	**16.19%**	14.56%	**14.13%**	13.33%
Total capital ratio	**17.49%**	16.98%	**15.46%**	15.82%

** of which capital conservation buffer in 2019 and 2018 is 10.19% and 8.56%, respectively, for the Group and 8.13% and 7.33%, respectively, for the Parent Company*

Qualifying capital and risk-weighted assets (RWA) are computed based on BSP regulations. Under Basel III, the regulatory qualifying capital of the Parent Company consists of CET1 capital, which comprises paid-up common stock, additional paid-in capital, retained earnings including current year profit, retained earnings reserves, OCI and non-controlling interest less required regulatory deductions. The other component of regulatory capital is Tier 2 (supplementary) capital, which includes unsecured subordinated debts and general loan loss provision. RWA consist of total assets excluding cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits and other non-risk items determined by the Monetary Board (MB) of the BSP. Operational RWA are computed using the Basic Indicator Approach. As discussed in Note 30, as of December 31, 2018, additional operational risk has been included as required by the MB, which was lifted on July 18, 2019.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

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

Basel III Leverage Ratio (BLR)
BSP Circular Nos. 881 and 990 cover the implementing guidelines on the BLR framework designed to act as a supplementary measure to the risk-based capital requirements and shall not be less than 5.00%. The monitoring period has been set every quarter starting December 31, 2014 and extended until June 30, 2018. Effective July 1, 2018, the monitoring of the leverage ratio was implemented as a Pillar I minimum requirement.

The details of the BLR, as reported to the BSP, as of December 31, 2019 and 2018 follow:

	Consolidated		**Parent Company**	
	2019	2018	**2019**	2018
Tier 1 Capital	**₱276,288**	₱247,774	**₱183,099**	₱174,435
Exposure Measure	**₱2,532,633**	₱2,312,538	**₱2,055,498**	₱1,840,207
BLR	**10.91%**	10.71%	**8.91%**	9.48%

Under the framework, BLR is defined as the capital measure divided by the exposure measure. Capital measure is Tier 1 capital. Exposure measure is the sum of on-balance sheet exposures, derivative exposures, security financing exposures and off-balance sheet items.

Liquidity Coverage Ratio (LCR)
BSP Circular No. 905 provides the implementing guidelines on LCR and disclosure standards that are consistent with the Basel III framework. The LCR is the ratio of high-quality liquid assets to total net cash outflows which should not be lower than 100.00%. Compliance with the LCR minimum requirement commenced on January 1, 2018 with the prescribed minimum ratio of 90.00% for 2018 and 100.00% effective January 1, 2019. As of December 31, 2019 and 2018, the LCR in single currency as reported to the BSP, was at 245.10% and 131.92%, respectively for the Group, and 279.11% and 147.82%, respectively for the Parent Company.

Net Stable Funding Ratio (NSFR)
On June 6, 2018, the BSP issued BSP Circular No.1007 covering the implementing guidelines on the adoption of the Basel III Framework on Liquidity Standards – NSFR. The NSFR is aimed to promote long-term resilience against liquidity risk by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. It complements the LCR, which promotes short term resilience of a bank's liquidity profile. Banks shall maintain an NSFR of at least 100 percent (100%) at all times. The implementation of the minimum NSFR shall be phased in to help ensure that covered banks can meet the standard through reasonable measures without disrupting credit extension and financial market activities. An observation period was set from July 1 to December 31, 2018. Effective, January 1, 2019, banks shall comply with the prescribed minimum ratio of 100%. As of December 31, 2019 and 2018, the NSFR as reported to the BSP, was at 148.53% and 134.17%, respectively for the Group, and 150.61% and 139.88%, respectively for the Parent Company.

5. **Fair Value Measurement**

Financial Instruments

The methods and assumptions used by the Group and the Parent Company in estimating the fair values of financial assets and financial liabilities are:

Cash and other cash items, due from BSP and other banks and interbank loans receivable and SPURA

Carrying amounts approximate fair values in view of the relatively short-term maturities of these instruments.

Trading and investment securities

Fair values of debt and equity securities are generally based on quoted market prices. Where the debt securities are not quoted or the market prices are not readily available, the Group and the Parent Company obtained valuations from independent parties offering pricing services, used adjusted quoted market prices of comparable investments, or applied discounted cash flow methodologies. 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, FX rates, CDS rates, FX volatilities and spot and forward FX rates) and are implemented through validated calculation engines.

Loans and receivables

Fair values of the Group's loans and receivables are estimated using the discounted cash flow methodology, using current incremental lending rates for similar types of loans. Where the instrument reprices on a quarterly basis or has a relatively short maturity, the carrying amounts approximate fair values.

Liabilities

Fair values are estimated using the discounted cash flow methodology using the Group's current borrowing rate for similar borrowings with maturities consistent with those remaining for the liability being valued, if any. The carrying amounts of demand and savings deposit liabilities and other short-term liabilities approximate fair values considering that these are either due and demandable or with short-term maturities.

Non-Financial Assets

Investment properties

Fair value of investment properties is determined based on valuations performed by independent and in-house appraisers using valuation technique with significant inputs that are not based on observable market data (Level 3). The valuation of investment properties was based on the Sales Comparison Approach and considered recent sales of similar or substitute properties in the same areas where the investment properties are located, taking into account the economic conditions prevailing at the time of the valuation. Other factors considered were the location and shape of the properties, environmental issues, development controls such as the height restrictions, building coverage and floor area ratio restrictions, among others. The fair value of investment properties is based on its highest and best use, which is their current use.

The following tables summarize the carrying amounts and fair values of assets and liabilities, analyzed among those whose fair value is based on:

- Quoted market prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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

(Forward)

	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross-currency swaps	**₱3,772**	**₱–**	**₱3,772**	**₱–**	**₱3,772**
Interest rate swaps	**2,235**	**–**	**2,235**	**–**	**2,235**
Currency forwards	**1,401**	**–**	**1,401**	**–**	**1,401**
Call option	**12**	**–**	**12**	**–**	**12**
Put option	**6**	**–**	**6**	**–**	**6**
Credit default swaps	**1**	**–**	**1**	**–**	**1**
Non-equity non-controlling interest	**6,553**	**–**	**6,553**	**–**	**6,553**
	₱13,980	**₱–**	**₱13,980**	**₱–**	**₱13,980**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	**₱592,897**	**₱–**	**₱–**	**₱594,991**	**₱594,991**
LTNCD	**43,740**	**35,122**	**9,042**	**–**	**44,164**
	636,637	**35,122**	**9,042**	**594,991**	**639,155**
Bills payable and SSURA	**238,281**	**–**	**–**	**243,017**	**243,017**
Bonds payable	**80,486**	**82,297**	**–**	**–**	**82,297**
Subordinated debts	**7,660**	**6,502**	**–**	**1,195**	**7,697**
Other liabilities					
Deposits on lease contracts	**1,725**	**–**	**–**	**1,440**	**1,440**
Notes Payable	**2,592**	**–**	**–**	**2,677**	**2,677**
	₱967,381	**₱123,921**	**₱9,042**	**₱843,320**	**₱976,283**
2018					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
HFT investments					
Debt securities					
Private	₱9,257	₱9,257	₱–	₱–	₱9,257
Government	6,247	6,247	–	–	6,247
Treasury notes and bonds	4,285	4,285	–	–	4,285
Treasury bills	2,642	2,642	–	–	2,642
BSP	2	2	–	–	2
	22,433	22,433	–	–	22,433
Equity securities	6,605	6,605	–	–	6,605
Derivative assets					
Cross-currency swaps	8,222	–	8,222	–	8,222
Currency forwards	1,223	–	1,223	–	1,223
Interest rate swaps	1,205	–	1,205	–	1,205
Put option	1	–	1	–	1
	10,651	–	10,651	–	10,651
	39,689	29,038	10,651	–	39,689
Investment securities at FVOCI					
Debt securities					
Private	42,369	36,498	5,871	–	42,369
Treasury notes and bonds	40,786	40,786	–	–	40,786
Government	27,004	26,610	394	–	27,004
	110,159	103,894	6,265	–	110,159
Equity securities	1,129	945	184	–	1,129
	111,288	104,839	6,449	–	111,288
	₱150,977	₱133,877	₱17,100	₱–	₱150,977
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	₱237,464	₱202,537	₱–	₱–	₱202,537
Government	21,823	20,700	–	–	20,700
Private	6,040	5,654	–	–	5,654
Treasury bills	49	49	–	–	49
	265,376	228,940	–	–	228,940
Loans and receivables – net					
Receivables from customers					
Commercial loans	977,404	–	–	961,772	961,772
Auto loans	117,309	–	–	138,227	138,227
Residential mortgage loans	107,079	–	–	128,752	128,752
Trade loans	62,786	–	–	62,786	62,786

(Forward)

	Consolidated				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Credit card	₱66,568	₱–	₱–	₱66,569	₱66,569
Others	39,446	–	–	40,122	40,122
	1,370,592	–	–	1,398,228	1,398,228
Unquoted debt securities	632	–	–	635	635
Sales contract receivable	156	–	–	196	196
	1,371,380	–	–	1,399,059	1,399,059
Other assets	207	–	–	315	315
	1,636,963	228,940	–	1,399,374	1,628,314
Non-Financial Assets					
Investment properties	7,500	–	–	14,224	14,224
Residual value of leased assets	1,130	–	–	1,006	1,006
	8,630	–	–	15,230	15,230
	₱1,645,593	₱228,940	₱–	₱1,414,604	₱1,643,544
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross-currency swaps	₱3,857	₱–	₱3,857	₱–	₱3,857
Currency forwards	1,388	–	1,388	–	1,388
Interest rate swaps	1,290	–	1,290	–	1,290
Put option	2	–	2	–	2
Non-equity non-controlling interest	6,747	–	6,747	–	6,747
	₱13,284	₱–	₱13,284	₱–	₱13,284
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱548,019	₱–	₱–	₱548,680	₱548,680
LTNCD	43,790	40,354	–	–	40,354
	591,809	40,354	–	548,680	589,034
Bills payable and SSURA	259,607	–	–	255,472	255,472
Bonds payable	30,743	28,023	–	2,944	30,967
Subordinated debts	26,618	22,047	–	3,356	25,403
Other liabilities					
Notes payable	2,600	–	–	2,575	2,575
Deposits on lease contracts	1,643	–	–	1,376	1,376
	₱913,020	₱90,424	₱–	₱814,403	₱904,827

	Parent Company				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
2019					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Private	**₱7,213**	**₱7,213**	**₱–**	**₱–**	**₱7,213**
Government	**12,838**	**12,838**	**–**	**–**	**12,838**
Treasury notes and bonds	**20,210**	**20,210**	**–**	**–**	**20,210**
Treasury bills	**761**	**761**	**–**	**–**	**761**
BSP	**2**	**2**	**–**	**–**	**2**
	41,024	**41,024**	**–**	**–**	**41,024**
Equity securities	**38**	**38**	**–**	**–**	**38**
Derivative assets					
Cross-currency swaps	**6,007**	**–**	**6,007**	**–**	**6,007**
Currency forwards	**1,755**	**–**	**1,755**	**–**	**1,755**
Interest rate swaps	**711**	**–**	**711**	**–**	**711**
Put option	**9**	**–**	**9**	**–**	**9**
Call option	**6**	**–**	**6**	**–**	**6**
	8,488	**–**	**8,488**	**–**	**8,488**
	49,550	**41,062**	**8,488**	**–**	**49,550**
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	**109,203**	**109,203**	**–**	**–**	**109,203**
Private	**26,324**	**25,766**	**558**	**–**	**26,324**
Government	**52,649**	**52,494**	**155**	**–**	**52,649**
	188,176	**187,463**	**713**	**–**	**188,176**
Equity securities	**500**	**439**	**61**	**–**	**500**
	188,676	**187,902**	**774**	**–**	**188,676**
	₱238,226	**₱228,964**	**₱9,262**	**₱–**	**₱238,226**

	Parent Company				
	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	**₱208,514**	**₱193,267**	**₱–**	**₱–**	**₱193,267**
Government	**8,130**	**8,223**	**–**	**–**	**8,223**
	216,644	**201,490**	**–**	**–**	**201,490**
Loans and receivables – net					
Receivables from customers					
Commercial loans	**1,002,413**	**–**	**–**	**989,097**	**989,097**
Auto loans	**24,038**	**–**	**–**	**24,243**	**24,243**
Residential mortgage loans	**57,176**	**–**	**–**	**57,635**	**57,635**
Trade loans	**62,387**	**–**	**–**	**62,387**	**62,387**
Others	**14,505**	**–**	**–**	**14,505**	**14,505**
	1,160,519	**–**	**–**	**1,147,867**	**1,147,867**
Sales contract receivable	**100**	**–**	**–**	**100**	**100**
	1,160,619	**–**	**–**	**1,147,967**	**1,147,967**
	1,377,263	**201,490**	**–**	**1,147,967**	**1,349,457**
Non-Financial Assets					
Investment properties	**3,291**	**–**	**–**	**7,179**	**7,179**
	₱1,380,554	**₱201,490**	**₱–**	**₱1,155,146**	**₱1,356,636**
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross-currency swaps	**₱2,341**	**₱–**	**₱2,341**	**₱–**	**₱2,341**
Currency forwards	**1,401**	**–**	**1,401**	**–**	**1,401**
Interest rate swaps	**2,234**	**–**	**2,234**	**–**	**2,234**
Credit default swaps	**1**	**–**	**1**	**–**	**1**
Call option	**12**	**–**	**12**	**–**	**12**
Put option	**5**	**–**	**5**	**–**	**5**
	₱5,994	**₱–**	**₱5,994**	**₱–**	**₱5,994**
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	**₱461,713**	**₱–**	**₱–**	**₱461,713**	**₱461,713**
LTNCD	**35,330**	**26,536**	**9,042**	**–**	**35,578**
	497,043	**26,536**	**9,042**	**461,713**	**497,291**
Bills payable and SSURA	**139,072**	**–**	**–**	**139,223**	**139,223**
Bonds payable	**70,110**	**71,741**	**–**	**–**	**71,741**
Subordinated debts	**6,494**	**6,502**	**–**	**–**	**6,502**
	₱712,719	**₱104,779**	**₱9,042**	**₱600,936**	**₱714,757**
2018					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
HFT investments					
Debt securities					
Private	₱8,571	₱8,571	₱–	₱–	₱8,571
Government	6,063	6,063	–	–	6,063
Treasury notes and bonds	3,394	3,394	–	–	3,394
Treasury bills	1,460	1,460	–	–	1,460
BSP	2	2	–	–	2
	19,490	19,490	–	–	19,490
Equity securities	38	38	–	–	38
Derivative assets					
Cross-currency swaps	8,222	–	8,222	–	8,222
Currency forwards	1,210	–	1,210	–	1,210
Interest rate swaps	1,205	–	1,205	–	1,205
Put option	1	–	1	–	1
	10,638	–	10,638	–	10,638
	30,166	19,528	10,638	–	30,166

(Forward)

	Parent Company				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	₱37,377	₱37,377	₱–	₱–	₱37,377
Private	33,073	32,499	574	–	33,073
Government	21,221	21,058	163	–	21,221
	91,671	90,934	737	–	91,671
Equity securities	473	412	61	–	473
	92,144	91,346	798	–	92,144
	₱122,310	₱110,874	₱11,436	₱–	₱122,310
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Treasury notes and bonds	₱204,164	₱173,943	₱–	₱–	₱173,943
Government	8,443	8,162	–	–	8,162
	212,607	182,105	–	–	182,105
Loans and receivables - net					
Receivables from customers					
Commercial loans	940,127	–	–	922,105	922,105
Auto loans	29,444	–	–	29,522	29,522
Residential mortgage loans	57,500	–	–	57,860	57,860
Trade loans	62,722	–	–	62,722	62,722
Others	12,530	–	–	12,530	12,530
	1,102,323	–	–	1,084,739	1,084,739
Sales contract receivable	118	–	–	118	118
	1,102,441	–	–	1,084,857	1,084,857
	1,315,048	182,105	–	1,084,857	1,266,962
Non-Financial Assets					
Investment properties	2,825	–	–	6,194	6,194
	₱1,317,873	₱182,105	₱–	₱1,091,051	₱1,273,156
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross-currency swaps	₱3,505	₱–	₱3,505	₱–	₱3,505
Currency forwards	1,385	–	1,385	–	1,385
Interest rate swaps	1,290	–	1,290	–	1,290
Put option	2	–	2	–	2
	₱6,182	₱–	₱6,182	₱–	₱6,182
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱390,475	₱–	₱–	₱390,475	₱390,475
LTNCD	35,330	32,661	–	–	32,661
	425,805	32,661	–	390,475	423,136
Bills payable and SSURA	151,079	–	–	150,852	150,852
Bonds payable	27,826	28,023	–	–	28,023
Subordinated debts	22,471	22,047	–	–	22,047
	₱627,181	₱82,731	₱–	₱541,327	₱624,058

When fair values of listed equity and debt securities, as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations, without any adjustments for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other revaluation models. Instruments included in Level 3 include those for which there is currently no active market.

As of December 31, 2019, the fair value hierarchy of 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.

6. Segment Information

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

The Group's business segments follow:

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

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross income and expense. The Group has no significant customers which contributes 10.00% or more of the consolidated revenue net of interest expense. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on a pool rate which approximates the cost of funds.

The following table presents revenue and income information of operating segments presented in accordance with PFRS and segment assets and liabilities:

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
2019							
Results of Operations							
Net interest income (expense)							
Third party	**₱17,710**	**₱53,360**	**₱–**	**₱7,885**	**(₱5,702)**	**₱3,744**	**₱76,997**
Intersegment	**(663)**	**(41,061)**	**–**	**2,746**	**38,978**	**–**	**–**
Net interest income after intersegment transactions	**17,047**	**12,299**	**–**	**10,631**	**33,276**	**3,744**	**76,997**
Non-interest income	**6,476**	**2,042**	**441**	**7,983**	**5,116**	**6,996**	**29,054**
Revenue - net of interest expense	**23,523**	**14,341**	**441**	**18,614**	**38,392**	**10,740**	**106,051**
Non-interest expense	**15,359**	**6,977**	**49**	**2,519**	**22,747**	**20,333**	**67,984**

(Forward)

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
Income (loss) before share in net income of subsidiaries, associates and a JV	**₱8,164**	**₱7,364**	**₱392**	**₱16,095**	**₱15,645**	**(₱9,593)**	**₱38,067**
Share in net income of subsidiaries, associates and a JV	–	**106**	–	–	–	**762**	**868**
Provision for income tax	**(2,178)**	**(471)**	–	**(3,344)**	**(137)**	**(3,931)**	**(10,061)**
Non-controlling interest in net income of consolidated subsidiaries	–	–	–	–	–	**(819)**	**(819)**
Net income (loss)	**₱5,986**	**₱6,999**	**₱392**	**₱12,751**	**₱15,508**	**(₱13,581)**	**₱28,055**
Statement of Financial Position							
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	**₱649**	**₱538**	**₱–**	**₱95**	**₱35**	**₱3,455**	**₱4,772**
Depreciation and amortization	**₱623**	**₱175**	**₱–**	**₱70**	**₱2,451**	**₱2,219**	**₱5,538**
Provision for credit and impairment losses	**₱6,853**	**₱1,766**	**₱–**	**₱–**	**₱350**	**₱1,109**	**₱10,078**
2018							
Results of Operations							
Net interest income (expense)							
Third party	₱17,881	₱40,602	₱–	₱9,444	(₱1,997)	₱2,892	₱68,822
Intersegment	(476)	(30,190)	–	1,761	27,639	1,266	–
Net interest income after intersegment transactions	17,405	10,412	–	11,205	25,642	4,158	68,822
Non-interest income	6,892	1,078	347	1,748	4,771	8,074	22,910
Revenue - net of interest expense	24,297	11,490	347	12,953	30,413	12,232	91,732
Non-interest expense	14,523	4,877	26	2,418	23,203	16,379	61,426
Income (loss) before share in net income of subsidiaries, associates and a JV	9,774	6,613	321	10,535	7,210	(4,147)	30,306
Share in net income of subsidiaries, associates and a JV	–	77	–	–	–	797	874
Provision for income tax	(2,212)	(455)	–	(2,637)	(88)	(2,353)	(7,745)
Non-controlling interest in net income of consolidated subsidiaries	–	–	–	–	–	(1,427)	(1,427)
Net income (loss)	₱7,562	₱6,235	₱321	₱7,898	₱7,122	(₱7,130)	₱22,008
Statement of Financial Position							
Total assets	₱221,884	₱1,043,630	₱–	₱464,751	₱153,913	₱359,515	₱2,243,693
Total liabilities	₱75,848	₱999,803	₱–	₱488,041	₱259,621	₱129,676	₱1,952,989
Other Segment Information							
Capital expenditures	₱488	₱62	₱–	₱108	₱60	₱2,807	₱3,525
Depreciation and amortization	₱586	₱130	₱–	₱28	₱1,557	₱1,783	₱4,084
Provision for credit and impairment losses	₱6,607	₱669	₱–	₱126	₱172	₱196	₱7,770
2017							
Results of Operations							
Net interest income (expense)							
Third party	₱15,528	₱29,594	₱–	₱10,900	₱2,491	₱2,893	₱61,406
Intersegment	(267)	(11,914)	–	(1,240)	16,036	(2,615)	–
Net interest income after intersegment transactions	15,261	17,680	–	9,660	18,527	278	61,406
Non-interest income	6,827	871	307	2,252	3,935	7,955	22,147
Revenue - net of interest expense	22,088	18,551	307	11,912	22,462	8,233	83,553
Non-interest expense	12,784	5,521	28	1,587	20,818	14,244	54,982
Income (loss) before share in net incomeof subsidiaries, associates and a JV	9,304	13,030	279	10,325	1,644	(6,011)	28,571
Share in net income of subsidiaries, associates and a JV	–	72	–	–	–	617	689
Provision for income tax	(2,192)	(306)	–	(2,686)	(6)	(2,800)	(7,990)
Non-controlling interest in net income of consolidated subsidiaries	–	–	–	–	–	(3,047)	(3,047)
Net income (loss)	₱7,112	₱12,796	₱279	₱7,639	₱1,638	(₱11,241)	₱18,223
Statement of Financial Position							
Total assets	₱199,070	₱948,654	₱–	₱428,021	₱146,941	₱357,606	₱2,080,292
Total liabilities	₱73,918	₱915,469	₱–	₱462,108	₱241,208	₱183,499	₱1,876,202
Other Segment Information							
Capital expenditures	₱884	₱91	₱–	₱130	₱110	₱3,319	₱4,534
Depreciation and amortization	₱583	₱137	₱–	₱19	₱1,271	₱2,008	₱4,018
Provision for credit and impairment losses	₱5,667	₱1,882	₱–	(₱426)	₱202	₱182	₱7,507

Non-interest income consists of service charges, fees and commissions, profit from assets sold, trading and securities gain (loss) - net, foreign exchange gain (loss) - net, income from trust operations, leasing, dividends and miscellaneous income. Non-interest expense consists of compensation and fringe benefits, taxes and licenses, provision for credit and impairment losses, depreciation and amortization, occupancy and equipment-related costs, amortization of software costs, and miscellaneous expenses.

Geographical Information

The Group operates in four geographic markets: Philippines, Asia other than Philippines, USA and Europe (Note 2).

The following tables show the distribution of Group's external net operating income and non-current assets allocated based on the location of the customers and assets, respectively, for the years ended December 31:

	Philippines	Asia (Other than Philippines)	USA	Europe	Total
2019					
Interest income	**₱113,173**	**₱2,966**	**₱44**	**₱–**	**₱116,183**
Interest expense	**37,882**	**1,291**	**13**	–	**39,186**
Net interest income	**75,291**	**1,675**	**31**	–	**76,997**
Non-interest income	**27,493**	**1,108**	**406**	**47**	**29,054**
Provision for credit and impairment losses	**9,871**	**207**	–	–	**10,078**
Total external net operating income	**₱92,913**	**₱2,576**	**₱437**	**₱47**	**₱95,973**
Non-current assets	**₱32,636**	**₱672**	**₱16**	**₱4**	**₱33,328**
2018					
Interest income	₱94,670	₱2,461	₱55	₱–	₱97,186
Interest expense	27,269	1,075	20	–	28,364
Net interest income	67,401	1,386	35	–	68,822
Non-interest income	21,189	1,065	602	54	22,910
Provision for credit and impairment losses	7,576	194	–	–	7,770
Total external net operating income	₱81,014	₱2,257	₱637	₱54	₱83,962
Non-current assets	₱31,635	₱653	₱15	₱5	₱32,308
2017					
Interest income	₱78,302	₱1,980	₱40	₱–	₱80,322
Interest expense	18,079	827	10	–	18,916
Net interest income	60,223	1,153	30	–	61,406
Non-interest income	20,768	819	505	55	22,147
Provision for credit and impairment losses	7,388	119	–	–	7,507
Total external net operating income	₱73,603	₱1,853	₱535	₱55	₱76,046
Non-current assets	₱32,233	₱652	₱10	₱5	₱32,900

Non-current assets consist of property and equipment, investment properties, chattel properties acquired in foreclosure, software costs and assets held under joint operations.

7. Interbank Loans Receivable and Securities Purchased Under Resale Agreements

This account consists of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Interbank loans receivable - net (Note 31)	**₱32,488**	₱42,652	**₱19,231**	₱24,712
SPURA	**39,686**	8,067	**36,921**	–
	₱72,174	₱50,719	**₱56,152**	₱24,712

As of December 31, 2019 and 2018, the allowance for credit losses for interbank loans receivable of the Parent Company amounted to ₱0.7 million and ₱11.7 million, respectively (Note 15).

In 2019, 2018 and 2017, the interest rates of the interbank loans receivables ranged from 0.00% to 4.60%, 0.00% to 5.40%, and 0.00% to 5.90%, respectively, for the Group and 0.00% to 4.00%, 0.00% to 3.54%, and 0.00% to 3.50%, respectively, for the Parent Company.

8. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Investment securities at:				
FVTPL	**₱61,867**	₱39,689	**₱49,550**	₱30,166
FVOCI (Note 29)	**202,520**	111,288	**188,676**	92,144
Amortized cost (Note 29)	**251,628**	265,376	**216,644**	212,607
	₱516,015	₱416,353	**₱454,870**	₱334,917

Investment securities at FVTPL consist of the following:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
HFT investments				
Debt securities				
Treasury notes and bonds	**₱24,145**	₱4,285	**₱20,210**	₱3,394
Government	**13,048**	6,247	**12,838**	6,063
Private	**7,935**	9,257	**7,213**	8,571
Treasury bills	**1,662**	2,642	**761**	1,460
BSP	**2**	2	**2**	2
	46,792	22,433	**41,024**	19,490
Equity securities	**6,585**	6,605	**38**	38
	53,377	29,038	**41,062**	19,528
Derivative assets	**8,490**	10,651	**8,488**	10,638
	₱61,867	₱39,689	**₱49,550**	₱30,166

The following are the fair values of the Parent Company's derivative financial instruments recorded as 'Derivative assets/liabilities', together with the notional amounts. The notional amount is the amount or quantity of a derivative's underlying asset, and is the basis upon which changes in the value are measured. The notional amounts indicate the volume of transactions outstanding as of December 31, 2019 and 2018 and are not indicative of either market risk or credit risk.

	Derivative Assets	**Derivative Liabilities**	**Notional Amount**	**Average Forward Rate (in every USD 1)**
December 31, 2019				
Freestanding derivatives:				
Currency forwards				
BOUGHT:				
USD	**₱13**	**₱992**	**USD 1,932**	**₱51.2254**
CNY	**24**	**81**	**CNY 1,010**	**CNY 0.1435**
EUR	**1**	**94**	**EUR 57**	**EUR 1.1493**
THB	**1**	**–**	**THB 113**	**THB 0.0330**
TWD	**–**	**77**	**TWD 2,591**	**TWD 0.0328**
JPY	**–**	**57**	**JPY 9,049**	**JPY 0.0093**
HKD	**22**	**4**	**HKD 2,341**	**HKD 0.1281**

(Forward)

	Derivative Assets	Derivative Liabilities	Notional Amount	Average Forward Rate (in every USD 1)
SOLD:				
USD	**₱1,550**	**₱1**	**USD 1,911**	**₱51.6015**
CNY	**42**	**51**	**CNY 2,028**	**CNY 0.1426**
JPY	**59**	**1**	**JPY 9,287**	**JPY 0.0093**
EUR	**40**	**4**	**EUR 66**	**EUR 1.1283**
MXN	**–**	**0**	**MXN 1**	**MXN 0.0526**
THB	**0**	**2**	**THB 189**	**THB 0.0330**
CHF	**–**	**1**	**CHF 13**	**CHF 1.0207**
NZD	**–**	**1**	**NZD 2**	**NZD 0.6605**
HKD	**3**	**33**	**HKD 2,405**	**HKD 0.1281**
SGD	**–**	**2**	**SGD 48**	**SGD 0.7381**
TRY	**–**	**0**	**TRY 1**	**TRY 0.1681**
DKK	**–**	**0**	**DKK 2**	**DKK 0.1490**
Interest rate swaps - PHP	**329**	**157**	**₱24,258**	
Interest rate swaps - FX	**382**	**2,077**	**USD 2,091**	
Cross-currency swaps - PHP	**3,559**	**119**	**₱61,247**	
Cross-currency swaps - FX	**2,422**	**1,907**	**USD 1,728**	
Cross-currency swaps - EUR	**25**	**276**	**EUR 75**	
Cross-currency swaps - JPY	**1**	**39**	**JPY 1,500**	
Credit default swaps - USD	**–**	**1**	**USD 1**	
Over-the-counter FX options	**15**	**17**	**USD 436**	
	₱8,488	**₱5,994**		
December 31, 2018				
Freestanding derivatives:				
Currency forwards				
BOUGHT:				
USD	₱68	₱1,152	USD 1,774	₱53.1275
CNY	–	28	CNY 515	CNY 0.1463
EUR	–	1	EUR 1	EUR 1.1746
THB	0	–	THB 5	THB 0.0307
TWD	4	7	TWD 67	TWD 436.96
SOLD:				
USD	1,009	133	USD 1,357	₱53.5023
CNY	110	11	CNY 871	CNY 0.1475
JPY	2	47	JPY 6,779	JPY 0.0195
EUR	6	–	EUR 2	EUR 49.1943
MXN	–	0	MXN 1	MXN 0.0487
THB	0	1	THB 60	THB 0.0306
CHF	–	3	CHF 7	CHF 1.0057
AUD	10	0	AUD 16	AUD 0.7168
HKD	1	0	HKD 40	HKD 0.1280
SGD	–	2	SGD 18	SGD 0.7292
TRY	–	0	TRY 1	TRY 0.1699
DKK	–	0	DKK 2	DKK 0.1530
Interest rate swaps - PHP	320	667	₱27,375	
Interest rate swaps - FX	885	623	USD 1,936	
Cross-currency swaps - PHP	159	3,396	₱46,245	
Cross-currency swaps - FX	7,577	109	USD 1,458	
Cross-currency swaps - EUR	486	0	EUR 57	
Cross-currency swaps - JPY	0	–	JPY 10	
Credit default swaps - USD	0	–	USD 1	
Over-the-counter FX options	1	2	USD 41	
	₱10,638	₱6,182		

As of December 31, 2019 and 2018, the Group’s derivative assets include currency forwards and FX options entered into by the subsidiaries amounting to ₱1.5 million and ₱13.0 million, respectively. As of December 31, 2019 and 2018, the Group’s derivative liabilities include currency forwards, cross-currency swaps and FX options entered into by the subsidiaries amounting to ₱1.4 billion and ₱354.4 million, respectively.

Investment securities at FVOCI as of December 31, 2019 and 2018 consist of the following:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Debt securities				
Treasury notes and bonds (Note 17)	**₱111,791**	₱40,786	**₱109,203**	₱37,377
Government (Note 17)	**52,870**	27,004	**52,649**	21,221
Private	**36,199**	42,369	**26,324**	33,073
	200,860	110,159	**188,176**	91,671
Equity securities	**1,660**	1,129	**500**	473
	₱202,520	₱111,288	**₱188,676**	₱92,144

The equity securities are irrevocably designated at FVOCI as these are held for long term-strategic purpose rather than for trading. These equity securities include golf club shares and non-marketable equity securities. As part of its risk management, the Group disposed equity securities at FVOCI with total carrying value of ₱771.4 million and recognized a loss on disposal charged against 'Surplus' of ₱121.8 million in 2018.

Outstanding equity securities at FVOCI as of December 31, 2019 and 2018 generated dividends amounting to ₱40.0 million and ₱126.5 million, respectively for the Group and ₱11.3 million and ₱23.1 million, respectively, for the Parent Company. No dividends were recognized in 2019 and 2018 for the disposed equity securities at FVOCI.

As of December 31, 2019 and 2018, the ECL on debt securities at FVOCI (included in 'Net unrealized loss on investment securities at FVOCI') amounted to ₱148.3 million and ₱247.7 million respectively, for the Group and ₱144.9 million and ₱244.3 million, respectively, for the Parent Company (Note 15).

As of December 31, 2019 and 2018, investment securities at FVOCI include floating and fixed rate private notes with total carrying value of USD11.02 million and USD10.9 million, respectively (with peso equivalent of ₱558.2 million and ₱573.9 million, respectively) which are pledged by the Parent Company's New York Branch in compliance with the regulatory requirements of the Federal Deposit Insurance Corporation and the Office of the Controller of the Currency in New York.

As of December 31, 2018, investment securities at FVOCI also include US treasury notes with carrying value of USD1.0 million (with peso equivalent of ₱52.6 million) which are pledged by MR USA to the State Treasury Office pursuant to the California Financial Code and in accordance with the requirements of the California Department of Business Oversight relative to its license as a transmitter of money (Note 11). In 2019, upon the merger of MR USA with MRCI, the former is no longer required to pledge securities tp the State Treasury Office due to change in its business type (i.e., from money remittance to holding company).

The movements in net unrealized gains/(losses), including share in net unrealized gains/(losses) of subsidiaries (Note 11), presented under 'Equity' in the statements of financial position are as follows:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Balance at beginning of the year	**(₱3,134)**	(₱463)	**(₱2,994)**	(₱445)
Unrealized gains/(loss) recognized in OCI*	**10,201**	(2,468)	**9,495**	(2,294)
Amounts realized in surplus	**(19)**	122	**(19)**	122
Amounts realized in profit or loss	**(4,403)**	115	**(3,788)**	24
	2,645	(2,694)	**2,694**	(2,593)
Tax (Note 28)	**(70)**	(440)	**(65)**	(401)
Balance at end of the year	**₱2,575****	(₱3,134)**	**₱2,629**	(₱2,994)

* Includes impact of ECL (Note 15)

** Includes share of non-controlling interest in unrealized losses amounting to ₱54.0 million and ₱139.4 million as of December 31, 2019 and 2018, respectively.

Investment securities at amortized cost as of December 31, 2019 and 2018 consist of the following:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Treasury notes and bonds (Note 17)	**₱227,442**	₱237,476	**₱208,514**	₱204,176
Government (Notes 17 and 19)	**20,232**	21,859	**8,130**	8,479
Private	**3,880**	6,040	–	–
Treasury bills	**100**	49	–	–
	251,654	265,424	**216,644**	212,655
Less allowance for credit losses (Note 15)	**26**	48	–	48
	₱251,628	₱265,376	**₱216,644**	₱212,607

In August 2019, the BOD of FMIC approved the disposal of its debt securities portfolio at amortized cost with total face value of ₱15.1 billion and the abandonment of the related Hold-to-Collect (HTC) business models due to external changes that are significant to its operations. Of the ₱15.1 billion disposal, the Parent Company purchased ₱6.6 billion and subsequently sold securities totaling ₱4.1 billion. In 2019, the Group and the Parent Company recognized trading gains (included in 'Trading and securities gain (loss) – net') of ₱172.8 million and ₱32.1 million, respectively. As of December 31, 2019, the outstanding balance of these securities in the Parent Company books amounted to ₱124.5 million (classified as 'Investment Securities at FVTPL') and ₱2.4 billion (classified as 'Investment Securities at Amortized Cost') (Note 31).

Interest income on investment securities at FVOCI/AFS investments and at amortized cost consists of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Investment securities at amortized cost	**₱11,035**	₱11,147	₱–	**₱9,105**	₱8,916	₱–
Investment securities at FVOCI/ AFS investments	**5,538**	3,463	13,480	**4,673**	2,676	10,655
	₱16,573	₱14,610	₱13,480	**₱13,778**	₱11,592	₱10,655

In 2019, 2018 and 2017, foreign currency-denominated trading and investment securities bear nominal annual interest rates ranging from 0.10% to 10.63%, 0.10% to 11.63% and 0.10% to 11.63%, respectively, for the Group and the Parent Company while peso-denominated trading and investment securities bear nominal annual interest rates ranging from 3.25% to 18.25%, 2.13% to 18.25% and 1.63% to 15.00%, respectively, for the Group and from 3.25% to 18.25%, 3.25% to 18.25% and 1.63% to 15.00%, respectively, for the Parent Company.

Trading and securities gain (loss) - net consists of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Investment securities at FVTPL	**₱3,362**	(₱1,668)	₱1,915	**₱2,774**	(₱570)	₱73
Derivative assets/liabilities - net	**(2,213)**	3,639	(1,706)	**(2,210)**	3,635	(1,706)
Debt securities at FVOCI/AFS investments	**4,403**	(115)	641	**3,788**	(24)	554
Investment securities at amortized cost	**150**	–	–	–	–	–
	5,702	1,856	850	**₱4,352**	₱3,041	(₱1,079)
Income (loss) attributable to non-equity non-controlling interests (Note 21)	**(230)**	685	(1,252)			
	₱5,472	₱2,541	(₱402)			

Trading gains (losses) on debt securities at FVOCI/AFS investments represent realized gains/losses previously reported in OCI.

9. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Receivables from customers (Note 31)				
Commercial loans	**₱1,063,146**	₱987,186	**₱1,012,387**	₱947,916
Auto loans	**118,409**	119,972	**24,182**	29,681
Residential mortgage loans	**109,999**	107,947	**57,520**	57,974
Credit card	**86,785**	70,487	**–**	–
Trade loans	**63,360**	63,126	**62,655**	63,062
Others	**43,937**	44,362	**14,542**	12,571
	1,485,636	1,393,080	**1,171,286**	1,111,204
Less unearned discounts and capitalized interest	**5,149**	4,859	**238**	266
	1,480,487	1,388,221	**1,171,048**	1,110,938
Accrued interest receivable (Note 31)	**13,105**	10,667	**10,503**	7,987
Accounts receivable (Notes 30 and 31)	**12,707**	13,291	**8,972**	9,611
Unquoted debt securities - private	**1,016**	1,018	**386**	386
Sales contract receivable	**145**	190	**102**	119
Other receivables	**331**	335	**12**	13
	1,507,791	1,413,722	**1,191,023**	1,129,054
Less allowance for credit losses (Note 15)	**24,223**	22,688	**13,922**	12,797
	₱1,483,568	₱1,391,034	**₱1,177,101**	₱1,116,257

Receivables from customers consist of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Loans and discounts	**₱1,409,451**	₱1,319,442	**₱1,095,627**	₱1,037,424
Less unearned discounts and capitalized interest	**5,149**	4,859	**238**	266
	1,404,302	1,314,583	**1,095,389**	1,037,158
Customers' liabilities under letters of credit (LC)/trust receipts	**62,016**	61,590	**61,454**	61,526
Bills purchased (Note 21)	**14,169**	12,048	**14,205**	12,254
	₱1,480,487	₱1,388,221	**₱1,171,048**	₱1,110,938

Receivables from customers - others of the Group include notes receivables financed and lease contract receivables amounting to ₱24.3 billion and ₱1.5 billion, respectively, as of December 31, 2019 and ₱6.8 billion and ₱6.1 billion, respectively, as of December 31, 2018 (Note 13).

Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Receivables from customers (Note 31)	**₱72,697**	₱60,071	₱47,403	**₱56,345**	₱44,980	₱34,014
Receivables from cardholders	**15,161**	13,527	11,550	**–**	–	–
Lease contract receivables	**4,680**	4,162	3,299	**–**	–	–
Customers' liabilities under LC/trust receipts	**3,073**	1,711	979	**3,073**	1,711	979
Others	**236**	188	160	**185**	169	79
	₱95,847	₱79,659	₱63,391	**₱59,603**	₱46,860	₱35,072

As of December 31, 2019 and 2018, 82.47% and 83.21%, respectively, of the total receivables from customers of the Group, and 99.92% and 99.91%, respectively, of the total receivables from customers of the Parent Company are subject to periodic interest repricing. In 2019 and 2018, the remaining peso receivables from customers earn annual fixed interest rates ranging from 4.70% to 45.00% and from 4.70% to 42.00%, while foreign currency-denominated receivables from customers earn annual fixed interest rates ranging from 1.32% to 45.00% and from 2.10% to 36.00%, respectively.

BSP Reporting

The following table shows information relating to receivables from customers by collateral, gross of unearned discounts and capitalized interest:

	Consolidated				Parent Company			
	2019		2018		**2019**		2018	
	Amount	**%**	Amount	%	**Amount**	**%**	Amount	%
Secured by:								
Other securities	**₱294,368**	**19.81**	₱286,705	20.58	**₱294,362**	**25.13**	₱286,693	25.80
Chattel	**159,754**	**10.75**	157,259	11.29	**26,950**	**2.30**	28,801	2.59
Real estate	**112,107**	**7.55**	110,901	7.96	**74,718**	**6.38**	74,860	6.74
Deposit hold-out	**31,054**	**2.09**	19,096	1.37	**30,004**	**2.56**	18,181	1.64
Equity securities	**27,705**	**1.87**	18,525	1.33	**11,996**	**1.02**	5,161	0.46
Others	**27,366**	**1.84**	18,420	1.32	**5,114**	**0.44**	6,450	0.58
	652,354	**43.91**	610,906	43.85	**443,144**	**37.83**	420,146	37.81
Unsecured	**833,282**	**56.09**	782,174	56.15	**728,142**	**62.17**	691,058	62.19
	₱1,485,636	**100.00**	₱1,393,080	100.00	**₱1,171,286**	**100.00**	₱1,111,204	100.00

Information on the concentration of credit as to industry of receivables from customers, gross of unearned discount and capitalized interest, follows:

	Consolidated				Parent Company			
	2019		2018		**2019**		2018	
	Amount	**%**	**Amount**	%	**Amount**	**%**	Amount	%
Wholesale and retail trade, repair of motor vehicles, motorcycles	**₱245,670**	**16.54**	₱242,426	17.40	**₱215,281**	**18.38**	₱215,353	19.38
Real estate activities	**231,358**	**15.57**	209,610	15.05	**181,388**	**15.49**	163,386	14.70
Manufacturing	**217,654**	**14.65**	215,125	15.44	**209,813**	**17.91**	212,451	19.12
Activities of households as employers and undifferentiated goods and services - producing activities of households for own use	**164,684**	**11.09**	153,597	11.03	**77,456**	**6.61**	82,678	7.44
Financial and insurance activities	**149,670**	**10.07**	106,338	7.63	**158,407**	**13.53**	117,435	10.57
Transportation and storage, information and communication	**104,283**	**7.02**	106,139	7.62	**96,078**	**8.20**	98,405	8.86
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	**99,422**	**6.69**	98,857	7.10	**93,787**	**8.01**	96,149	8.65
Construction	**65,327**	**4.40**	58,405	4.19	**49,990**	**4.27**	44,100	3.97
Agricultural, forestry and fishing	**41,437**	**2.79**	34,714	2.49	**37,294**	**3.18**	29,688	2.67
Accommodation and food service activities	**35,105**	**2.36**	32,005	2.30	**34,773**	**2.97**	31,657	2.85
Others	**131,026**	**8.82**	135,864	9.75	**17,019**	**1.45**	19,902	1.79
	₱1,485,636	**100.00**	₱1,393,080	100.00	**₱1,171,286**	**100.00**	₱1,111,204	100.00

The BSP considers that concentration of credit exists when total loan exposure to a particular industry or economic sector exceeds 30.00% of total loan portfolio except for thrift banks.

Non-performing loans (NPLs) included in the total loan portfolio of the Group and the Parent Company, as reported to the BSP, are presented below:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Gross NPLs	**₱19,277**	₱16,866	**₱10,209**	₱8,041
Less allowance for credit losses	**11,019**	8,530	**8,236**	6,026
Net carrying amount	**₱8,258**	₱8,336	**₱1,973**	₱2,015

Under banking regulations, loan accounts shall be considered non-performing, even without any missed contractual payments, when they are considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal or interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six (6) months; or (b) written-off. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after they have become past due.

10. Property and Equipment

The composition and movements in the account follow:

	Consolidated						
	Land	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**BUC**	**ROU Assets**	**Total**
2019							
Cost							
Balance at beginning of year	**₱5,824**	**₱14,952**	**₱17,542**	**₱4,588**	**₱261**	**₱4,162**	**₱47,329**
Additions	–	**47**	**2,851**	**128**	**696**	**679**	**4,401**
Disposals/early termination	–	**(4)**	**(2,132)**	**(28)**	–	**(34)**	**(2,198)**
Reclassification/others	**(22)**	**400**	**(25)**	**42**	**(638)**	**9**	**(234)**
Balance at end of year	**5,802**	**15,395**	**18,236**	**4,730**	**319**	**4,816**	**49,298**
Accumulated depreciation and amortization							
Balance at beginning of year	–	**5,820**	**12,039**	**3,346**	–	–	**21,205**
Depreciation and amortization	–	**604**	**2,166**	**382**	–	**1,301**	**4,453**
Disposals/early termination	–	**(4)**	**(1,864)**	**(24)**	–	**(25)**	**(1,917)**
Reclassification/others	–	**(13)**	**(15)**	**(137)**	–	**14**	**(151)**
Balance at end of year	–	**6,407**	**12,326**	**3,567**	–	**1,290**	**23,590**
Allowance for impairment losses	–	**8**	–	–	–	–	**8**
Net book value at end of year	**₱5,802**	**₱8,980**	**₱5,910**	**₱1,163**	**₱319**	**₱3,526**	**₱25,700**
2018							
Cost							
Balance at beginning of year	₱5,908	₱9,647	₱20,817	₱4,309	₱4,846	₱–	₱45,527
Additions	–	20	1,862	147	860	–	2,889
Disposals	(84)	–	(5,166)	(11)	–	–	(5,261)
Reclassification/others	–	5,285	29	143	(5,445)	–	12
Balance at end of year	5,824	14,952	17,542	4,588	261	–	43,167

(Forward)

	Consolidated						
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	BUC	ROU Assets	Total
Accumulated depreciation and amortization							
Balance at beginning of year	₱–	₱5,264	₱14,867	₱3,010	₱–	₱–	₱23,141
Depreciation and amortization	–	530	2,244	383	–	–	3,157
Disposals	–	–	(5,082)	(11)	–	–	(5,093)
Reclassification/others	–	26	10	(36)	–	–	–
Balance at end of year	–	5,820	12,039	3,346	–	–	21,205
Allowance for impairment losses							
Balance at beginning of year	–	24	–	–	–	–	24
Reclassification/others	–	(16)	–	–	–	–	(16)
Balance at end of year	–	8	–	–	–	–	8
Net book value at end of year	₱5,824	₱9,124	₱5,503	₱1,242	₱261	₱–	₱21,954

	Parent Company						
	Land	**Buildings**	**Furniture, Fixtures and Equipment**	**Leasehold Improvements**	**BUC**	**ROU Assets**	**Total**
2019							
Cost							
Balance at beginning of year	**₱4,381**	**₱13,238**	**₱7,334**	**₱2,776**	**₱261**	**₱2,225**	**₱30,215**
Additions	–	**1**	**1,294**	**8**	**696**	**338**	**2,337**
Disposals/early termination	–	–	**(852)**	**(1)**	–	–	**(853)**
Reclassification/others	–	**440**	**(1)**	**170**	**(638)**	**14**	**(15)**
Balance at end of year	**4,381**	**13,679**	**7,775**	**2,953**	**319**	**2,577**	**31,684**
Accumulated depreciation and amortization							
Balance at beginning of year	–	**5,072**	**5,367**	**1,911**	–	–	**12,350**
Depreciation and amortization	–	**547**	**824**	**220**	–	**687**	**2,278**
Disposals	–	–	**(821)**	**(1)**	–	–	**(822)**
Reclassification/others	–	**4**	**3**	**(9)**	–	**15**	**13**
Balance at end of year	–	**5,623**	**5,373**	**2,121**	–	**702**	**13,819**
Allowance for impairment losses	–	**8**	–	–	–	–	**8**
Net book value at end of year	**₱4,381**	**₱8,048**	**₱2,402**	**₱832**	**₱319**	**₱1,875**	**₱17,857**
2018							
Cost							
Balance at beginning of year	₱4,465	₱7,955	₱10,855	₱2,627	₱4,846	₱–	₱30,748
Additions	–	–	609	4	860	–	1,473
Disposals	(84)	–	(4,162)	(1)	–	–	(4,247)
Reclassification/others	–	5,283	32	146	(5,445)	–	16
Balance at end of year	4,381	13,238	7,334	2,776	261	–	27,990
Accumulated depreciation and amortization							
Balance at beginning of year	–	4,579	8,662	1,726	–	–	14,967
Depreciation and amortization	–	470	813	223	–	–	1,506
Disposals	–	–	(4,126)	(1)	–	–	(4,127)
Reclassification/others	–	23	18	(37)	–	–	4
Balance at end of year	–	5,072	5,367	1,911	–	–	12,350
Allowance for impairment losses							
Balance at beginning of year	–	24	–	–	–	–	24
Reclassification/others	–	(16)	–	–	–	–	(16)
Balance at end of year	–	8	–	–	–	–	8
Net book value at end of year	₱4,381	₱8,158	₱1,967	₱865	₱261	₱–	₱15,632

As of December 31, 2019 and 2018, the cost of fully depreciated property and equipment still in use amounted to ₱6.2 billion and ₱4.7 billion, respectively, for the Group and ₱2.4 billion and ₱2.2 billion, respectively, for the Parent Company.

11. **Investments in Subsidiaries, Associates and a Joint Venture**

Investments in subsidiaries consist of:

	2019	2018
Acquisition cost		
MCC	**₱15,149**	₱15,149
PSBank	**13,076**	5,237
FMIC	**11,751**	11,751
MBCL	**10,079**	10,079
Circa	**837**	837
MR USA	**365**	365
ORIX Metro	**265**	265
MR Japan	**102**	102
MR UK	**31**	31
MRHL	**26**	26
MRSPL	**17**	17
Others	**291**	291
	51,989	44,150
Accumulated equity in net income		
Balance at beginning of year	**36,457**	30,967
Share in net income	**8,892**	7,928
Dividends	**(1,073)**	(2,438)
Balance at end of year	**44,276**	36,457
Equity in net unrealized loss on investment securities at FVOCI	**(537)**	(1,074)
Equity in net unrealized gain on remeasurement of retirement plan and translation adjustment and others	**98**	1,777
Excess of share in net losses of subsidiaries over cost included in 'Miscellaneous liabilities' (Note 21)	**35**	100
Equity in realized loss on sale of equity securities at FVOCI	**(122)**	(122)
Carrying value		
MCC	**29,233**	24,586
FMIC	**19,647**	19,312
MBCL	**12,051**	12,488
PSBank	**30,294**	20,467
Circa	**250**	241
ORIX Metro	**3,529**	3,294
MR USA	**49**	122
MR Japan	**74**	73
MR UK	**49**	52
MRHL	**142**	156
MRSPL	**154**	158
Others	**267**	339
	₱95,739	₱81,288

The following subsidiaries have material non-controlling interests as of December 31, 2019 and 2018:

	Country of Incorporation and Principal Place of Business	Principal Activities	Effective Ownership of Non-Controlling Interest	
			2019	2018
ORIX Metro	Philippines	Leasing, Financing	**40.15%**	40.15%
PSBank	Philippines	Banking	**11.62%**	17.32%

The following table presents financial information of subsidiaries with material non-controlling interests as of December 31, 2019 and 2018.

	2019		2018	
	PSBank	**ORIX Metro**	PSBank	ORIX Metro
Statement of Financial Position				
Total assets	**₱224,907**	**₱52,821**	₱237,894	₱55,627
Total liabilities	**190,450**	**43,998**	213,597	47,392
Non-controlling interest	**5,187**	**3,562**	4,240	3,319
Statement of Income				
Gross income	**20,656**	**7,745**	19,241	7,095
Operating income	**14,602**	**5,248**	14,199	5,121
Net income	**3,028**	**1,147**	2,652	1,230
Net income attributable to non-controlling interest	**352**	**460**	459	738
Total comprehensive income	**3,401**	**710**	2,271	1,304
Statement of Cash Flows				
Net cash provided by (used in) operating activities	**(35,641)**	**3,320**	223	(16,755)
Net cash provided by (used in) investing activities	**12,614**	**(791)**	287	(960)
Net cash provided by (used in) financing activities	**10,752**	**(2,662)**	787	16,894
Net increase (decrease) in cash and cash equivalents	**(12,275)**	**(133)**	1,297	(821)
Cash and cash equivalents at beginning of year	**22,510**	**6,279**	21,213	7,100
Cash and cash equivalents at end of year	**10,235**	**6,146**	22,510	6,279

Investment in PSBank
On January 11, 2019, PSBank concluded its ₱8.0 billion SRO, involving 142,856,925 common shares priced at ₱56.0 per share and listed at the PSE on January 18, 2019. This was approved by the BOD of PSBank on October 15, 2018 and noted by the BSP on October 19, 2018. The Parent Company exercised its rights to purchase thus increasing its ownership in PSBank to 88.38% (Note 2).

Investment in MCC
On October 18, 2017, with the approval of the Parent Company's BOD, the Parent Company has entered into an agreement with its JV partner ANZ Funds Pty. Ltd. (ANZ) to:

a. Purchase 20% of MCC for a consideration of ₱7.4 billion upon the approval of the BSP of the transaction, and
b. Grant ANZ the option to sell the remaining 20% of MCC to the Parent Company at the same consideration of ₱7.4 billion ("Put Option") which can be exercised at any time within the period beginning July 10, 2018 until September 2018 ("Option Exercise Period"). If in the ordinary course of business, MCC pays dividend to the stockholders during the Option Exercise Period, ANZ will exercise the Put Option by serving an exercise notice ("Exercise Notice") to the Parent Company within ten (10) banking days of receiving that dividend ("Dividend Exercise Period"). If ANZ fails to serve an Exercise Notice by the end of the Dividend Exercise Period, the Put Option is deemed exercised by ANZ on the end of the Dividend Exercise Period.

On December 28, 2017, the BSP approved the acquisition of 40% of MCC. With this BSP approval, the purchase of the 20% stake in MCC is deemed completed for accounting purposes in the financial statements as of December 31, 2017 and the acquisition was completed on January 8, 2018 ("first tranche") while the remaining 20% was completed on September 4, 2018 ("second tranche"). In the consolidated financial statements, the Group recognized equity reserves (included in 'Translation adjustment and others') for the difference between the acquisition price and the acquired non-controlling interest amounting to ₱4.7 billion (for the first tranche) and ₱5.1 billion (for the second tranche).

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

Investment in MR USA
On August 17, 2017, the New York State Department of Financial Services has approved the merger of MR USA and Metro Remittance Center, Inc. (MRCI) with MR USA being the surviving entity. The merger, as agreed upon by both parties, took effect on December 31, 2017, MRCI's two wholly-owned subsidiaries, Metro Remittance (Canada), Inc. and MB Remittance Center Hawaii, Ltd. became subsidiaries of MR USA. On August 1, 2019, the BOD of MR USA approved the reclassification of the business type of MR USA from a Money Transmission Business to a Holding Company.

Investment in Metrobank Bahamas
On April 17, 2018, Metrobank Bahamas has advised The Central Bank of The Bahamas (CBTB) of its intention to discontinue its operations effective June 30, 2018. On October 11 and October 12, 2018, it has surrendered its securities and banking licenses, respectively, to CBTB and has been placed into a voluntary liquidation. On June 30, 2019, the Register General's Department advised that the Metrobank Bahamas has been removed from the Register of Companies as of April 8, 2019.

As of December 31, 2019 and 2018, the carrying amount of goodwill of the Group amounted to ₱5.2 billion, of which ₱5.0 billion pertains to the goodwill arising from the acquisition of the then Solidbank Corporation which was merged with FMIC.

Investments in associates and a JV consist of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Acquisition cost:				
Lepanto Consolidated Mining Company (LCMC) (13.45% effectively owned)	**₱2,527**	₱2,527		
SMFC (30% effectively owned)*	**610**	610		
Northpine Land, Inc. (NLI) (20.00% owned)	**232**	232	**₱232**	₱232
Taal Land Inc. (TLI) (35.00% owned)	**178**	178	**178**	178
Cathay International Resources Corporation (CIRC) (34.74% effectively owned)	**175**	175		
Philippine AXA Life Insurance Corporation (PALIC) (28.18% owned)	**172**	172		
SMBC Metro Investment Corporation (SMBC Metro) (30.00% owned)	**180**	180	**180**	180
Others	**42**	33		
	4,116	4,107	**590**	590
Accumulated equity in net income:				
Balance at beginning of year	**2,122**	1,710	**159**	130
Share in net income	**868**	874	**46**	39
Dividends	**(169)**	(462)	**–**	(10)
Balance at end of year	**2,821**	2,122	**205**	159
Equity in other comprehensive income (losses)	**348**	(27)	**2**	–
Return of investment - SMBC Metro	**(180)**	(180)	**(180)**	(180)
Allowance for impairment losses (Note 15)	**(514)**	(75)	**(75)**	(75)

(Forward)

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Carrying value				
LCMC	**₱1,546**	₱2,107		
SMFC	**756**	685		
NLI	**474**	429	**₱474**	₱429
TLI	**21**	16	**21**	16
CIRC	**177**	199		
PALIC	**3,535**	2,419		
SMBC Metro	**47**	49	**47**	49
Others	**35**	43		
	₱6,591	₱5,947	**₱542**	₱494

* Represents investment in a JV of the Group and effective ownership interest of the Parent Company through PSBank.

Investment of FMIC in LCMC
FMIC has the ability to exercise significant influence through a 5-year agreement with Philex Mining Corporation to jointly vote their 16.7% ownership. As of December 31, 2019 and 2018, LCMC-A shares are trading at ₱0.091 per share and ₱0.112 per share, respectively and LCMC-B shares are trading at ₱0.101 per share and ₱0.115 per share, respectively. As of December 31, 2019, there has been a significant decline in the fair value of the shares compared to the acquisition cost. Based on management's assessment, the investment in LCMC is impaired by ₱439.2 million (Note 3).

Investment in SMBC Metro
On March 2, 2018, the Board of Liquidating Trustees of SMBC Metro declared the liquidation of its entire paid-up capital to its stockholders on record as of December 31, 2017 due to the expiration of its corporate term on the same date. On March 28, 2018, the Parent Company received a total amount of ₱180.0 million representing partial liquidation.

The following tables present financial information of significant associates and a JV:

	Statements of Financial Position		Statements of Income and Other Comprehensive Income				
	Total Assets	**Total Liabilities**	**Gross Income**	**Operating Income (Loss)**	**Net Income (Loss)**	**OCI**	**Total Comprehensive Income**
December 31, 2019							
PALIC	**₱141,938**	**₱129,320**	**₱17,813**	**₱4,017**	**₱2,669**	**₱–**	**₱2,669**
LCMC	**16,664**	**9,426**	**1,566**	**(639)**	**(642)**	–	**(642)**
NLI	**3,825**	**1,556**	**516**	**245**	**222**	–	**222**
SMFC	**7,125**	**4,606**	**1,465**	**510**	**353**	**(7)**	**346**
CIRC	**2,131**	**608**	**233**	**59**	**(71)**	–	**(71)**
December 31, 2018							
PALIC	₱126,794	₱117,559	₱14,120	₱4,310	₱3,084	₱–	₱3,084
LCMC	9,754	3,067	2,093	(702)	(687)	–	(687)
NLI	3,538	1,510	482	197	186	–	186
SMFC	5,054	2,749	1,267	390	262	6	268
CIRC	2,290	1,426	324	143	6	–	6

Major assets of significant associates and a JV include the following:

	2019	2018
PALIC		
Cash and cash equivalents	**₱4,734**	₱4,392
Loans and receivables - net	**940**	912
Investment securities at FVTPL	**1,960**	1,454
Investment securities at FVOCI	**16,282**	12,744
Investment in unit-linked funds	**58**	56
Property and equipment	**614**	726
LCMC		
Inventories	**538**	415
Investments and advances	**579**	997
Mine exploration cost	**6,720**	6,684
Property, plant and equipment - net	**6,956**	6,879

(Forward)

	2019	2018
NLI		
Cash and cash equivalents	**₱406**	₱241
Real estate properties	**1,956**	1,933
Receivables - net	**1,214**	1,151
SMFC		
Cash and cash equivalents	**209**	109
Receivables - net	**6,637**	4,776
CIRC		
Cash and cash equivalents	**140**	162
Receivables - net	**520**	441
Property, plant and equipment - net	**1,275**	1,370
Condominium units for sale/inventories	**109**	213

Dividends declared by investee companies of the Parent Company follow:

Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
2019					
Subsidiaries					
Cash Dividend					
PSBank	January 17, 2019	₱0.75	₱287	February 1, 2019	February 18, 2019
PSBank	April 15, 2019	0.75	287	May 3, 2019	May 15, 2019
PSBank	July 19, 2019	0.75	287	August 5, 2019	August 19, 2019
PSBank	October 14, 2019	0.75	287	October 29, 2019	November 13, 2019
Stock Dividend					
ORIX Metro	November 27, 2019	₱100.00	₱932	November 27, 2019	January 31, 2020
2018					
Subsidiaries					
Cash Dividend					
PSBank	January 18, 2018	₱0.75	₱180	February 2, 2018	February 19, 2018
PSBank	April 23, 2018	0.75	180	May 9, 2018	May 23, 2018
PSBank	July 20, 2018	0.75	180	August 6, 2018	August 20, 2018
PSBank	October 15, 2018	0.75	180	October 30, 2018	November 14, 2018
MCC	June 29, 2018	1.98	1,975	June 29, 2018	August 29, 2018
Metrobank Bahamas	July 16, 2018	USD 0.30	USD 1.5	July 16, 2018	December 4, 2018
Stock Dividend					
ORIX Metro	October 28, 2018	₱100.00	₱647	October 28, 2018	January 31, 2019
ORIX Metro	October 28, 2018	100.00	1,250	May 20, 2019	May 31, 2019
Associates					
Cash Dividend					
NLI	March 21, 2018	₱4.35	₱53	December 31, 2017	April 5, 2018

Dividends declared by significant investee companies of PSBank and FMIC follow:

Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
2019					
Associates					
Cash Dividend					
PALIC	November 6, 2019	₱40.90	₱409	October 24, 2019	December 17, 2019
Travel Services, Inc. (TSI)	March 20, 2019	34.00	47	December 31, 2018	December 13, 2019
SMFC	June 21, 2019	6.56	131	June 21, 2019	July 19, 2019
Stock Dividend					
ORIX Metro	November 27, 2019	₱100.00	₱932	November 27, 2019	January 31, 2020
2018					
Subsidiaries					
Cash Dividend					
FAMI	December 12, 2018	₱18.00	₱27	December 14, 2018	December 21, 2018
FMSBC	February 1, 2018	29.59	50	February 15, 2018	March 15, 2018
FMSBC	December 17, 2018	15.00	25	December 31, 2018	March 15, 2019
Associates					
Cash Dividend					
PALIC	November 26, 2018	₱159.50	₱1,595	November 23, 2018	December 18, 2018
Stock Dividend					
ORIX Metro	October 28, 2018	₱100.00	₱647	October 28, 2018	January 31, 2019
ORIX Metro	October 28, 2018	100.00	1,250	May 20, 2019	May 31, 2019

12. Investment Properties

This account consists of foreclosed real estate properties and investments in real estate:

	Consolidated					
	2019			2018		
	Land	**Buildings and Improvements**	**Total**	Land	Buildings and Improvements	Total
Cost						
Balance at beginning of year	**₱5,360**	**₱4,857**	**₱10,217**	₱5,997	₱4,577	₱10,574
Additions	**1,009**	**644**	**1,653**	327	660	987
Disposals	**(673)**	**(877)**	**(1,550)**	(685)	(683)	(1,368)
Reclassification/others	**22**	**27**	**49**	(279)	303	24
Balance at end of year	**5,718**	**4,651**	**10,369**	5,360	4,857	10,217
Accumulated depreciation and amortization						
Balance at beginning of year	–	**1,148**	**1,148**	–	1,174	1,174
Depreciation and amortization	–	**140**	**140**	–	148	148
Disposals	–	**(188)**	**(188)**	–	(167)	(167)
Reclassification/others	–	**17**	**17**	–	(7)	(7)
Balance at end of year	–	**1,117**	**1,117**	–	1,148	1,148
Allowance for impairment losses (Note 15)						
Balance at beginning of year	**1,313**	**256**	**1,569**	1,490	193	1,683
Provision for (reversal of) impairment loss	**(8)**	**8**	–	1	26	27
Disposals	**(6)**	**(65)**	**(71)**	(131)	(2)	(133)
Reclassification/others	**(1)**	**(7)**	**(8)**	(47)	39	(8)
Balance at end of year	**1,298**	**192**	**1,490**	1,313	256	1,569
Net book value at end of year	**₱4,420**	**₱3,342**	**₱7,762**	₱4,047	₱3,453	₱7,500

	Parent Company					
	2019			2018		
	Land	**Buildings and Improvements**	**Total**	Land	Buildings and Improvements	Total
Cost						
Balance at beginning of year	**₱3,099**	**₱1,453**	**₱4,552**	₱3,317	₱1,617	₱4,934
Additions	**758**	**111**	**869**	67	92	159
Disposals	**(286)**	**(148)**	**(434)**	(288)	(277)	(565)
Reclassification/others	–	**2**	**2**	3	21	24
Balance at end of year	**3,571**	**1,418**	**4,989**	3,099	1,453	4,552
Accumulated depreciation and amortization						
Balance at beginning of year	–	**665**	**665**	–	726	726
Depreciation and amortization	–	**39**	**39**	–	43	43
Disposals	–	**(64)**	**(64)**	–	(104)	(104)
Reclassification/others	–	**2**	**2**	–	–	–
Balance at end of year	–	**642**	**642**	–	665	665
Allowance for impairment losses (Note 15)						
Balance at beginning of year	**1,022**	**40**	**1,062**	1,143	52	1,195
Disposals	**(5)**	**(2)**	**(7)**	(131)	(2)	(133)
Reclassification/others	**(1)**	**2**	**1**	10	(10)	–
Balance at end of year	**1,016**	**40**	**1,056**	1,022	40	1,062
Net book value at end of year	**₱2,555**	**₱736**	**₱3,291**	₱2,077	₱748	₱2,825

As of December 31, 2019 and 2018, foreclosed investment properties still subject to redemption period by the borrowers amounted to ₱1.0 billion and ₱1.1 billion, respectively, for the Group and ₱150.8 million and ₱121.5 million, respectively, for the Parent Company.

As of December 31, 2019 and 2018, aggregate market value of investment properties amounted to ₱14.3 billion and ₱14.2 billion, respectively, for the Group and ₱7.2 billion and ₱6.2 billion, respectively, for the Parent Company, of which ₱8.1 billion for the Group and ₱7.1 billion for the Parent Company were determined by independent external appraisers. Information about the fair value measurement of investment properties are also presented in Note 5.

Rental income on investment properties (included in 'Leasing income' in the statements of income) in 2019, 2018 and 2017 amounted to ₱85.1 million, ₱67.3 million and ₱59.9 million, respectively, for the Group and nil, ₱1.0 million and ₱1.4 million, respectively, for the Parent Company (Note 13).

Direct operating expenses on investment properties that generated rental income (included under 'Litigation expenses') in 2019, 2018 and 2017 amounted to ₱0.1 million, ₱0.4 million and ₱1.0 million, respectively, for the Group and nil, ₱0.3 million and ₱1.0 million, respectively, for the Parent Company. Direct operating expenses on investment properties that did not generate rental income (included under 'Litigation expenses') in 2019, 2018 and 2017 amounted to ₱286.4 million, ₱257.9 million and ₱219.4 million, respectively, for the Group and ₱90.6 million, ₱102.5 million and ₱66.9 million, respectively, for the Parent Company (Note 25).

Net gains from sale of investment properties (included in 'Profit from assets sold' in the statements of income) in 2019, 2018 and 2017 amounted to ₱605.4 million, ₱883.3 million and ₱960.0 million, respectively, for the Group and ₱189.5 million, ₱322.4 million and ₱497.0 million, respectively, for the Parent Company (Note 31).

13. **Leases**

Group as a Lessee

As of December 31, 2019 and 2018, 59.69% and 59.55% of the Parent Company's branch sites are under lease arrangements. Also, some of its subsidiaries lease the premises occupied by their Head Offices and most of their branches. The lease contracts are for periods ranging from one to 29 years and some are renewable at the Group's option under certain terms and conditions. Various lease contracts include escalation clauses, which bear an annual rent increase of 2% to 20%. As of December 31, 2019 and 2018, the Group has no contingent rent payable.

As of December 31, 2019, the carrying amounts of lease liabilities (included in 'Other Liabilities' in Note 21) are as follows:

	Consolidated	Parent Company
Balance at beginning of year	**₱4,530**	**₱2,407**
Additions	**657**	**338**
Expiry/termination	**(31)**	**–**
Accretion of interest	**319**	**170**
Payments	**(1,436)**	**(754)**
Others	**(1)**	**(1)**
	₱4,038	**₱2,160**

With the adoption of PFRS 16, as of December 31, 2019, the Group and the Parent Company recognized interest expense on lease liabilities (included in 'Interest and Finance Charges' in the Statement of Income) amounting to ₱319.3 million and ₱169.9 million, respectively, and rent expense from short-term leases and leases of low-value assets amounting to ₱736.0 million and ₱413.9 million, respectively. Prior to PFRS 16 adoption, rent expense (included in 'Occupancy and equipment-related costs' in the statements of income) in 2018 and 2017 amounted to ₱2.4 billion and ₱2.2 billion, respectively, for the Group and ₱1.3 billion and ₱1.2 billion, respectively, for the Parent Company.

Future minimum rentals payable under non-cancelable leases follows:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Within one year	**₱1,553**	₱1,322	**₱824**	₱708
After one year but not more than five years	**3,075**	3,346	**1,659**	1,963
More than five years	**903**	750	**595**	402
	₱5,531	₱5,418	**₱3,078**	₱3,073

As of December 31, 2019, the Group and the Parent Company has undiscounted potential future rental payments arising from extension options expected not to be exercised and thus, not included in the calculation of lease liability amounting to ₱89.3 million and ₱89.1 million, respectively. In addition, the Group has undiscounted potential future rental payments amounting to ₱6.6 million which were not incuded in the calculation of lease liability due to expected exercise of termination options.

Group as a Lessor
The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's available office spaces and investment properties and lease agreements over various items of machinery and equipment which are non-cancelable and have remaining non-cancelable lease terms of between 1 to 20 years. In 2019, 2018 and 2017, leasing income amounted to ₱2.1 billion, ₱2.3 billion and ₱2.1 billion, respectively, for the Group and ₱210.5 million, ₱223.6 million and ₱215.2 million, respectively, for the Parent Company.

Future minimum rentals receivable under non-cancelable operating leases follows:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Within one year	**₱875**	₱1,655	**₱86**	₱114
After one year but not more than five years	**776**	1,638	**121**	184
More than five years	–	1	–	1
	₱1,651	₱3,294	**₱207**	₱299

Finance Leases
Lease contract receivables under finance leases, which are accounts of ORIX Metro, are due in monthly installments with terms ranging from one to five years. These are broken down as follows (Note 9):

	2019	2018
Within one year	**₱218**	₱607
After one year but not more than five years	**1,301**	5,476
	₱1,519	₱6,083

14. **Other Assets**

This account consists of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Investment in SPVs	**₱8,857**	₱8,857	**₱8,857**	₱8,857
Software costs - net	**2,080**	1,800	**1,011**	665
Creditable withholding tax	**1,692**	1,505	**1,150**	956
Interoffice float items	**1,643**	2,536	**1,654**	2,619
Customized system development cost	**1,616**	1,753	**1,616**	1,753
Residual value of leased assets	**1,135**	1,130	**–**	–
Chattel properties acquired in foreclosure - net	**1,093**	835	**32**	24
Prepaid expenses	**730**	832	**193**	165
Documentary and postage stamps on hand	**486**	491	**339**	355
Returned checks and other cash items	**407**	417	**378**	397
Assets held under joint operations (Note 31)	**219**	219	**219**	219
Miscellaneous (Note 27)	**5,927**	5,654	**4,671**	4,258
	25,885	26,029	**20,120**	20,268
Less allowance for impairment losses	**10,311**	10,308	**10,282**	10,285
	₱15,574	₱15,721	**₱9,838**	₱9,983

Investment in SPVs represents subordinated notes issued by Cameron Granville 3 Asset Management, Inc. and LNC 3 Asset Management, Inc. with face amount of ₱9.4 billion and ₱2.6 billion, respectively. These notes are non-interest bearing and payable over five (5) years starting April 1, 2006, with rollover of two (2) years at the option of the note issuers. These were received by the Parent Company on April 1, 2006 in exchange for the subordinated note issued by Asia Recovery Corporation (ARC) in 2003 with face amount of ₱11.9 billion. The subordinated note issued by ARC represents payment on the non-performing assets (NPAs) sold by the Parent Company to ARC in 2003. The related deed of absolute sale was formalized on September 17, 2003 and approved by the BSP on November 28, 2003, having qualified as a true sale. The subordinated notes have gross carrying amount of ₱8.9 billion and are fully provided with allowance for impairment losses.

Movements in software costs account follow:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Cost				
Balance at beginning of year	**₱5,164**	₱4,653	**₱2,165**	₱1,925
Additions	**1,050**	636	**606**	233
Others	**(151)**	(125)	**(61)**	7
Balance at end of year	**6,063**	5,164	**2,710**	2,165
Accumulated amortization				
Balance at beginning of year	**3,364**	2,906	**1,500**	1,353
Amortization	**632**	512	**241**	131
Others	**(13)**	(54)	**(42)**	16
Balance at end of year	**3,983**	3,364	**1,699**	1,500
Net book value at end of year	**₱2,080**	₱1,800	**₱1,011**	₱665

Movements in chattel properties acquired in foreclosure follow:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Cost				
Balance at beginning of year	**₱1,036**	₱979	**₱49**	₱61
Additions	**3,750**	2,824	**29**	19
Disposals/others	**(3,476)**	(2,767)	**(21)**	(31)
Balance at end of year	**1,310**	1,036	**57**	49
Accumulated depreciation and amortization				
Balance at beginning of year	**192**	155	**22**	25
Depreciation and amortization	**313**	267	**10**	10
Disposals/others	**(297)**	(230)	**(9)**	(13)
Balance at end of year	**208**	192	**23**	22
Allowance for impairment losses	**9**	9	**2**	3
Net book value at end of year	**₱1,093**	₱835	**₱32**	₱24

Assets held under joint operations are parcels of land and former branch sites of the Parent Company which were contributed to separate joint operations with FLI and Federal Land Orix Corporation (Note 31). These are carried at costs which are lower than the net realizable values.

15. Allowance for Credit and Impairment Losses

An analysis of changes in the ECL allowances in 2019 and 2018 is as follows:

	Consolidated					
			Investment Securities at FVOCI			Investment Securities at Amortized Cost
	Due from Other Banks	Interbank Loans Receivable	Stage 1	Stage 3	Total	
2019						
ECL allowance, January 1, 2019	**₱6**	**₱12**	**₱248**	**₱–**	**₱248**	**₱48**
New assets originated	**5**	**1**	**176**	**–**	**176**	**1**
Assets derecognized or repaid	**(6)**	**(12)**	**(87)**	**–**	**(87)**	**–**
Transfers to/(from) Stage 1	**–**	**–**	**(2)**	**–**	**(2)**	**–**
Transfers to/(from) Stage 3	**–**	**–**	**–**	**30**	**30**	**–**
Changes in assumptions	**–**	**–**	**(217)**	**–**	**(217)**	**(23)**
ECL allowance, December 31, 2019	**₱5**	**₱1**	**118**	**30**	**₱148**	**₱26**
2018						
ECL allowance, January 1, 2018	₱18	₱25	₱140	₱–	₱140	₱2
New assets originated	6	12	69	–	69	46
Assets derecognized or repaid	–	(25)	(20)	–	(20)	–
Changes in assumptions	(18)	–	59	–	59	–
ECL allowance, December 31, 2018	₱6	₱12	₱248	₱–	₱248	₱48

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
2019				
Commercial loans				
ECL allowance, January 1, 2019	**₱2,093**	**₱781**	**₱5,639**	**₱8,513**
New assets originated	**3,408**	**–**	**–**	**3,408**
Assets derecognized or repaid	**(762)**	**(497)**	**(631)**	**(1,890)**
Amounts written off	**–**	**–**	**(293)**	**(293)**
Transfers to/(from) Stage 1	**(1,730)**	**–**	**–**	**(1,730)**
Transfers to/(from) Stage 2	**–**	**724**	**–**	**724**
Transfers to/(from) Stage 3	**–**	**–**	**1,878**	**1,878**
Changes in assumptions	**(37)**	**(188)**	**692**	**467**
ECL allowance, December 31, 2019	**2,972**	**820**	**7,285**	**11,077**

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Auto loans				
ECL allowance, January 1, 2019	**₱538**	**₱1,077**	**₱1,048**	**₱2,663**
New assets originated	**1,466**	**–**	**–**	**1,466**
Assets derecognized or repaid	**(1,147)**	**(134)**	**(708)**	**(1,989)**
Amounts written off	**(1)**	**(45)**	**(111)**	**(157)**
Transfers to/(from) Stage 1	**(122)**	**–**	**–**	**(122)**
Transfers to/(from) Stage 2	**–**	**(358)**	**–**	**(358)**
Transfers to/(from) Stage 3	**–**	**–**	**424**	**424**
Changes in assumptions	**(1)**	**(1)**	**49**	**47**
ECL allowance, December 31, 2019	**733**	**539**	**702**	**1,974**
Residential mortgage loans				
ECL allowance, January 1, 2019	**122**	**280**	**466**	**868**
New assets originated	**51**	**–**	**–**	**51**
Assets derecognized or repaid	**(21)**	**(31)**	**(56)**	**(108)**
Transfers to/(from) Stage 1	**(17)**	**–**	**–**	**(17)**
Transfers to/(from) Stage 2	**–**	**(61)**	**–**	**(61)**
Transfers to/(from) Stage 3	**–**	**–**	**2**	**2**
Changes in assumptions	**(11)**	**(2)**	**(15)**	**(28)**
ECL allowance, December 31, 2019	**124**	**186**	**397**	**707**
Trade loans				
ECL allowance, January 1, 2019	**224**	**21**	**95**	**340**
New assets originated	**96**	**–**	**–**	**96**
Assets derecognized or repaid	**(52)**	**(16)**	**–**	**(68)**
Transfers to/(from) Stage 1	**(12)**	**–**	**–**	**(12)**
Transfers to/(from) Stage 2	**–**	**7**	**–**	**7**
Transfers to/(from) Stage 3	**–**	**–**	**5**	**5**
Changes in assumptions	**(107)**	**(1)**	**7**	**(101)**
ECL allowance, December 31, 2019	**149**	**11**	**107**	**267**
Credit card				
ECL allowance, January 1, 2019	**917**	**1,841**	**1,328**	**4,086**
New assets originated	**58**	**–**	**–**	**58**
Amounts written off	**–**	**–**	**(4,758)**	**(4,758)**
Transfers to/(from) Stage 1	**427**	**–**	**–**	**427**
Transfers to/(from) Stage 2	**–**	**(65)**	**–**	**(65)**
Transfers to/(from) Stage 3	**–**	**–**	**5,043**	**5,043**
Changes in assumptions	**(10)**	**(93)**	**(107)**	**(210)**
ECL allowance, December 31, 2019	**1,392**	**1,683**	**1,506**	**4,581**
Other loans				
ECL allowance, January 1, 2019	**148**	**289**	**722**	**1,159**
New assets originated	**609**	**–**	**–**	**609**
Assets derecognized or repaid	**(349)**	**(27)**	**(223)**	**(599)**
Amounts written off	**(1)**	**(96)**	**(866)**	**(963)**
Transfers to/(from) Stage 1	**(306)**	**–**	**–**	**(306)**
Transfers to/(from) Stage 2	**–**	**171**	**–**	**171**
Transfers to/(from) Stage 3	**–**	**–**	**444**	**444**
Changes in assumptions	**156**	**(79)**	**665**	**742**
ECL allowance, December 31, 2019	**257**	**258**	**742**	**1,257**
Total receivables from customers				
ECL allowance, January 1, 2019	**4,042**	**4,289**	**9,298**	**17,629**
New assets originated	**5,688**	**–**	**–**	**5,688**
Assets derecognized or repaid	**(2,331)**	**(705)**	**(1,618)**	**(4,654)**
Amounts written off	**(2)**	**(141)**	**(6,028)**	**(6,171)**
Transfers to/(from) Stage 1	**(1,760)**	**–**	**–**	**(1,760)**
Transfers to/(from) Stage 2	**–**	**418**	**–**	**418**
Transfers to/(from) Stage 3	**–**	**–**	**7,796**	**7,796**
Changes in assumptions	**(10)**	**(364)**	**1,291**	**917**
ECL allowance, December 31, 2019	**₱5,627**	**₱3,497**	**₱10,739**	**₱19,863**
2018				
Commercial loans				
ECL allowance, January 1, 2018	₱1,995	₱852	₱4,745	₱7,592
New assets originated	1,418	–	–	1,418
Assets derecognized or repaid	(985)	(323)	(258)	(1,566)
Amounts written off	–	–	(52)	(52)
Transfers to/(from) Stage 1	(422)	–	–	(422)
Transfers to/(from) Stage 2	–	251	–	251
Transfers to/(from) Stage 3	–	–	1,060	1,060
Changes in assumptions	87	1	144	232
ECL allowance, December 31, 2018	2,093	781	5,639	8,513

(Forward)

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Auto loans				
ECL allowance, January 1, 2018	₱520	₱1,232	₱1,218	₱2,970
New assets originated	881	–	–	881
Assets derecognized or repaid	(306)	(288)	(278)	(872)
Amounts written off	–	(12)	(447)	(459)
Transfers to/(from) Stage 1	(258)	–	–	(258)
Transfers to/(from) Stage 2	–	(45)	–	(45)
Transfers to/(from) Stage 3	–	–	191	191
Changes in assumptions	(299)	190	364	255
ECL allowance, December 31, 2018	538	1,077	1,048	2,663
Residential mortgage loans				
ECL allowance, January 1, 2018	129	580	449	1,158
New assets originated	82	–	–	82
Assets derecognized or repaid	(46)	(147)	(76)	(269)
Transfers to/(from) Stage 1	(25)	–	–	(25)
Transfers to/(from) Stage 2	–	(165)	–	(165)
Transfers to/(from) Stage 3	–	–	85	85
Changes in assumptions	(18)	12	8	2
ECL allowance, December 31, 2018	122	280	466	868
Trade loans				
ECL allowance, January 1, 2018	145	56	88	289
New assets originated	280	–	–	280
Assets derecognized or repaid	(145)	(41)	(7)	(193)
Transfers to/(from) Stage 1	(10)	–	–	(10)
Transfers to/(from) Stage 2	–	10	–	10
Transfers to/(from) Stage 3	–	–	(3)	(3)
Changes in assumptions	(46)	(4)	17	(33)
ECL allowance, December 31, 2018	224	21	95	340
Credit card				
ECL allowance, January 1, 2018	836	1,739	1,059	3,634
New assets originated	23	–	–	23
Amounts written off	–	–	(3,980)	(3,980)
Transfers to/(from) Stage 1	(330)	–	–	(330)
Transfers to/(from) Stage 2	–	59	–	59
Transfers to/(from) Stage 3	–	–	4,339	4,339
Changes in assumptions	388	43	(90)	341
ECL allowance, December 31, 2018	917	1,841	1,328	4,086
Other loans				
ECL allowance, January 1, 2018	118	145	625	888
New assets originated	620	–	–	620
Assets derecognized or repaid	(59)	(15)	(16)	(90)
Amounts written off	(3)	(66)	(173)	(242)
Transfers to/(from) Stage 1	(512)	–	–	(512)
Transfers to/(from) Stage 2	–	225	–	225
Transfers to/(from) Stage 3	–	–	287	287
Changes in assumptions	(16)	–	(1)	(17)
ECL allowance, December 31, 2018	148	289	722	1,159
Total receivables from customers				
ECL allowance, January 1, 2018	3,743	4,604	8,184	16,531
New assets originated	3,304	–	–	3,304
Assets derecognized or repaid	(1,541)	(814)	(635)	(2,990)
Amounts written off	(3)	(78)	(4,652)	(4,733)
Transfers to/(from) Stage 1	(1,557)	–	–	(1,557)
Transfers to/(from) Stage 2	–	335	–	335
Transfers to/(from) Stage 3	–	–	5,959	5,959
Changes in assumptions	96	242	442	780
ECL allowance, December 31, 2018	₱4,042	₱4,289	₱9,298	₱17,629

	Consolidated			
	Other Receivables			
	Stage1	Stage 2	Stage 3	Total
2019				
ECL allowance, January 1, 2019	**₱194**	**₱80**	**₱1,039**	**₱1,313**
New assets originated	**262**	**–**	**–**	**262**
Assets derecognized or repaid	**(29)**	**(40)**	**(178)**	**(247)**
Amounts written off	**–**	**–**	**(1)**	**(1)**
Transfers to/(from) Stage 1	**(386)**	**–**	**–**	**(386)**
Transfers to/(from) Stage 2	**–**	**(20)**	**–**	**(20)**
Transfers to/(from) Stage 3	**–**	**–**	**273**	**273**
Changes in assumptions	**(36)**	**(8)**	**65**	**21**
ECL allowance, December 31, 2019	**₱5**	**₱12**	**₱1,198**	**₱1,215**
2018				
ECL allowance, January 1, 2018	₱43	₱42	₱716	₱801
New assets originated	390	–	–	390
Assets derecognized or repaid	(18)	(10)	(158)	(186)
Transfers to/(from) Stage 1	(397)	–	–	(397)
Transfers to/(from) Stage 2	–	23	–	23
Transfers to/(from) Stage 3	–	–	378	378
Changes in assumptions	176	25	103	304
ECL allowance, December 31, 2018	₱194	₱80	₱1,039	₱1,313

	Consolidated			
	Loan Commitments and Financial Guarantees			
	Stage1	Stage 2	Stage 3	Total
2019				
ECL allowance, January 1, 2019	**₱943**	**₱3**	**₱–**	**₱946**
New assets originated or purchased	**41**	**–**	**–**	**41**
Assets derecognized or repaid	**(14)**	**–**	**–**	**(14)**
Transfers to/(from) Stage 1	**(3)**	**–**	**–**	**(3)**
Transfers to/(from) Stage 2	**–**	**4**	**–**	**4**
Changes in assumptions	**(142)**	**–**	**–**	**(142)**
ECL allowance, December 31, 2019	**₱825**	**₱7**	**₱–**	**₱832**
2018				
ECL allowance, January 1, 2018	₱874	₱13	₱–	₱887
New assets originated	97	–	–	97
Assets derecognized or repaid	(19)	(4)	–	(23)
Transfers to/(from) Stage 1	–	–	–	–
Transfers to/(from) Stage 2	–	(6)	–	(6)
Changes in assumptions	(9)	–	–	(9)
ECL allowance, December 31, 2018	₱943	₱3	₱–	₱946

	Parent Company					
			Investment Securities at FVOCI			Investment Securities at Amortized Cost
	Due from Other Banks	Interbank Loans Receivable	Stage 1	Stage 3	Total	
2019						
ECL allowance, January 1, 2019	**₱–**	**₱12**	**₱244**	**₱–**	**₱244**	**₱48**
New assets originated	**–**	**1**	**177**	**–**	**177**	**–**
Assets derecognized or repaid	**–**	**(12)**	**(87)**	**–**	**(87)**	**–**
Transfers to/(from) Stage 1	**–**	**–**	**(2)**	**–**	**(2)**	**–**
Transfers to/(from) Stage 3	**–**	**–**	**–**	**30**	**30**	**–**
Changes in assumptions	**–**	**–**	**(217)**	**–**	**(217)**	**(48)**
ECL allowance, December 31, 2019	**₱–**	**₱1**	**₱115**	**₱30**	**₱145**	**₱–**
2018						
ECL allowance, January 1, 2018	₱18	₱25	₱140	₱–	₱140	₱2
New assets originated	–	12	69	–	69	46
Assets derecognized or repaid	–	(25)	(20)	–	(20)	–
Changes in assumptions	(18)	–	55	–	55	–
ECL allowance, December 31, 2018	₱–	₱12	₱244	₱–	₱244	₱48

	Parent Company				
	Receivables from Customers				
	Stage1	**Stage 2**	**Stage 3**	**POCI**	**Total**
2019					
Commercial loans					
ECL allowance, January 1, 2019	**₱1,563**	**₱700**	**₱2,604**	**₱2,656**	**₱7,523**
New assets originated	**2,889**	**–**	**–**	**–**	**2,889**
Assets derecognized or repaid	**(678)**	**(488)**	**(381)**	**(95)**	**(1,642)**
Amounts written off	**–**	**–**	**(233)**	**–**	**(233)**
Transfers to/(from) Stage 1	**(1,489)**	**–**	**–**	**–**	**(1,489)**
Transfers to/(from) Stage 2	**–**	**629**	**–**	**–**	**629**
Transfers to/(from) Stage 3	**–**	**–**	**1,651**	**–**	**1,651**
Changes in assumptions	**(199)**	**(123)**	**301**	**430**	**409**
ECL allowance, December 31, 2019	**2,086**	**718**	**3,942**	**2,991**	**9,737**
Auto loans					
ECL allowance, January 1, 2019	**66**	**86**	**85**	**–**	**237**
New assets originated	**7**	**–**	**–**	**–**	**7**
Assets derecognized or repaid	**(53)**	**(18)**	**(15)**	**–**	**(86)**
Amounts written off	**–**	**–**	**(5)**	**–**	**(5)**
Transfers to/(from) Stage 1	**(1)**	**–**	**–**	**–**	**(1)**
Transfers to/(from) Stage 2	**–**	**(62)**	**–**	**–**	**(62)**
Transfers to/(from) Stage 3	**–**	**–**	**6**	**–**	**6**
Changes in assumptions	**–**	**–**	**48**	**–**	**48**
ECL allowance, December 31, 2019	**19**	**6**	**119**	**–**	**144**
Residential mortgage loans					
ECL allowance, January 1, 2019	**68**	**106**	**300**	**–**	**474**
New assets originated	**10**	**–**	**–**	**–**	**10**
Assets derecognized or repaid	**(1)**	**(13)**	**(22)**	**–**	**(36)**
Transfers to/(from) Stage 1	**4**	**–**	**–**	**–**	**4**
Transfers to/(from) Stage 2	**–**	**(70)**	**–**	**–**	**(70)**
Transfers to/(from) Stage 3	**–**	**–**	**(11)**	**–**	**(11)**
Changes in assumptions	**(11)**	**(2)**	**(14)**	**–**	**(27)**
ECL allowance, December 31, 2019	**70**	**21**	**253**	**–**	**344**
Trade loans					
ECL allowance, January 1, 2019	**223**	**22**	**95**	**–**	**340**
New assets originated	**96**	**–**	**–**	**–**	**96**
Assets derecognized or repaid	**(51)**	**(17)**	**–**	**–**	**(68)**
Transfers to/(from) Stage 1	**(12)**	**–**	**–**	**–**	**(12)**
Transfers to/(from) Stage 2	**–**	**7**	**–**	**–**	**7**
Transfers to/(from) Stage 3	**–**	**–**	**5**	**–**	**5**
Changes in assumptions	**(107)**	**(1)**	**7**	**–**	**(101)**
ECL allowance, December 31, 2019	**149**	**11**	**107**	**–**	**267**
Other loans					
ECL allowance, January 1, 2019	**1**	**–**	**40**	**–**	**41**
New assets originated	**14**	**–**	**–**	**–**	**14**
Assets derecognized or repaid	**(1)**	**–**	**(18)**	**–**	**(19)**
Transfers to/(from) Stage 1	**(14)**	**–**	**–**	**–**	**(14)**
Transfers to/(from) Stage 3	**–**	**–**	**13**	**–**	**13**
Changes in assumptions	**1**	**–**	**1**	**–**	**2**
ECL allowance, December 31, 2019	**1**	**–**	**36**	**–**	**37**
Total receivables from customers					
ECL allowance, January 1, 2019	**1,921**	**914**	**3,124**	**2,656**	**8,615**
New assets originated	**3,016**	**–**	**–**	**–**	**3,016**
Assets derecognized or repaid	**(784)**	**(536)**	**(436)**	**(95)**	**(1,851)**
Amounts written off	**–**	**–**	**(238)**	**–**	**(238)**
Transfers to/(from) Stage 1	**(1,512)**	**–**	**–**	**–**	**(1,512)**
Transfers to/(from) Stage 2	**–**	**504**	**–**	**–**	**504**
Transfers to/(from) Stage 3	**–**	**–**	**1,664**	**–**	**1,664**
Changes in assumptions	**(316)**	**(126)**	**343**	**430**	**331**
ECL allowance, December 31, 2019	**₱2,325**	**₱756**	**₱4,457**	**₱2,991**	**₱10,529**
2018					
Commercial loans					
ECL allowance, January 1, 2018	₱1,292	₱813	₱1,563	₱2,775	₱6,443
New assets originated	1,180	–	–	–	1,180
Assets derecognized or repaid	(693)	(311)	(155)	(60)	(1,219)
Transfers to/(from) Stage 1	(302)	–	–	–	(302)
Transfers to/(from) Stage 2	–	197	–	–	197
Transfers to/(from) Stage 3	–	–	993	–	993
Changes in assumptions	86	1	203	(59)	231
ECL allowance, December 31, 2018	1,563	700	2,604	2,656	7,523

(Forward)

	Parent Company				
	Receivables from Customers				
	Stage1	Stage 2	Stage 3	POCI	Total
2018					
Auto loans					
ECL allowance, January 1, 2018	₱124	₱387	₱65	₱–	₱576
New assets originated	33	–	–	–	33
Assets derecognized or repaid	(84)	(56)	(21)	–	(161)
Transfers to/(from) Stage 1	3	–	–	–	3
Transfers to/(from) Stage 2	–	(255)	–	–	(255)
Transfers to/(from) Stage 3	–	–	40	–	40
Changes in assumptions	(10)	10	1	–	1
ECL allowance, December 31, 2018	66	86	85	–	237
Residential mortgage loans					
ECL allowance, January 1, 2018	57	319	277	–	653
New assets originated	39	–	–	–	39
Assets derecognized or repaid	(16)	(40)	(26)	–	(82)
Transfers to/(from) Stage 1	5	–	–	–	5
Transfers to/(from) Stage 2	–	(185)	–	–	(185)
Transfers to/(from) Stage 3	–	–	42	–	42
Changes in assumptions	(17)	12	7	–	2
ECL allowance, December 31, 2018	68	106	300	–	474
Trade loans					
ECL allowance, January 1, 2018	145	56	88	–	289
New assets originated	280	–	–	–	280
Assets derecognized or repaid	(145)	(41)	(7)	–	(193)
Transfers to/(from) Stage 1	(10)	–	–	–	(10)
Transfers to/(from) Stage 2	–	11	–	–	11
Transfers to/(from) Stage 3	–	–	(2)	–	(2)
Changes in assumptions	(47)	(4)	16	–	(35)
ECL allowance, December 31, 2018	223	22	95	–	340
Other loans					
ECL allowance, January 1, 2018	4	–	42	–	46
New assets originated	1	–	–	–	1
Assets derecognized or repaid	(3)	–	(1)	–	(4)
Changes in assumptions	(1)	–	(1)	–	(2)
ECL allowance, December 31, 2018	1	–	40	–	41
Total receivables from customers					
ECL allowance, January 1, 2018	1,622	1,575	2,035	2,775	8,007
New assets originated	1,533	–	–	–	1,533
Assets derecognized or repaid	(941)	(448)	(210)	(60)	(1,659)
Transfers to/(from) Stage 1	(304)	–	–	–	(304)
Transfers to/(from) Stage 2	–	(232)	–	–	(232)
Transfers to/(from) Stage 3	–	–	1,073	–	1,073
Changes in assumptions	11	19	226	(59)	197
ECL allowance, December 31, 2018	₱1,921	₱914	₱3,124	₱2,656	₱8,615

	Parent Company			
	Other Receivables			
	Stage1	**Stage 2**	**Stage 3**	**Total**
2019				
ECL allowance, January 1, 2019	**₱188**	**₱54**	**₱672**	**₱914**
New assets originated	**218**	**–**	**–**	**218**
Assets derecognized or repaid	**(12)**	**(44)**	**(150)**	**(206)**
Amounts written off	**–**	**–**	**(1)**	**(1)**
Transfers to/(from) Stage 1	**(353)**	**–**	**–**	**(353)**
Transfers to/(from) Stage 2	**–**	**3**	**–**	**3**
Transfers to/(from) Stage 3	**–**	**–**	**218**	**218**
Changes in assumptions	**(36)**	**(8)**	**65**	**21**
ECL allowance, December 31, 2019	**₱5**	**₱5**	**₱804**	**₱814**
2018				
ECL allowance, January 1, 2018	₱7	₱28	₱704	₱739
New assets originated	21	–	–	21
Assets derecognized or repaid	(1)	(10)	(45)	(56)
Transfers to/(from) Stage 1	(15)	–	–	(15)
Transfers to/(from) Stage 2	–	10	–	10
Transfers to/(from) Stage 3	–	–	8	8
Changes in assumptions	176	26	5	207
ECL allowance, December 31, 2018	₱188	₱54	₱672	₱914

	Parent Company			
	Loan Commitments and Financial Guarantees			
	Stage1	**Stage 2**	**Stage 3**	**Total**
2019				
ECL allowance, January 1, 2019	**₱28**	**₱2**	**₱–**	**₱30**
New assets originated	**41**	**–**	**–**	**41**
Assets derecognized or repaid	**(14)**	**–**	**–**	**(14)**
Transfers to/(from) Stage 1	**(4)**	**–**	**–**	**(4)**
Transfers to/(from) Stage 2	**–**	**5**	**–**	**5**
Changes in assumptions	**(2)**	**–**	**–**	**(2)**
ECL allowance, December 31, 2019	**₱49**	**₱7**	**₱–**	**₱56**
2018				
ECL allowance, January 1, 2018	₱43	₱13	₱–	₱56
New assets originated	13	–	–	13
Assets derecognized or repaid	(19)	(4)	–	(23)
Transfers to/(from) Stage 1	–	–	–	–
Transfers to/(from) Stage 2	–	(6)	–	(6)
Changes in assumptions	(9)	(1)	–	(10)
ECL allowance, December 31, 2018	₱28	₱2	₱–	₱30

The amounts of "transfers to/(from)" include the changes in the ECL on the exposures transferred from one stage to another during the year.

As of December 31, 2019 and 2018, the ECL allowances on loan commitments and financial guarantees are included in 'Miscellaneous liabilities' under 'Other liabilities' (Note 21).

The increase in the ECL allowances was driven by an increase in the gross size of the portfolio and movements between stages as a result of increase in credit risk.

The ECL allowance on accounts receivables of the Group and the Parent Company based on their aging as of December 31, 2019 and 2018 follows:

	Consolidated		Parent Company	
Age of accounts receivables	**2019**	2018	**2019**	2018
Up to 1 month	**₱563**	₱19	**₱62**	₱–
> 1 to 2 months	**15**	1	**15**	–
> 2 to 3 months	**9**	1	**7**	0
More than 3 months	**2,558**	3,725	**2,495**	3,268
Total ECL	**₱3,145**	₱3,746	**₱2,579**	₱3,268

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

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Financial assets and other credit-related exposures:						
Loans and receivables	**₱9,627**	₱7,676	₱7,969	**₱1,645**	₱748	₱1,821
Investment securities at FVOCI/AFS investments	**11**	94	1	**–**	92	–
Investment securities at amortized cost	**–**	49	–	**–**	49	–
Interbank loans receivable	**(1)**	(17)	–	**(1)**	(17)	–
Due from other banks	**–**	4	(7)	**–**	–	–
Loan commitments and financial guarantees	**1**	(65)	–	**–**	(65)	–
	9,638	7,741	7,963	**1,644**	807	1,821
Non-financial assets:						
Investment properties	**–**	27	(32)	**–**	–	–
Chattel properties acquired in foreclosure	**–**	–	2	**–**	–	–
Investments in associates and a joint venture	**439**	–	–	**–**	–	–
Other assets	**1**	2	(426)	**–**	–	(426)
	440	29	(456)	**–**	–	(426)
	₱10,078	₱7,770	₱7,507	**₱1,644**	₱807	₱1,395

With the foregoing level of allowance for credit and impairment losses, management believes that the Group has sufficient allowance to take care of any losses that the Group may incur from the non-collection or non-realization of its receivables and other risk assets.

16. Deposit Liabilities

The LTNCDs of the Group and the Parent Company consist of the following:

BSP Approval	Interest Rate	Issue Date	Maturity Date	2019	2018
Parent Company					
September 18, 2014	4.00%	October 24, 2014	April 24, 2020	**₱8,000**	₱8,000
September 18, 2014	4.25%	November 21, 2014	November 22, 2021	**6,250**	6,250
August 12, 2016	3.50%	September 19, 2016	September 19, 2023	**8,650**	8,650
August 12, 2016	3.88%	July 20, 2017	July 20, 2024	**3,750**	3,750
July 19, 2018	5.38%	October 4, 2018	April 4, 2024	**8,680**	8,680
				35,330	35,330
PSBank					
December 8, 2016	3.50%	January 30, 2017	April 30, 2022	**3,363**	3,375
July 13, 2018	5.00%	August 9, 2018	February 9, 2024	**5,047**	5,085
				8,410	8,460
				₱43,740	₱43,790

On September 18, 2019, the BOD of the Parent Company approved the issuance of PHP LTNCDs of up to ₱25.0 billion in one or more tranches of at least ₱2.0 billion per tranche, and tenors of 5.5 years up to 10 years, subject to market conditions.

As of December 31, 2019 and 2018, 34.25% and 33.51%, respectively, of the total interest-bearing deposit liabilities of the Group and 31.94% and 30.69%, respectively, of the total interest-bearing deposit liabilities of the Parent Company are subject to periodic interest repricing. In 2019, 2018 and 2017 the remaining peso deposit liabilities (excluding LTNCDs above) earn annual fixed interest rates ranging from 0.00% to 4.50%, while the remaining foreign currency-denominated deposit liabilities earn annual fixed interest rates ranging from 0.00% to 3.00%, from 0.00% to 7.56%, and from 0.00% to 3.80%, respectively.

Interest expense on deposit liabilities consists of:

	Consolidated			**Parent Company**		
	2019	2018	2017	**2019**	2018	2017
CASA	**₱2,388**	₱2,351	₱2,155	**₱1,987**	₱1,948	₱1,795
Time	**19,126**	15,240	9,389	**13,806**	10,353	6,029
LTNCD	**1,893**	1,377	1,069	**1,500**	1,146	953
	₱23,407	₱18,968	₱12,613	**₱17,293**	₱13,447	₱8,777

Reserve Requirement

In 2019, BSP Circular Nos. 1041, 1056 and 1063 were issued reducing the reserve requirements against deposit and deposit substitute liabilities. As of December 31, 2019, non-FCDU deposit liabilities of the Parent Company and deposit substitutes of FMIC, ORIX Metro and MCC are subject to required reserves of 14% from 18% in 2018 while non-FCDU deposit liabilities of PSBank are subject to required reserves of 4% from 8% in 2018. Peso-denominated LTNCDs are subject to reserves equivalent to 4% from 7% in 2018. The required reserves can be kept in the form of deposits maintained in the demand deposit accounts with the BSP and any government securities used as compliance until they mature. The Parent Company, PSBank, FMIC, MCC and ORIX Metro were in compliance with such regulations as of December 31, 2019 and 2018.

The total statutory and liquidity reserves (under 'Due from BSP' account), as reported to the BSP are as follows:

	2019	2018
Parent Company	**₱166,770**	₱206,289
PSBank	**6,798**	15,178
MCC	**5,994**	9,527
ORIX Metro	**5,682**	5,669
FMIC	**1,255**	3,490
	₱186,499	₱240,153

17. **Bills Payable and Securities Sold Under Repurchase Agreements**

This account consists of borrowings from:

	Consolidated		**Parent Company**	
	2019	2018	**2019**	2018
SSURA	**₱91,492**	₱95,247	**₱90,780**	₱95,247
Deposit substitutes	**61,197**	53,225	–	–
Foreign banks	**55,799**	35,895	**46,212**	27,335
Local banks	**29,793**	53,740	**2,080**	8,497
BSP	–	21,500	–	20,000
	₱238,281	₱259,607	**₱139,072**	₱151,079

Interbank borrowings with foreign and local banks are mainly short-term borrowings. Deposit substitutes pertain to borrowings of PSBank, FMIC, ORIX Metro and MCC from the public.
The following are the carrying values of government debt securities (Note 8) pledged and transferred under SSURA transactions of the Group and the Parent Company:

	Consolidated				**Parent Company**			
	2019		2018		**2019**		2018	
	Transferred Securities	**SSURA**	Transferred Securities	SSURA	**Transferred Securities**	**SSURA**	Transferred Securities	SSURA
Investment securities at amortized cost	**₱71,073**	**₱53,635**	₱111,504	₱70,217	**₱71,073**	**₱53,635**	₱111,504	₱70,217
Investment securities at FVOCI	**46,678**	**37,857**	32,166	25,030	**45,965**	**37,145**	32,166	25,030
	₱117,751	**₱91,492**	₱143,670	₱95,247	**₱117,038**	**₱90,780**	₱143,670	₱95,247

The Group's peso borrowings are subject to annual fixed interest rates ranging from 0.88% to 7.25%, from 0.88% to 7.45% and from 0.06% to 6.45% in 2019, 2018 and 2017, respectively, while the Group's foreign currency-denominated borrowings are subject to annual fixed interest rates ranging from 1.30% to 4.28%, from 1.38% to 8.00% and from 0.05% to 3.76% in 2019, 2018 and 2017, respectively.

Interest expense on bills payable (included in the 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others' in the statements of income) in 2019, 2018 and 2017 amounted to ₱10.4 billion, ₱7.2 billion and ₱4.2 billion, respectively, for the Group and ₱4.2 billion, ₱2.8 billion and ₱1.4 billion, respectively, for the Parent Company.

18. Accrued Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Accrued interest (Note 31)	**₱3,916**	₱4,288	**₱2,481**	₱2,375
Accrued other expenses	**6,583**	5,331	**4,173**	3,250
	₱10,499	₱9,619	**₱6,654**	₱5,625

Accrued other expenses include accruals for compensation and fringe benefits, rentals, percentage and other taxes, professional fees, advertising and information technology expenses and other expenses.

19. Bonds Payable

This account consists of the following scripless fixed rate bonds:

				Carrying Value	
Issue Date	Maturity Date	Interest Rate	Face Value	**2019**	2018
Parent Company					
November 9, 2018	November 9, 2020	7.15%	₱10,000	**₱9,962**	₱9,922
December 17, 2018	November 9, 2020	7.15%	18,000	**17,952**	17,904
April 11, 2019	April 11, 2022	6.30%	17,500	**17,384**	–
July 3, 2019	July 3, 2021	5.50%	11,250	**11,178**	–
October 24, 2019	April 24, 2023	4.50%	13,750	**13,634**	–
			70,500	**70,110**	27,826
PSBank					
July 24, 2019	July 24, 2021	5.60%	6,300	**6,255**	–
ORIX Metro					
November 15, 2019	November 15, 2021	4.55%	4,160	**4,121**	–
FMIC					
August 10, 2012	August 10, 2019	5.75%	2,920	–	2,917
			₱83,880	**₱80,486**	₱30,743

Parent Company Fixed Rate Bonds

On November 9, 2018, the Parent Company issued ₱10.0 billion fixed rate bonds with issue price at 100% face value, which bear an interest rate of 7.15% per annum and will mature on November 9, 2020 and further issued ₱18.0 billion fixed rate bonds (Additional Bonds) on December 17, 2018 at an issue price of 100.26% plus an amount corresponding to accrued interest from, and including, November 9, 2018, but excluding the new issue date. The interest of the bonds for the entire term are payable quarterly in arrears on February 9, May 9, August 9 and November 9 of each year, commencing on February 9, 2019. Total bond issuance costs, net of bonds premium, amounted to ₱184.9 million.

On April 11, 2019, the Parent Company issued ₱17.5 billion fixed rate bonds with an issue price at 100% face value, which bear an interest rate of 6.30% per annum and will mature on April 11, 2022. The interest of the bonds for the entire term are payable quarterly in arrears on January 11, April 11, July 11 and October 11 of each year, commencing on July 11, 2019. Total bond issuance costs amounted to ₱148.47 million. On July 3, 2019, the Parent Company also issued ₱11.25 billion fixed rate bonds with an issue price at 100% face value, which bear an interest rate of 5.50% per annum and will mature on July 3, 2021. The interest of the bonds for the entire term are payable quarterly in arrears on January 3, April 3, July 3 and October 3 of each year, commencing on July 3, 2019. Total bond issuance costs amounted to ₱94.55 million. Further, on October 24, 2019, ₱13.75 billion fixed rate bonds were issued at 100% face value. The bonds bear an interest rate of 4.50% per annum and will mature on April 24, 2023. The interest of the bonds for the entire term are payable quarterly in arrears on January 24, April 24, July 24 and October 24 of each year, commencing on October 24, 2019. Total bond issuance costs amounted to ₱122.1 million.

PSBank Fixed Rate Bonds due 2021
On July 24, 2019, PSBank issued ₱6.30 billion fixed rate bonds with issue price at 100% face value. The bonds bear an interest rate of 5.60% per annum and will mature on July 24, 2021. The interest of the bonds for the entire term are payable quarterly in arrears on January 24, April 24, July 24 and October 24 of each year, commencing on July 24, 2019. Total bond issuance costs amounted to ₱56.9 million.

ORIX Metro Fixed Rate Bonds due 2021
On November 15, 2019, ORIX Metro issued ₱4.16 billion fixed rate bonds with issue price at 100% face value. The bonds bear an interest rate of 4.55% per annum and will mature on November 15, 2021. The interest of the bonds for the entire term are payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing on November 15, 2019. Total bond issuance costs amounted to ₱44.2 million.

FMIC Fixed Rate Corporate Bonds due 2019
These bonds were issued in principal amounts of ₱50,000 and in multiples of ₱5,000 in excess of ₱50,000 with an option to redeem in whole, but not in part, on any quarterly interest payment after the fourth or fifth anniversary of the issue date at 102.00% of its face value plus accrued interest. These are exempt securities pursuant to certain provisions of the Securities Regulation Code (SRC) and are covered by deeds of assignment on government securities held in trust by a collateral agent which shall have aggregate market value of 100.00% of the issued amount, otherwise, additional government securities shall be offered to increase and maintain the cover at 100.00%. The carrying amount of government securities assigned as collateral amounted to ₱3.9 billion classified under 'Investment securities at amortized cost' as of December 31, 2018. FMIC has complied with the terms of the issuance in 2019 and 2018.

Interest expense on bonds payable (included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others') in 2019, 2018 and 2017 amounted to ₱3.6 billion, ₱336.7 million and ₱399.9 million, respectively for the Group and ₱3.4 billion in 2019 and ₱163.9 million in 2018 for the Parent Company. As of December 31, 2019 and 2018, unamortized bond issue costs amounted to ₱474.2 million and ₱174.3 million for the Group, and ₱389.9 million and ₱174.3 million for the Parent Company.

<u>Reserve Requirement</u>
Peso-denominated bonds are subject to reserves equivalent to 3% and 4% in 2019 and 2018, respectively. The Parent Company, PSBank and Orix Metro were in compliance with such regulations as of December 31, 2019. The Parent and FMIC were in compliance with such regulations as of December 31, 2018.

20. **Subordinated Debts**

This account consists of the following Peso Notes:

	Maturity Date	Face Value	Carrying Value 2019	Carrying Value 2018	Market Value 2019	Market Value 2018
Parent Company						
2025	August 8, 2025	₱6,500	**₱6,494**	₱6,484	**₱6,502**	₱6,234
2024	June 27, 2024	16,000	–	15,987	–	15,813
		22,500	**6,494**	22,471	**6,502**	22,047
MCC-2023	December 20, 2023	1,170	**1,166**	1,165	**1,195**	1,113
PSBank-2024	August 23, 2024	3,000	–	2,982	–	2,243
		₱26,670	**₱7,660**	₱26,618	**₱7,697**	₱25,403

On April 15, 2013, of the BOD of the Parent Company approved the issuance of Basel III-compliant Tier 2 capital notes of up to USD500 million in one or more tranches, issued as part of its regulatory capital compliance and to proactively manage its capital base for growth and refinancing of maturing capital securities which was also approved by the BSP on July 26, 2013 and the amendment to the terms and conditions on January 30, 2014. Specifically, the BSP approved the issuance of up to USD500 million equivalent in either USD or PHP or combination in one or more tranches over the course of one (1) year. The Peso Notes issued by the Parent Company are unsecured and subordinated obligations and will rank *pari passu* and without any preference among themselves and at least equally with all its other present and future unsecured and subordinated obligations. These Peso Notes have a term of 10.25 and 11 years and are redeemable at the option of the Parent Company (but not the holders) on the call option date in whole but not in part at redemption price equal to 100.00% of the principal amount together with accrued and unpaid interest on the call option date, upon prior approval of the BSP and at least 30-banking day prior written notice to the Noteholders of record, subject to the following conditions: (1) the capital adequacy of the Issuer is at least equal to the required minimum ratio; (2) the note is simultaneously replaced with the issues of new capital which are neither smaller in size nor lower in quality than the original issue. Furthermore, upon the occurrence of a Tax Redemption Event or a Regulatory Redemption Event, the Parent Company may, upon prior approval of the BSP and at least a 30-banking day prior written notice to the Noteholders on record, redeem all and not less than all of the outstanding Notes prior to the stated maturity by paying the Noteholder the Redemption Option Amount which, (a) in the case of a Tax Redemption Event is an amount equal to 100.00% of the face value of the Note plus accrued Interest at the Interest Rate relating to the then current Interest Period up to but excluding the date of such redemption, and (b) in the case of a Regulatory Redemption Event is an amount equal to 101.00% of the face value of the Note plus accrued Interest at the Interest Rate relating to the then current Interest Period up to but excluding the date of such redemption. The Notes have a loss absorption feature which are subject to a Non-Viability Write-Down in case of the occurrence of a Non-Viability Trigger Event, subject to certain conditions as set out in “Terms and Conditions of the Notes - Loss Absorption Measure”, when the Issuer is considered non-viable as determined by the BSP. Non-Viability is a deviation from a certain level of CET1 Ratio or the inability of the Issuer to continue business (closure) or any other event as determined by the BSP, whichever comes earlier. A Non-Viability Trigger Event shall be deemed to have occurred if the BSP notifies the Issuer in writing that it has determined that a: (i) a Write-Down (as defined in “Terms and Conditions of the Notes”) of the Notes and other capital instruments of the Issuer is necessary because, without such Write-Down, the Issuer would become non-viable, (ii) public sector injection of capital, or equivalent support, is necessary because, without such injection or support, the Issuer would become non-viable, or (iii) Write-Down of the Notes and other capital instruments of the Issuer is necessary because, as a result of the closure of the Issuer, the Issuer has become non-viable.

Each Noteholder may not exercise or claim any right of set-off in respect of any amount owed to it by the Parent Company arising under or in connection with the Peso Notes and to the fullest extent permitted by applicable law, waive and be deemed to have waived all such rights of set-off. These Notes are not deposits and are not insured by the Philippine Deposit Insurance Corporation.

Specific terms of these Basel III-compliant Peso Notes follow:

Parent Company
2024 Peso Notes - issued on March 27, 2014 at 100.00% of the principal amount of ₱16.0 billion
- Bear interest at 5.375% per annum from March 27, 2014 to but excluding June 27, 2019. Interest will be payable quarterly in arrears on March 27, June 27, September 27 and December 27 of each year, commencing on June 27, 2014. Unless the Notes are previously redeemed, the initial interest rate will be reset at the equivalent of the five-year PDST-F as of reset date plus a spread of 1.51% per annum and such interest will be payable commencing on June 27, 2019 (call option date) up to and including June 27, 2024. As approved by the BSP on April 25, 2019, on June 27, 2019, the Parent Company redeemed the Notes ahead of its maturity.

2025 Peso Notes - issued on August 8, 2014 at 100.00% of the principal amount of ₱6.5 billion
- Bear interest at 5.25% per annum from August 8, 2014 to but excluding August 8, 2020. Interest will be payable quarterly in arrears on February 8, May 8, August 8 and November 8 of each year, commencing on November 8, 2014. Unless the Notes are previously redeemed, the initial interest rate will be reset at equivalent of the five-year PDST-R2 as of reset date plus a spread of 1.67% per annum and such interest will be payable commencing on August 8, 2020 (call option date) up to and including August 8, 2025.

MCC
2023 Peso Notes - issued on December 20, 2013 at 100.00% of the principal amount of ₱1.2 billion
- Bear interest at 6.21% per annum payable quarterly in arrears every 20th of March, June, September and December each year, commencing on March 20, 2014.
- Basel III - compliant unsecured subordinated notes qualified as Tier 2 capital as approved by the BSP on February 17, 2013.
- In case of insolvency or liquidation of MCC, the notes will be subordinated in the right of payment of principal and interest to all depositors and other creditors of MCC, except those creditors expressed to rank equally with, or behind holders of the notes.
- If a non-viability trigger event occurs, MCC shall immediately write down some or all of the notes in accordance with the BSP's determination.
- Subject to the written approval of the BSP, MCC may redeem all and not less than the entire outstanding 2023 Notes, at a redemption price equal to the face value together with the accrued and unpaid interest based on the interest rate.

PSBank
2024 Peso Notes - issued on May 23, 2014 at 100.00% of the face value of ₱3.0 billion
- Bear interest at the rate 5.50% per annum for the first 5 years and 3 months. Interest will be payable quarterly in arrears on August 23, November 23, February 23 and May 23 of each year, commencing on August 23, 2014. Unless the Notes are previously redeemed, the initial interest rate will be reset at the equivalent of the five-year PDST-F as of reset date plus a spread of 1.4438% per annum.
- Basel III - compliant unsecured subordinated notes qualified as Tier 2 capital as approved by the BSP on April 14, 2014.
- May be redeemed by PSBank in full, but not in part, on the call option date upon prior approval of the BSP and subject to certain conditions.

- May be redeemed by PSBank in full, but not in part, upon the occurrence of a Tax Redemption or Regulatory Redemption Event prior to maturity by paying the Holders the following:
  a) In the case of a Tax Redemption Event, 100.00% of the face value of the Note plus accrued interest
  b) In the case of a Regulatory Redemption Event, 101.00% of the face value of the Note plus accrued interest.
- Have a loss absorption feature which means the Notes are subject to a Non-Viability Write-Down in case of the occurrence of a Non-Viability Trigger Event, subject to certain conditions.

As approved by the BSP on April 25, 2019, on August 23, 2019, PSBank redeemed the Notes ahead of its maturity.

As of December 31, 2019 and 2018, the Parent Company, PSBank and MCC are in compliance with the terms and conditions upon which these subordinated notes have been issued.

In 2019, 2018 and 2017, interest expense on subordinated debts included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others' amounted to ₱983.0 million, ₱1.5 billion and ₱1.5 billion (including amortization of debt issue cost and premium of ₱41.9 million, ₱38.2 million and ₱35.3 million), respectively, for the Group, and ₱0.8 billion, ₱1.2 billion and ₱1.2 billion, respectively (including amortization of debt issue cost and premium of ₱22.5 million, ₱34.4 million and ₱32.6 million, respectively) for the Parent Company.

21. Non-equity Non-controlling Interest and Other Liabilities

Non-equity Non-controlling Interest
This account arises when mutual funds are consolidated and where the Group holds less than 100.00% of the investment in these funds. When this occurs, the Group acquires a liability in respect of non-controlling interests in the funds of which the Group has control. Such non-controlling interests are distinguished from equity non-controlling interests in that the Group does not hold an equity stake in such funds. Further, income (loss) attributable to non-equity non-controlling interests amounting to (₱0.2 billion), ₱0.7 billion, and (₱1.3 billion) in 2019, 2018 and 2017, respectively, is included under 'Trading and securities gain (loss) - net' in the statements of income (Note 8).

Other Liabilities
This account consists of:

	Consolidated		**Parent Company**	
	2019	2018	**2019**	2018
Accounts payable	**₱17,436**	₱15,629	**₱8,269**	₱7,104
Bills purchased - contra (Note 9)	**14,089**	12,171	**14,080**	12,158
Marginal deposits	**6,374**	4,232	**236**	166
Lease liability (Note 13)	**4,038**	–	**2,160**	–
Notes payable	**2,592**	2,600	–	–
Other credits	**1,800**	1,887	**853**	726
Deposits on lease contracts	**1,725**	1,643	–	–
Outstanding acceptances	**1,611**	1,793	**1,611**	1,793
Deferred revenues (Note 25)	**1,486**	1,398	**63**	64
Retirement liability (Note 27)	**938**	277	–	–
Withholding taxes payable	**742**	897	**448**	564
Miscellaneous (Notes 11 and 15)	**3,339**	3,086	**2,340**	1,532
	₱56,170	₱45,613	**₱30,060**	₱24,107

Notes payable represent unsecured notes issued by ORIX Metro on October 29, 2018 maturing on April 29, 2020 and October 29, 2020 with annual interest rates of 7.02% and 7.45%, respectively, payable quarterly in arrears every January 29, April 29, July 29 and October 29 until their maturity. In 2019 and 2018, interest expense on notes payable included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others' amounted to ₱188.8 million and ₱32.6 million, respectively.

Deferred revenues include deferral and release of MCC's loyalty points program transactions and membership fees and dues.

As of December 31, 2019 and 2018, miscellaneous liabilities of the Group include dividends payable amounting to ₱90.0 million and ₱90.4 million, respectively.

22. Maturity Profile of Assets and Liabilities

The following tables present the assets and liabilities by contractual maturity and settlement dates:

	Consolidated					
	2019			2018		
	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	**₱32,956**	**₱–**	**₱32,956**	₱33,091	₱–	₱33,091
Due from BSP	**219,994**	**–**	**219,994**	240,134	–	240,134
Due from other banks	**54,772**	**–**	**54,772**	45,808	–	45,808
Interbank loans receivable and SPURA (Note 7)	**72,175**	**–**	**72,175**	50,731	–	50,731
Investment securities at FVTPL (Note 8)	**61,867**	**–**	**61,867**	39,689	–	39,689
Investment securities at FVOCI (Note 8)	**16,418**	**186,102**	**202,520**	25,167	86,121	111,288
Investment securities at amortized cost (Note 8)	**24,075**	**227,579**	**251,654**	2,684	262,740	265,424
Loans and receivables (Note 9)						
Receivables from customers	**697,171**	**788,465**	**1,485,636**	631,150	761,930	1,393,080
Unquoted debt securities	**150**	**866**	**1,016**	–	1,018	1,018
Accrued interest receivable	**13,102**	**3**	**13,105**	10,661	6	10,667
Accounts receivable	**9,382**	**84**	**9,466**	9,574	81	9,655
Sales contract receivable	**62**	**83**	**145**	119	71	190
Other receivables	**313**	**18**	**331**	335	–	335
Other assets (Note 14)						
Investments in SPVs	**8,857**	**–**	**8,857**	8,857	–	8,857
Interoffice float items	**1,643**	**–**	**1,643**	2,536	–	2,536
Returned checks and other cash items	**407**	**–**	**407**	417	–	417
Other investments	**–**	**31**	**31**	–	26	26
	1,213,344	**1,203,231**	**2,416,575**	1,100,953	1,111,993	2,212,946
Non-Financial Assets - at gross						
Investments in associates and a JV (Note 11)	**–**	**7,105**	**7,105**	–	6,022	6,022
Property and equipment (Note 10)	**–**	**49,298**	**49,298**	–	43,167	43,167
Investment properties (Note 12)	**–**	**10,369**	**10,369**	–	10,217	10,217
Deferred tax assets (Note 28)	**–**	**10,512**	**10,512**	–	10,238	10,238
Goodwill (Note 11)	**–**	**5,200**	**5,200**	–	5,200	5,200
Assets held under joint operations (Note 14)	**–**	**219**	**219**	–	219	219
Accounts receivable (Note 9)	**–**	**3,241**	**3,241**	–	3,636	3,636
Residual value of leased asset	**390**	**745**	**1,135**	354	776	1,130
Other assets (Note 14)	**2,908**	**14,885**	**17,793**	2,828	13,581	16,409
	3,298	**101,574**	**104,872**	3,182	93,056	96,238
	₱1,216,642	**₱1,304,805**	**2,521,447**	₱1,104,135	₱1,205,049	2,309,184
Less:						
Unearned discounts and capitalized interest (Note 9)			**5,149**			4,859
Accumulated depreciation and amortization (Notes 10, 12 and 14)			**28,898**			25,909
Allowance for credit and impairment losses (Notes 10, 11, 12, 14, and 15)			**36,587**			34,723
			₱2,450,813			₱2,243,693

	Consolidated					
	2019			2018		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Financial Liabilities						
Deposit liabilities						
CASA	**₱1,077,507**	**₱–**	**₱1,077,507**	₱964,944	₱–	₱964,944
Time	**565,982**	**26,915**	**592,897**	527,635	20,384	548,019
LTNCD (Note 16)	**8,000**	**35,740**	**43,740**	–	43,790	43,790
	1,651,489	**62,655**	**1,714,144**	1,492,579	64,174	1,556,753
Bills payable and SSURA (Note 17)	**195,762**	**42,519**	**238,281**	212,478	47,129	259,607
Derivative liabilities (Note 8)	**6,322**	**1,105**	**7,427**	6,537	–	6,537
Manager's checks and demand drafts outstanding	**6,806**	–	**6,806**	7,565	–	7,565
Accrued interest and other expenses	**8,412**	**43**	**8,455**	8,155	95	8,250
Bonds payable (Note 19)	**27,914**	**52,572**	**80,486**	2,917	27,826	30,743
Subordinated debts (Note 20)	**6,494**	**1,166**	**7,660**	15,987	10,631	26,618
Non-equity non-controlling interest (Note 21)	**6,553**	–	**6,553**	6,747	–	6,747
Other liabilities (Note 21)						
Bills purchased – contra	**14,089**	–	**14,089**	12,171	–	12,171
Accounts payable	**17,226**	**210**	**17,436**	15,629	–	15,629
Marginal deposits	**6,374**	–	**6,374**	4,232	–	4,232
Notes payable	–	**2,592**	**2,592**	–	2,600	2,600
Outstanding acceptances	**1,588**	**23**	**1,611**	1,793	–	1,793
Deposits on lease contracts	**627**	**1,098**	**1,725**	540	1,103	1,643
Dividends payable	**90**	–	**90**	90	–	90
	1,949,746	**163,983**	**2,113,729**	1,787,420	153,558	1,940,978
Non-Financial Liabilities						
Retirement liability (Note 21 and 27)	–	**938**	**938**	–	277	277
Income taxes payable	**4,188**	–	**4,188**	2,830	–	2,830
Lease liability	**779**	**3,259**	**4,038**	–	–	–
Accrued other expenses	**2,044**	–	**2,044**	1,369	–	1,369
Withholding taxes payable (Note 21)	**742**	–	**742**	897	–	897
Deferred tax and other liabilities (Notes 21 and 28)	**4,735**	**1,908**	**6,643**	4,394	2,244	6,638
	12,488	**6,105**	**18,593**	9,490	2,521	12,011
	₱1,962,234	**₱170,088**	**₱2,132,322**	₱1,796,910	₱156,079	₱1,952,989

	Parent Company					
	2019			2018		
	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	**₱30,659**	**₱–**	**₱30,659**	₱29,280	₱–	₱29,280
Due from BSP	**195,770**	–	**195,770**	206,289	–	206,289
Due from other banks	**38,698**	–	**38,698**	35,218	–	35,218
Interbank loans receivable and SPURA (Note 7)	**56,153**	–	**56,153**	24,724	–	24,724
Investment securities at FVTPL (Note 8)	**7,551**	**41,999**	**49,550**	30,166	–	30,166
Investment securities at FVOCI (Note 8)	**8,262**	**180,414**	**188,676**	16,647	75,497	92,144
Investment securities at amortized cost (Note 8)	**22,420**	**194,224**	**216,644**	471	212,184	212,655
Loans and receivables (Note 9)						
Receivables from customers	**596,047**	**575,239**	**1,171,286**	547,558	563,646	1,111,204
Unquoted debt securities	–	**386**	**386**	–	386	386
Accrued interest receivable	**10,500**	**3**	**10,503**	7,981	6	7,987
Accounts receivable	**5,731**	–	**5,731**	5,975	–	5,975
Sales contract receivable	**55**	**47**	**102**	47	72	119
Other receivables	**12**	–	**12**	13	–	13
Other assets (Note 14)						
Investments in SPVs	**8,857**	–	**8,857**	8,857	–	8,857
Interoffice float items	**1,654**	–	**1,654**	2,619	–	2,619
Returned checks and other cash items	**378**	–	**378**	397	–	397
	982,747	**992,312**	**1,975,059**	916,242	851,791	1,768,033
Non-Financial Assets - at gross						
Investments in subsidiaries (Note 11)	–	**95,739**	**95,739**	–	81,288	81,288
Investments in associates (Note 11)	–	**617**	**617**	–	569	569
Property and equipment (Note 10)	–	**31,684**	**31,684**	–	27,990	27,990
Investment properties (Note 12)	–	**4,989**	**4,989**	–	4,552	4,552
Deferred tax assets (Note 28)	–	**6,918**	**6,918**	–	6,769	6,769
Assets held under joint operations (Note 14)	–	**219**	**219**	–	219	219
Accounts receivable (Note 9)	–	**3,241**	**3,241**	–	3,636	3,636
Other assets (Note 14)	**1,682**	**9,054**	**10,736**	1,477	8,224	9,701
	1,682	**152,461**	**154,143**	1,477	133,247	134,724
	₱984,429	**₱1,144,773**	**2,129,202**	₱917,719	₱985,038	1,902,757
Less:						
Unearned discounts and capitalized interest (Note 9)			**238**			266
Accumulated depreciation and amortization (Notes 10, 12 and 14)			**16,183**			14,537
Allowance for credit and impairment losses (Notes 10, 11, 12, 14, and 15)			**25,346**			24,290
			₱2,087,435			₱1,863,664

	Parent Company					
	2019			2018		
	Due Within One Year	**Due Beyond One Year**	**Total**	Due Within One Year	Due Beyond One Year	Total
Financial Liabilities						
Deposit liabilities						
CASA	**₱1,003,249**	**₱–**	**₱1,003,249**	₱900,186	₱–	₱900,186
Time	**460,529**	**1,184**	**461,713**	389,008	1,467	390,475
LTNCD (Note 16)	**8,000**	**27,330**	**35,330**	–	35,330	35,330
	1,471,778	**28,514**	**1,500,292**	1,289,194	36,797	1,325,991
Bills payable and SSURA (Note 17)	**117,755**	**21,317**	**139,072**	131,870	19,209	151,079
Derivative liabilities (Note 8)	**5,994**	–	**5,994**	6,182	–	6,182
Manager's checks and demand drafts outstanding	**5,508**	–	**5,508**	5,950	–	5,950
Accrued interest and other expenses	**4,567**	**43**	**4,610**	3,863	93	3,956
Bonds payable (Note 19)	**27,914**	**42,196**	**70,110**	–	27,826	27,826
Subordinated debts (Note 20)	**6,494**	–	**6,494**	15,987	6,484	22,471
Other liabilities (Note 21)						
Bills purchased – contra	**14,080**	–	**14,080**	12,158	–	12,158
Accounts payable	**8,269**	–	**8,269**	7,104	–	7,104
Marginal deposits	**236**	–	**236**	166	–	166
Outstanding acceptances	**1,588**	**23**	**1,611**	1,793	–	1,793
	1,664,183	**92,093**	**1,756,276**	1,474,267	90,409	1,564,676
Non-Financial Liabilities						
Income taxes payable	**3,259**	–	**3,259**	1,670	–	1,670
Lease liability	**615**	**1,545**	**2,160**	–	–	–
Accrued other expenses	**2,044**	–	**2,044**	1,669	–	1,669
Withholding taxes payable (Note 21)	**448**	–	**448**	564	–	564
Other liabilities (Note 21)	**2,403**	**853**	**3,256**	1,596	726	2,322
	8,769	**2,398**	**11,167**	5,499	726	6,225
	₱1,672,952	**₱94,491**	**₱1,767,443**	₱1,479,766	₱91,135	₱1,570,901

23. Capital Stock

As of December 31, 2019 and 2018, this account consists of (amounts in millions, except par value and number of shares):

	Shares		Amount	
	2019	2018	**2019**	2018
Authorized				
Common stock – ₱20.00 par value	**6,000,000,000**	4,000,000,000		
Preferred stock – ₱20.00 par value	**1,000,000,000**	1,000,000,000		
Common stock issued and outstanding				
Balance at beginning of year	**3,980,015,036**	3,180,172,786	**₱79,600**	₱63,603
Issuance of stock rights	–	799,842,250	–	15,997
Issuance of stock dividend	**517,400,519**	–	**10,348**	–
Balance at the end of year	**4,497,415,555**	3,980,015,036	**₱89,948**	₱79,600

As of December 31, 2019 and 2018, treasury shares totaling 959,257 and 825,000, respectively, represent shares of the Parent Company held by FMIC's mutual fund subsidiary (Note 31).

Preferred shares are non-voting except as provided by law; have preference over Common Shares in the distribution of dividends; subject to such terms and conditions as may be determined by the BOD and to the extent permitted by applicable law, may or may not be redeemable; and shall have such other features as may be determined by the BOD at the time of issuance.

On March 15, 2013, the BOD of the Parent Company approved (a) the amendment of the Articles of Incorporation (AOI) to increase the authorized capital stock and (b) the declaration of 30.00% stock dividend, which were ratified by the stockholders representing at least 2/3 of the outstanding capital stock on April 15, 2013. These were subsequently approved by the BSP on May 15, 2013 and by the SEC on August 13, 2013. Following this, the authorized capital stock of the Parent Company increased from ₱50.0 billion to ₱100.0 billion consisting of 4.0 billion Common Shares and 1.0 billion Preferred Shares, both with par value of ₱20.00 per share. The 30.00% stock dividend equivalent to 633,415,049 common shares amounting to ₱12.7 billion represents at least the minimum 25.00% subscribed and paid-up capital for the increase in the authorized capital stock referred to above which was issued/paid on September 16, 2013 with record date on September 3, 2013. On September 10, 2013, the PSE approved the listing of such additional common shares.

On January 21, 2015, the Parent Company's BOD approved the Stock Rights Offer (SRO) by way of issuance from the unissued portion of the authorized capital stock which was noted by BSP with the issuance of a letter of no objection to the Rights Issue on February 17, 2015. On February 24, 2015, the SEC confirmed the exemption of this issuance of ₱32.0 billion worth of common shares from the registration requirements under Section 8 of the SRC. On February 25, 2015, the PSE approved the listing of up to 500.0 million common shares to cover the SRO to all stockholders of record as of March 18, 2015. On April 7, 2015, following regulatory approvals, the Parent Company concluded the ₱32.0 billion SRO, involving 435,371,720 common shares with par value of ₱20.00 priced at ₱73.50 per share and listed with the PSE on the same date. The difference between the issued price and the par value is recognized as 'Capital paid in excess of par value'.

On January 17, 2018, the Parent Company's BOD approved the SRO by way of issuance of up to a maximum of 819,827,214 common shares to raise additional capital of up to ₱60.0 billion. This was noted by the BSP with the issuance of a letter of no objection to the rights issue on January 29, 2018. On April 4, 2018, following the regulatory approvals, the Parent Company concluded the ₱60.0 billion SRO, involving 799,842,250 common shares with par value of ₱20.00 priced at ₱75.00 per share and listed on the PSE on April 12, 2018. Transaction costs on SRO amounting to ₱878.2 million were charged against 'Capital paid in excess of par value'.

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.

All issued and outstanding shares of the Parent Company are listed with the PSE (Note 1). As of December 31, 2019 and 2018, there are 2,986 and 3,031 holders, respectively, of the listed shares of the Parent Company, with share price closed at ₱66.30 and ₱80.95 a share, respectively.

The history of share issuances during the last ten years follows:

Year	Issuance	Listing Date	Number of Shares Issued
2019	Stock dividend	November 26, 2019	517,400,519
2018	Stock rights	April 12, 2018	799,842,250
2015	Stock rights	April 7, 2015	435,371,720
2013	Stock dividend	September 16, 2013	633,415,049
2011	Stock rights	January 24, 2011	200,000,000

Details of the Parent Company's cash dividend distributions from 2017 to 2019 follow:

Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
February 13, 2019	₱1.00	₱3,980	March 1, 2019	March 14, 2019
February 21, 2018	1.00	3,180	March 8, 2018	March 16, 2018
February 22, 2017	1.00	3,180	March 9, 2017	March 23, 2017

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

24. Surplus Reserves

This account consists of:

	2019	2018
Reserve for trust business (Note 29)	**₱1,596**	₱1,475
Reserve for self-insurance	**502**	481
	₱2,098	₱1,956

In compliance with existing BSP regulations, 10.0% of the Parent Company's income from trust business is appropriated to surplus reserves. This yearly appropriation is required until the surplus reserve for trust business equals 20.0% of the Parent Company's regulatory net worth.

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of the Parent Company's personnel or third parties.

25. Other Operating Income and Expenses

Service Charges, Fees and Commissions

The table below presents the disaggregation of service charges, fees and commission by business segment:

	Consolidated			**Parent Company**		
	2019	2018	2017	**2019**	2018	2017
Consumer banking	**₱5,724**	₱5,694	₱5,094	**₱110**	₱125	₱93
Branch banking	**3,679**	3,418	2,711	**2,589**	2,482	1,957
Corporate banking	**1,639**	791	585	**936**	812	635
Investment banking/treasury	**855**	680	599	**357**	297	267
Others	**2,369**	2,112	2,056	**1,153**	1,238	1,219
	₱14,266	₱12,695	₱11,045	**₱5,145**	₱4,954	₱4,171

Others include the remittance business of the Group and the Parent Company.

The remaining performance obligations on revenue contracts with customers of the Group under PFRS 15, which are expected to be recognized beyond one year amounting to ₱832.0 million and ₱722.1 million (included in 'Deferred revenues' under 'Other liabilities') as of December 31, 2019 and 2018, respectively, relate to the customer loyalty program of MCC. The customer loyalty points have no expiration and redemptions can go beyond one year.

Miscellaneous Income and Expenses
In 2019, 2018 and 2017, miscellaneous income includes gain on initial recognition of investment properties and other non-financial assets amounting to ₱486.5 million, ₱638.5 million and ₱1.1 billion, respectively, for the Group and ₱33.2 million, ₱22.8 million and ₱25.5 million, respectively, for the Parent Company; recovery on charged-off assets amounting to ₱866.8 million, ₱874.9 million and ₱1.1 billion, respectively, for the Group and ₱12.0 million, ₱8.8 million and ₱28.9 million, respectively, for the Parent Company; and information technology and other fees amounting to ₱44.9 million, ₱895.9 million and ₱307.6 million, respectively, for the Group and ₱38.1 million, ₱365.9 million and ₱369.2 million, respectively, for the Parent Company (Note 31).

Miscellaneous expenses consist of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Insurance	**₱3,420**	₱3,422	₱3,220	**₱2,764**	₱2,684	₱2,457
Security, messengerial and janitorial	**2,581**	2,433	2,359	**2,054**	1,837	1,779
Management, professional and supervision fees	**1,569**	1,530	1,302	**1,308**	1,151	936
Information technology (Note 31)	**1,385**	1,066	769	**911**	684	520
Advertising	**1,161**	986	895	**340**	221	284
Litigation (Note 12)	**904**	781	794	**390**	276	309
Communications	**634**	647	616	**115**	115	96
Repairs and maintenance	**569**	538	608	**222**	190	292
Transportation and travel	**569**	527	497	**428**	382	344
Stationery and supplies used	**520**	446	403	**337**	261	240
Entertainment, amusement and representation (EAR) (Note 28)	**488**	340	302	**440**	295	261
Others (Note 31)	**2,776**	2,519	1,965	**1,777**	1,477	1,035
	₱16,576	₱15,235	₱13,730	**₱11,086**	₱9,573	₱8,553

26. Notes to Statements of Cash Flows

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

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Interbank loans receivable and SPURA	**₱72,175**	₱50,731	₱45,475	**₱56,153**	₱24,724	₱27,208
Interbank loans receivable and SPURA not considered as cash and cash equivalents	**(4,862)**	(11,351)	(12,739)	**(1,575)**	(1,982)	(7,966)
	₱67,313	₱39,380	₱32,736	**₱54,578**	₱22,742	₱19,242

Significant non-cash transactions of the Group and the Parent Company (other than the impact of PFRS 9 and PFRS 16 adoption) include; additions to ROU assets as disclosed in Note 10; foreclosures of properties or additions to investment and chattel properties as disclosed in Notes 12 and 14, respectively; accrual of cash dividends from subsidiaries and SMBC Metro as disclosed in Notes 11 and 31; reclassifications of BUC (Note 10); and issuance of stock dividends (Note 23).

The table below provides for the changes in liabilities arising from financing activities in 2019 and 2018:

	Consolidated			
	Beginning	Net cash flows	Others	Ending
2019				
Bills payable and SSURA (Note 17)	**₱259,607**	**(₱29,298)**	**₱7,972**	**₱238,281**
Bonds payable (Note 19)	**30,743**	**49,499**	**244**	**80,486**
Subordinated debts (Note 20)	**26,618**	**(19,000)**	**42**	**7,660**
Notes payable (Note 21)	**2,600**	–	**(8)**	**2,592**
Dividends payable (Note 21)	**90**	–	–	**90**
Total liabilities from financing activities	**₱319,658**	**₱1,201**	**₱8,250**	**₱329,109**
2018				
Bills payable and SSURA (Note 17)	₱227,835	₱46,724	(₱14,952)	₱259,607
Bonds payable (Note 19)	2,910	27,826	7	30,743
Subordinated debts (Note 20)	26,580	–	38	26,618
Notes payable (Note 21)	–	2,600	–	2,600
Dividends payable (Note 21)	91	(3,180)	3,179	90
Total liabilities from financing activities	₱257,416	₱73,970	(₱11,728)	₱319,658

	Parent Company			
	Beginning	Net cash flows	Others	Ending
2019				
Bills payable and SSURA (Note 17)	**₱151,079**	**(₱12,007)**	**₱–**	**₱139,072**
Bonds payable (Note 19)	**27,826**	**42,135**	**149**	**70,110**
Subordinated debts (Note 20)	**22,471**	**(16,000)**	**23**	**6,494**
Total liabilities from financing activities	**₱201,376**	**₱14,128**	**₱172**	**₱215,676**
2018				
Bills payable and SSURA (Note 17)	₱106,482	₱44,597	₱–	₱151,079
Bonds payable (Note 19)	–	27,826	–	27,826
Subordinated debts (Note 20)	22,437	–	34	22,471
Dividends payable	–	(3,180)	3,180	–
Total liabilities from financing activities	₱128,919	₱69,243	₱3,214	₱201,376

Others include the effect of cash flows of liabilities arising from operating activities, declaration of dividends, and effect of amortization of transaction costs.

27. Retirement Plan and Other Employee Benefits

The Parent Company and most of its subsidiaries have funded non-contributory defined benefit retirement plan covering all their respective permanent and full-time employees. Benefits are based on the employee's years of service and final plan salary.

For employees of the Parent Company, retirement from service is compulsory upon the attainment of the 55th birthday or 30th year of service, whichever comes first.

The existing regulatory framework, Republic Act (RA) 7641 (Retirement Pay Law) requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Parent Company and most of its subsidiaries meet the minimum retirement benefit specified under RA 7641.

The principal actuarial assumptions used in determining retirement liability of the Parent Company and significant subsidiaries are shown below:

	Parent Company	MCC	FMIC	PSBank	ORIX Metro
As of January 1, 2019					
Average remaining working life	**9.6 years**	**10 years**	**7 years**	**12 years**	**14 to 27 years**
Discount rate	**7.29%**	**7.28%**	**7.16% to 7.32%**	**7.33%**	**6.80% to 7.80%**
Future salary increases	**7.00%**	**8.00%**	**5.00%**	**6.00%**	**7.00% to 8.00%**
As of January 1, 2018					
Average remaining working life	9 years	12 years	7 to 10 years	11 years	12 to 27 years
Discount rate	5.39%	5.74%	5.62% to 5.77%	5.73%	4.84% to 5.40%
Future salary increases	7.00%	8.00%	5.00%	5.00%	7.00% to 8.00%

Discount rates used in computing for the present value of the DBO of the Parent Company and significant subsidiaries as of December 31, 2019 and 2018 follow:

	Parent Company	MCC	FMIC	PSBank	ORIX Metro
2019	**4.74%**	**4.88%**	**4.61% to 4.84%**	**4.86%**	**5.10% to 5.20%**
2018	7.29%	7.28%	7.16% to 7.32%	7.33%	6.80% to 7.83%

The net retirement liability (asset) of the Group and the Parent Company is presented in the following accounts in the statement of financial position:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Other assets (Note 14)	**(₱3,930)**	(₱3,654)	**(₱3,930)**	(₱3,606)
Other liabilities (Note 21)	**938**	277	**–**	–
	(₱2,992)	(₱3,377)	**(₱3,930)**	(₱3,606)

The defined benefit plan exposes the Group and the Parent Company to actuarial risk, such as longevity risk, interest rate risk and market (investment risk).

The fair value of plan assets by each class as at the end of the reporting year are as follows:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Cash and cash equivalents	**₱974**	₱1,500	**₱4**	₱417
Investment securities				
Debt securities (Note 31)	**21,415**	14,648	**17,997**	12,318
Equity securites (Note 31)	**4,855**	4,078	**4,640**	3,811
Unit investment trust fund and others (Note 31)	**573**	1,960	**415**	1,838
Total investment securities	**26,843**	20,686	**23,052**	17,967
Other assets	**266**	453	**245**	423
Total assets	**28,083**	22,639	**23,301**	18,807
Total liabilities	**(6)**	(8)	**–**	(6)
Fair value of net plan assets	**₱28,077**	₱22,631	**₱23,301**	₱18,801

Changes in net defined benefit liability (asset) in 2019 are as follows:

Consolidated	**Present Value of DBO**	**Fair Value of Plan Assets**	**Net retirement liability/(asset)**
January 1, 2019	**₱19,254**	**(₱22,631)**	**(₱3,377)**
Net benefit cost			
Current service cost	**1,558**	–	**1,558**
Past service cost	**4**	–	**4**
Net interest	**1,326**	**(1,658)**	**(332)**
Sub-total	**2,888**	**(1,658)**	**1,230**
Benefits paid	**(1,474)**	**1,474**	–
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	**(1,509)**	**(1,509)**
Actuarial changes arising from experience adjustments	**734**	–	**734**
Actuarial changes arising from changes in financial/demographic assumptions	**3,683**	–	**3,683**
Sub-total	**4,417**	**(1,509)**	**2,908**
Benefits paid from previous year separation	**–**	**8**	**8**
Settlement	**1**	–	**1**
Effect of curtailment	**(1)**	–	**(1)**
Contributions paid	–	**(3,761)**	**(3,761)**
December 31, 2019	**₱25,085**	**(₱28,077)**	**(₱2,992)**

Parent Company	**Present Value of DBO**	**Fair Value of Plan Assets**	**Net retirement liability/(asset)**
January 1, 2019	**₱15,195**	**(₱18,801)**	**(₱3,606)**
Net benefit cost			
Current service cost	**1,169**	–	**1,169**
Net interest	**1,039**	**(1,369)**	**(330)**
Sub-total	**2,208**	**(1,369)**	**839**
Benefits paid	**(1,291)**	**1,291**	–
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	**(1,507)**	**(1,507)**
Actuarial changes arising from experience adjustments	**647**	–	**647**
Actuarial changes arising from changes in financial/demographic assumptions	**2,612**	–	**2,612**
Sub-total	**3,259**	**(1,507)**	**1,752**
Contributions paid	–	**(2,915)**	**(2,915)**
December 31, 2019	**₱19,371**	**(₱23,301)**	**(₱3,930)**

Changes in net defined benefit liability (asset) in 2018 are as follows:

Consolidated	Present Value of DBO	Fair Value of Plan Assets	Net retirement liability/(asset)
January 1, 2018	₱20,281	(₱16,674)	₱3,607
Net benefit cost			
Current service cost	1,641	–	1,641
Past service cost	55	–	55
Net interest	1,048	(923)	125
Sub-total	2,744	(923)	1,821
Benefits paid	(1,498)	1,498	–
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	1,559	1,559
Actuarial changes arising from experience adjustments	(70)	–	(70)
Actuarial changes arising from changes in financial/demographic assumptions	(2,203)	–	(2,203)
Sub-total	(2,273)	1,559	(714)
Contributions paid	–	(8,091)	(8,091)
December 31, 2018	₱19,254	(₱22,631)	(₱3,377)

Parent Company	Present Value of DBO	Fair Value of Plan Assets	Net retirement liability/(asset)
January 1, 2018	₱16,279	(₱13,461)	₱2,818
Net benefit cost			
Current service cost	1,225	–	1,225
Net interest	830	(735)	95
Sub-total	2,055	(735)	1,320
Benefits paid	(1,273)	1,273	–
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	1,414	1,414
Actuarial changes arising from experience adjustments	(97)	–	(97)
Actuarial changes arising from changes in financial/demographic assumptions	(1,769)	–	(1,769)
Sub-total	(1,866)	1,414	(452)
Contributions paid	–	(7,292)	(7,292)
December 31, 2018	₱15,195	(₱18,801)	(₱3,606)

In 2019, 2018 and 2017, deferred tax on remeasurements on retirement plans credited (charged) to OCI amounted to (₱873.1 million), (₱214.2 million), and ₱11.1 million, respectively, for the Group, and (₱525.6 million), (₱135.6 million) and (₱7.6 million), respectively, for the Parent Company (Note 28).

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the balance of defined benefit obligation as of December 31, 2019 and 2018, assuming all other assumptions were held constant:

	Parent Company	**MCC**	**FMIC**	**PSBank**	**ORIX Metro**
As of December 31, 2019					
Discount rate					
+100 basis points (bps)	**₱18,192**	**₱1,309**	**₱311**	**₱3,033**	**₱527**
- 100 bps	**20,703**	**1,593**	**358**	**3,697**	**675**
Salary increase rate					
+100 bps	**20,593**	**1,562**	**359**	**3,706**	**672**
- 100 bps	**18,259**	**1,328**	**310**	**3,020**	**527**
Turnover rate					
+300 bps	**18,824**	–	–	–	–
+ 20 bps	–	**1,402**	**322**	**3,280**	–
- 300 bps	**20,068**	–	–	–	–
- 20 bps	–	**1,484**	**346**	**3,407**	–
As of December 31, 2018					
Discount rate					
+100 basis points (bps)	₱14,368	₱890	₱231	₱2,240	₱295
- 100 bps	16,117	1,069	259	2,699	367
Salary increase rate					
+100 bps	16,082	1,052	261	2,717	364
- 100 bps	14,380	901	229	2,220	297
Turnover rate					
+300 bps	14,930	–	–	–	–
+100 bps	–	–	–	2,448	–
+ 25 bps	–	952	239	–	–
- 300 bps	15,494	–	–	–	–
- 100 bps	–	–	–	2,457	–
- 25 bps	–	998	250	–	–

The Group expects to contribute to the defined benefit retirement plans the required funding for normal cost in 2020 amounting to ₱522.5 million.

The average duration of the DBO of the Group as of December 31, 2019 and 2018 are as follows:

	Parent Company	FMIC	PSBank	MCC	ORIX Metro
2019	**12.15 years**	**10.57 to 14.94 years**	**15.43 years**	**14.26 years**	**11.40 to 12.60 years**
2018	12.55 years	10.14 to 15.90 years	16.69 years	14.81 years	9.00 to 11.50 years

Shown below is the maturity analysis of the undiscounted benefit payments:

	Parent Company	FMIC	PSBank	MCC	ORIX Metro
As of December 31, 2019					
Less than 1 year	**₱2,165**	**₱28**	**₱184**	**₱58**	**₱–**
More than 1 year to 5 years	**9,782**	**156**	**968**	**353**	**157**
More than 5 years to 10 years	**11,066**	**316**	**1,984**	**1,025**	**344**
More than 10 years to 15 years	**8,517**	**217**	**2,385**	**1,432**	–
More than 15 years to 20 years	**10,755**	**189**	**3,515**	**1,934**	–
More than 20 years	**11,762**	**199**	**3,999**	**1,123**	–
As of December 31, 2018					
Less than 1 year	₱1,877	₱28	₱130	₱33	₱4
More than 1 year to 5 years	8,425	123	788	274	120
More than 5 years to 10 years	11,363	292	1,699	867	265
More than 10 years to 15 years	7,631	161	2,396	1,204	–
More than 15 years to 20 years	9,664	134	3,547	1,918	–
More than 20 years	11,954	125	5,280	1,124	–

In addition, the Parent Company has a Provident Plan which is a supplementary contributory retirement plan to and forms part of the main plan, the Retirement Plan, for the exclusive benefit of eligible employees of the Parent Company in the Philippines. Based on the provisions of the plan, upon retirement or resignation, a member shall be entitled to receive as retirement or resignation benefits 100.00% of the accumulated value of the personal contribution plus a percentage of the accumulated value arising from the Parent Company's contributions in accordance with the completed number of years serviced. The Parent Company's contribution to the Provident Fund in 2019 and 2018 amounted to ₱265.3 million and ₱273.1 million, respectively.

As of December 31, 2019 and 2018, the retirement funds of the Group's employees amounting to ₱28.1 billion and ₱22.6 billion, respectively, are being managed by its trust banking units. The Parent Company has a Trust Committee that is mandated to approve, the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the retirement plan. Certain members of the BOD of the Parent Company are represented in the Trust Committee. Directors' fees and bonuses of the Parent Company in 2019, 2018 and 2017 amounted to ₱66.1 million, ₱57.8 million and ₱65.7 million, respectively, while, officers' compensation and benefits of the Parent Company aggregated to ₱8.5 billion, ₱7.8 billion and ₱7.3 billion, respectively.

28. Income and Other Taxes

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

Current tax regulations also provide for the ceiling on the amount of EAR expense (Note 25) that can be claimed as a deduction against taxable income. Under the regulation, EAR expense allowed as a deductible expense for a service company like the Parent Company and some of its subsidiaries is limited to the actual EAR paid or incurred but not to exceed 1.00% of net revenue. The regulations also provide for MCIT of 2.00% on modified gross income and allow a NOLCO. The MCIT and NOLCO may be applied against the Group's income tax liability and taxable income, respectively, over a three-year period from the year of inception.

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

Following are the applicable taxes and tax rates for the foreign branches of the Parent Company:

Foreign Branches	Tax Rates
USA - New York Branch	2019 - 21.00% federal income tax; 8.85% state tax; 6.50% city tax 2018 - 21.00% federal income tax; 7.10% state tax; 6.50% city tax
Japan - Tokyo and Osaka Branches	23.40% income tax; various rates for business taxes - income tax, local business, sheet value and sheet capital allocations
Korea - Seoul and Pusan Branches	Various rates; 0.50% education tax
Taiwan - Taipei Branch	20.00% income tax; 5.00% gross business receipts tax; 5.0% value-added tax

The provision for income tax consists of:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Current:						
Final tax	**₱3,442**	₱2,928	₱2,875	**₱2,915**	₱2,389	₱2,286
RCIT*	**6,631**	5,010	5,374	**3,772**	2,090	2,318
	10,073	7,938	8,249	**6,687**	4,479	4,604
Deferred*	**(12)**	(193)	(259)	**(78)**	5	(89)
	₱10,061	₱7,745	₱7,990	**₱6,609**	₱4,484	₱4,515

* Includes income taxes of foreign subsidiaries.

Components of net deferred tax assets of the Group and the Parent Company follow:

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Deferred tax asset on:				
Allowance for credit and impairment losses	**₱7,692**	₱7,650	**₱4,785**	₱4,774
Unamortized past service cost	**2,744**	2,629	**2,437**	2,382
Retirement asset/liability	**1,255**	861	**996**	791
Deferred membership/awards	**334**	340	–	–
Accumulated depreciation of investment properties	**272**	284	**160**	169
Unrealized foreign exchange and mark-to-market losses	**7**	–	–	–
Fair value loss on securities	–	299	–	390
Others	**189**	461	**47**	98
	12,493	12,524	**8,425**	8,604
Deferred tax liability on:				
Unrealized foreign exchange and mark-to-market losses	**1,386**	1,522	**1,384**	1,677
Unrealized gain on initial measurement of investment properties	**433**	546	**58**	158
Fair value gain on securities	**70**	50	**65**	–
Retirement asset/liability	**17**	14	–	–
Others	**75**	154	–	–
	1,981	2,286	**1,507**	1,835
Net deferred tax assets	**₱10,512**	₱10,238	**₱6,918**	₱6,769

Components of net deferred tax liabilities of the Group follow:

	2019	2018
Deferred tax asset on:		
Allowance for credit and impairment losses	**₱287**	₱231
Unamortized past service cost	**4**	3
Others	**256**	49
	547	283
Deferred tax liability on:		
Leasing income differential on lease accounting methods	**581**	559
Fair value gain on securities	**4**	5
Retirement asset/liability	**–**	2
Others	**70**	74
	655	640
Net deferred tax liabilities	**₱108**	₱357

In 2019 and 2018, deferred tax credited to OCI amounted to ₱511.0 million and ₱225.7 million for the Group, respectively, and ₱70.9 million and ₱259.7 million for the Parent Company, respectively.

As of December 31, 2019 and 2018, no deferred tax asset was recognized on the following temporary differences: (a) allowance for credit and impairment losses amounting to ₱16.8 million and ₱341.9 million, respectively, for the Group; (b) NOLCO of ₱813.8 million and ₱816.5 million, respectively, for the Group, (c) MCIT of ₱19.7 million and ₱8.5 million, respectively, for the Group, and ₱5.4 million in 2019 for the Parent Company. The Group believes that it is not reasonably probable that the tax benefits of these temporary differences will be realized in the future.

There are no income tax consequences attaching to the payment of dividends by the Group to the shareholders of the Group. There are no temporary differences arising from undistributed profits of subsidiaries, branches, associates and a JV.

Details of the excess MCIT credits follow:

	Consolidated				Parent Company			
	Amount	Used/Expired	Balance	Expiry Year	Amount	Used/Expired	Balance	Expiry Year
2018	₱9	₱–	₱9	2021	₱–	₱–	₱–	2021
2019	11	–	11	2022	5	–	5	2022
	₱20	₱–	₱20		₱5	₱–	₱5	

Details of the consolidated NOLCO follow:

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2016	₱258	₱258	₱–	2019
2017	266	–	266	2020
2018	281	–	281	2021
2019	267	–	267	2022
	₱1,072	₱258	₱814	

A reconciliation of the statutory income tax rates and the effective income tax rates follows:

	Consolidated			Parent Company		
	2019	2018	2017	**2019**	2018	2017
Statutory income tax rate	**30.00%**	30.00%	30.00%	**30.00%**	30.00%	30.00%
Tax effect of:						
Tax-paid, tax-exempt and other non-taxable income	**(10.41)**	(12.13)	(14.52)	**(8.16)**	(12.02)	(14.23)
Non-deductible interest expense	**4.14**	4.94	3.33	**3.82**	4.08	3.04
FCDU income	**(1.51)**	(1.89)	(2.29)	**(1.43)**	(1.94)	(2.52)
Others - net	**3.62**	3.92	10.79	**(5.16)**	(3.19)	3.57
Effective income tax rate	**25.84%**	24.84%	27.31%	**19.07%**	16.93%	19.86%

29. Trust Operations

Properties held by the Parent Company and PSBank in fiduciary or agency capacity for their customers are not included in the accompanying statements of financial position since these are not their resources (Note 30).

In compliance with current banking regulations relative to the Parent Company and PSBank's trust functions, the following are government securities deposited with the BSP.

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Investment securities at amortized cost	**₱5,000**	₱5,000	**₱5,000**	₱5,000
Investment securities at FVOCI	**143**	84	**–**	–
	₱5,143	₱5,084	**₱5,000**	₱5,000

30. Commitments and Contingent Liabilities

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

BSP Reporting

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

	Consolidated		Parent Company	
	2019	2018	**2019**	2018
Trust Banking Group accounts (Note 29)	**₱491,659**	₱429,162	**₱484,586**	₱422,761
Credit card lines	**209,766**	188,211	**–**	–
Unused commercial letters of credit (Note 31)	**44,036**	43,051	**41,342**	42,123
Undrawn commitments - facilities to lend	**21,980**	6,890	**21,980**	6,890
Bank guaranty with indemnity agreement (Note 31)	**9,904**	11,708	**9,904**	11,708
Credit line certificate with bank commission	**5,984**	5,509	**5,984**	5,492
Outstanding shipside bonds/airway bills	**1,931**	6,350	**1,931**	6,350
Late deposits/payments received	**1,539**	1,376	**1,530**	1,366
Inward bills for collection	**991**	1,141	**991**	1,141
Confirmed export letters of credits	**935**	235	**44**	83
Outward bills for collection	**850**	747	**849**	746
Outstanding guarantees	**139**	209	**139**	209
Others	**12,933**	9,080	**835**	612
	₱802,647	₱703,669	**₱570,115**	₱499,481

Upon its own discovery, the Bank immediately caused the arrest of its Corporate Service Management Division Head, Ma. Victoria S. Lopez on July 17, 2017 for qualified theft through falsification of commercial documents. Both the Motion to Fix Bail and Motion for Reconsideration were denied. On July 24, 2017, another criminal complaint for qualified theft through falsification of commercial documents and violation of Section 55 of the General Banking Law (GBL) was filed against her and her cohorts for the abstraction of ₱900.0 million before the Regional Trial Court (RTC) of Makati City. On December 5, 2017, a third criminal case for the qualified theft through falsification of commercial documents and violation of Section 55 of GBL was filed against her, her cohorts and family members relative to the abstraction of ₱850.0 million. In addition, foreign proceedings are ongoing on the cases which were filed in the United States of America and in Singapore to preserve and recover their identified properties. Accounts receivable classified under 'Loans and Receivables' includes total identified claims of ₱1.75 billion with provisioning. Relative to this incident, the Monetary Board (MB) approved the imposition of certain sanctions to the Bank (Note 4) and added that the MB took into consideration the strong financial condition and immediate corrective actions of the Bank as well as its safety and soundness given the medium to long-term initiatives that improve governance, controls and compliance. The Bank does not expect this isolated incident to have long term material impact on its financial statements. Further, the Bank is reinforcing its commitment to the highest standards of integrity and upholds the protection of its customers as its main priority.

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

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

31. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities and are classified as entities with significant influence, subsidiaries, associates, other related parties and key personnel (Notes 2 and 11).

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectibility and did not present other unfavorable conditions.

The Parent Company has a Related Party Transactions Committee (RPTC) and a Related Party Transactions Management Committee (RPTMC), both of which are created to assist the BOD in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that corporate or business resources of the Parent Company are not misappropriated or misapplied. After appropriate review, 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 Chairman. 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 other sources of comparable products or services. Further, no director or officer participates in any discussion of a related party transaction for which he, she, or any member of his or her immediate family is a related party, including transactions of subordinates except in order to provide material information on the related party transaction to RPTC.

Major subsidiaries, which include FMIC, PSBank, MCC and MBCL, have their own respective RPTCs which assist their respective BODs in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that their corporate or business resources are not misappropriated or misapplied.

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

The following table shows information on related party loans as reported to the BSP:

	Consolidated			
	2019		2018	
	DOSRI Loans	**Related Party Loans**	DOSRI Loans	Related Party Loans
Total outstanding loans	**₱13,837**	**₱69,244**	₱8,218	₱59,772
Percent of DOSRI/ Related Party Loans to total loan portfolio	**0.89%**	**4.46%**	0.57%	4.15%
Percent of unsecured DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**22.10%**	**83.93%**	31.51%	84.27%
Percent of past due DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**0.00%**	**0.00%**	0.00%	0.04%
Percent of non-performing DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**0.00%**	**0.00%**	0.00%	0.02%

	Parent Company			
	2019		2018	
	DOSRI Loans	**Related Party Loans**	DOSRI Loans	Related Party Loans
Total outstanding loans	**₱13,571**	**₱67,944**	₱7,869	₱59,772
Percent of DOSRI/ Related Party Loans to total loan portfolio	**1.11%**	**5.54%**	0.69%	5.26%
Percent of unsecured DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**20.73%**	**83.62%**	28.69%	84.27%
Percent of past due DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**0.00%**	**0.00%**	0.00%	0.04%
Percent of non-performing DOSRI/Related Party Loans to total DOSRI/Related Party Loans	**0.00%**	**0.00%**	0.00%	0.02%

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 December 31, 2019 and 2018, 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 16.59% and 17.61%, 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.

Total interest income on DOSRI loans in 2019, 2018 and 2017 amounted to ₱485.8 million, ₱276.5 million and ₱52.3 million, respectively, for the Group and ₱468.7 million, ₱262.8 million and ₱37.2 million, respectively, for the Parent Company.

Details on significant related party transactions of the Group and the Parent Company follow (transactions with subsidiaries have been eliminated in the consolidated financial statements):

	Consolidated	
Category	**Amount**	**Terms and Conditions/Nature**
2019		
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 (Note 16)
Bills payable*	**212**	Peso borrowings subject to annual fixed interest rates ranging from 3.63% to 4.00% with maturity term of 60 days (Note 17)
Amount/Volume:		
Deposit liabilities	**1,891**	Generally similar to terms and conditions above
Bills payable	**8**	Generally similar to terms and conditions above
Service charges, fees and commissions	**129**	Financial advisory fees

(Forward)

	Consolidated	
Category	**Amount**	**Terms and Conditions/Nature**
Interest expense	**₱16**	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
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 to 366 days (Note 7)
Investment securities at		
FVTPL	**125**	Treasury notes and private bonds purchased from FMIC (Note 8)
Amortized cost	**2,368**	Treasury note purchased from FMIC (Note 8)
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 (Note 9)
Accounts receivable	**194**	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees (Note 9)
Derivative assets	**726**	Cross-currency swaps with various terms (Note 8)
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 (Note 16)
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 (Note 17)
Treasury stock	**72**	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividends declared	**1,073**	Dividend declared by PSBank and MB Bahamas (Note 11)
Amount/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
Interest income	**826**	Interest income on receivables from customers and interbank loan receivables (Notes 7 amd 9)
Service charges, fees and commissions	**102**	Income on transactional fees, including underwriting fees
Trading and securities gain - net	**300**	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	**(123)**	Net loss from foreign exchange transactions
Leasing income	**58**	Income from leasing agreements with various lease terms
Miscellaneous income	**344**	Information technology and other fees
Interest expense	**73**	Interest expense on deposit liabilities, bills payable and bonds payable (Notes 16, 17 and 19)
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:		
Receivables from customers*	**₱1,307**	Unsecured with ECL of ₱0.1 million; with annual fixed interest rates ranging from 5.00% to 6.85% and maturity terms from 94 to 360 days (Note 9)
Accounts receivable	**1**	Non-interest bearing receivable on rental fees (Note 9)
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 (Note 16)

(Forward)

Category	Consolidated Amount	Terms and Conditions/Nature
Dividends declared	**₱169**	Dividends declared by PALIC, SMFC and TSI
Amount/Volume:		
Receivables 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
Interest Income	**57**	Interest income on receivables from customers (Note 9)
Trading and securities gain - net	**5**	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	**(13)**	Net loss from foreign exchange transactions
Leasing income	**17**	Income from leasing agreements with various lease terms
Interest expense	**2**	Interest expense on deposit liabilities (Note 16)
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 (Note 9)
Accounts receivable	**2**	Credit card receivables, current and non-revolving (Note 9)
Assets held under joint operations	**219**	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	**13,890**	With annual fixed interest rates ranging from 0.00% to 3.50% including time deposits with maturity terms from 1 day to 357 days (Note 16)
Amount/Volume:		
Receivables 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
Interest income	**1,025**	Interest income on receivables from customers (Note 9)
Foreign exchange gain - net	**2**	Net gain from foreign exchange transactions
Leasing income	**21**	Income from leasing agreements with various lease terms
Interest expense	**605**	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Contingent		
Unused commercial LCs	**5**	LC transactions with various terms
Securities transactions		
Outright sales	**572**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**308**	Outright purchases of foreign currency
Sell	**1,140**	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	**₱85**	Secured - ₱62.5 million unsecured - ₱22.1 million, no impairment; with annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms from 1 year to 15 years (Note 9)
Deposit liabilities	**167**	With various terms and minimum annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Deposit liabilities	**1**	Generally similar to terms and conditions above
Interest income	**3**	Interest income on receivables from customers (Note 9)
2018		
Entity with Significant Influence Over the Group		
Outstanding Balance:		
Deposit liabilities*	₱480	With annual fixed interest rates ranging from 0.00% to 4.00% including time deposits with maturity terms from 21 to 30 days (Note 16)
Bills payable*	204	Peso borrowings subject to annual fixed interest rates ranging from 4.25% to 4.38% with maturity term of 45 days (Note 17)

(Forward)

	Consolidated	
Category	Amount	Terms and Conditions/Nature
Amount/Volume:		
Deposit liabilities	₱464	Generally similar to terms and conditions above
Bills payable	204	Generally similar to terms and conditions above
Interest expense	40	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	₱4,634	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 2.61% to 3.54% with maturity terms from 32 to 184 days with minimal ECL (Note 7)
Receivables from customers*	13,685	Unsecured, with ECL of ₱3.0 million; with annual fixed interest rates ranging from 3.43% to 5.45% and maturity terms from 5 days to 3 years (Note 9)
Accounts receivable	333	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees (Note 9)
Derivative assets	118	Fair value of forward and swaps bought with various terms
Deposit liabilities*	3,275	With annual fixed interest rates ranging from 0.00% to 1.25% including time deposits with maturity terms from 5 to 31 days (Note 16)
Bills payable*	127	Peso borrowings subject to annual fixed interest rates ranging from 4.00% to 6.25% with maturity terms from 30 to 185 days (Note 17)
Bonds payable*	81	Issued by FMIC with interest rate of 5.75% and maturity term of 5 years (Note 19)
Treasury stock	67	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividends declared	2,255	Dividend declared by PSBank, MCC and Metrobank Bahamas
Amount/Volume:		
Interbank loans receivable	1,195	Generally similar to terms and conditions above
Receivables from customers	13,450	Generally similar to terms and conditions above
Accounts receivable	(167)	Generally similar to terms and conditions above
Deposit liabilities	(3,936)	Generally similar to terms and conditions above
Bills payable	(761)	Generally similar to terms and conditions above
Treasury stock	10	Proceeds from disposal of Parent Company's shares held by FMIC's mutual fund subsidiaries
Interest income	406	Interest income on receivables from customers and interbank loan receivables (Note 9)
Service charges, fees and commissions	323	Income on transactional fees, including underwriting fees
Trading and securities loss - net	(6)	Net loss from securities transactions (Note 8)
Foreign exchange gain - net	7	Net gain from foreign exchange transactions
Leasing income	77	Income from leasing agreements with various lease terms
Miscellaneous income	248	Information technology and other fees
Interest expense	29	Interest expense on deposit liabilities, bills payable and bonds payable (Notes 16, 17 and 19)
Miscellaneous expense	45	Other fees (Note 25)
Contingent - derivatives	989	Swap bought with various terms
Securities transactions		
Purchases	7,040	Outright purchases of investment securities at FVTPL and FVOCI
Sales	13,715	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	43,162	Outright purchases of foreign currency
Sell	37,744	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivables from customers*	₱703	Unsecured with ECL of ₱0.01 million; with annual fixed interest rates ranging from 4.33% to 6.18% and maturity terms from 346 to 360 days (Note 9)
Accounts receivable	2	Non-interest bearing receivable on rental fees (Note 9)
Investments in associates	180	Liquidating dividends from SMBC Metro (Note 11)
Deposit liabilities*	836	With annual fixed interest rates ranging from 0.00% to 3.38% including time deposits with maturity terms from 31 to 36 days (Note 16)
Dividends declared	10	Dividend declared by NLI

(Forward)

Category	Consolidated Amount	Terms and Conditions/Nature
Amount/Volume:		
Receivables from customers	₱703	Generally similar to terms and conditions above
Deposit liabilities	(289)	Generally similar to terms and conditions above
Interest Income	19	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	1	Net loss from foreign exchange transactions
Leasing income	33	Income from leasing agreements with various lease terms
Interest expense	1	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Outright sales	1,561	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	1,924	Outright purchases of foreign currency
Sell	1,054	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱29,472	Secured - ₱5.2 billion and unsecured - ₱24.2 billion, with ECL of ₱3.1 million; with annual fixed interest rates ranging from 3.88% to 6.00% and maturity terms from 14 days to 5 years (Note 9)
Accounts receivable	3	Credit card receivables, current and non-revolving (Note 9)
Assets held under joint operations	219	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	13,821	With annual fixed interest rates ranging from 0.00% to 4.00% including time deposits with maturity terms from 6 to 359 days (Note 16)
Bills payable*	51	Peso-denominated borrowings subject to annual fixed interest rates ranging from 2.25% to 4.00% with maturity terms from 90 to 122 days (Note 17)
Amount/Volume:		
Receivables from customers	9,769	Generally similar to terms and conditions above
Accounts receivable	(1)	Generally similar to terms and conditions above
Deposit liabilities	(13,149)	Generally similar to terms and conditions above
Bills payable	(146)	Generally similar to terms and conditions above
Interest income	713	Interest income on receivables from customers (Note 9)
Foreign exchange gain - net	1	Net gain from foreign exchange transactions
Leasing income	22	Income from leasing agreements with various lease terms
Interest expense	678	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Contingent - others	3	Bank guaranty with indemnity agreement (Note 30)
Securities transactions		
Outright sales	219	Outright sale of investment securities at FVTPL and FVOCI investments
Foreign currency		
Buy	422	Outright purchases of foreign currency
Sell	967	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	₱85	Secured - ₱59.5 million unsecured - ₱25.1 million, no impairment; with annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms from 1 year to 15 years (Note 9)
Deposit liabilities	166	With various terms and with annual interest rates ranging from 0.00% to 6.00%; with interest of ₱0.7 million (Note 16)
Amount/Volume:		
Receivables from customers	9	Generally similar to terms and conditions above
Deposit liabilities	2	Generally similar to terms and conditions above
Interest income	4	Interest income on receivables from customers (Note 9)

*including accrued interest

	Parent Company	
Category	**Amount**	**Terms and Conditions/Nature**
2019		
Entities with Significant Influence		
Outstanding Balance:		
Deposit liabilities*	**₱2,371**	With annual fixed interest rate ranging from 0.00% to 3.00% (including time deposits) and maturity terms of 10 to 30 days (Note 16)
Amount/Volume:		
Deposit liabilities	**1,891**	Generally similar to terms and conditions above
Interest expense	**6**	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	**₱5,678**	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 0.00% to 3.17% and maturity terms of 7 to 366 days with minimal ECL (Note 7)
Investment Securities at		
FVTPL	**125**	Treasury notes and private bonds purchased from FMIC (Note 8)
Amortized Cost	**2,368**	Treasury notes purchased from FMIC (Note 8)
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 of 6 days to 3 years (Note 9)
Accounts receivable	**136**	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees (Note 9)
Derivative assets	**726**	Cross-currency swaps with various terms (Note 8)
Deposit liabilities*	**4,229**	With annual fixed interest rates ranging from 0.00% to 3.00% (including time deposits) and maturity terms of 6 days to 126 days (Note 16)
Treasury stocks	**72**	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividend declared	**1,073**	Dividend declared by PSBank and MB Bahamas (Note 11)
Amount/Volume:		
Interbank loans receivable	**1,044**	Generally similar to terms and conditions above
Receivables from customers	**2,394**	Generally similar to terms and conditions above
Accounts receivable	**(138)**	Generally similar to terms and conditions above
Deposit liabilities	**1,136**	Generally similar to terms and conditions above
Interest income	**767**	Interest income on receivables from customers and interbank loans receivables (Note 9)
Service charges, fees and commissions	**38**	Income from transactional fees
Trading and securities gain - net	**167**	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	**(123)**	Net loss from foreign exchange transactions
Leasing income	**31**	Income from leasing agreements with various lease terms
Miscellaneous income	**305**	Information technology and other fees (Note 25)
Interest expense	**53**	Interest expense on deposit liabilities, bills payable and interbank loans payable (Notes 16 and 17)
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	**77,541**	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:		
Receivables form customers*	**₱1,307**	Unsecured with ECL; with annual fixed rates ranging from 5.00% to 6.85% and maturity terms of 94 to 360 days (Note 9)
Deposit liabilities*	**1,391**	With annual fixed interest rates ranging from 0.00% to 3.63% (including time deposits) and maturity terms of 31 to 35 days (Note 16)
Amount/Volume:		
Receivables from customers	**604**	Generally similar to terms and conditions above
Deposit liabilities	**570**	Generally similar to terms and conditions above
Interest Income	**57**	Interest income on receivables from customers (Note 9)
Foreign exchange loss - net	**(13)**	Net loss from foreign exchange transactions
Leasing income	**3**	Income from leasing agreements with various lease terms
Interest expense	**2**	Interest expense on deposit liabilities (Note 16)

(Forward)

Category	Parent Company Amount	Terms and Conditions/Nature
Outright sale of securities	**₱268**	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 of 28 days to 5 years (Note 9)
Assets held under joint operations	**219**	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	**13,377**	With annual fixed interest rates ranging from 0.00% to 3.50% (including time deposits) and maturity terms of 6 to 357 days (Note 16)
Amount/Volume:		
Receivables from customers	**2,755**	Generally similar to terms and conditions above
Deposit liabilities	**194**	Generally similar to terms and conditions above
Interest income	**1,025**	Interest income on receivables from customers
Foreign exchange gain - net	**2**	Net gain from foreign exchange transactions
Leasing income	**21**	Income from leasing agreements with various lease terms
Interest expense	**591**	Interest expense on deposit liabilities (Note 16)
Contingent		
Unused commercial LCs	**5**	LC transactions with various terms
Securities transactions		
Sales	**200**	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	**308**	Outright purchases of foreign currency
Sell	**1,140**	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	**₱70**	Secured - ₱58.8 million and unsecured - ₱10.8 million, no impairment; with annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms of 5 to 15 years (Note 9)
Deposit liabilities	**167**	With various terms and with annual interest rates of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	**2**	Generally similar to terms and conditions above
Deposit liabilities	**1**	Generally similar to terms and conditions above
Interest income	**2**	Interest income on receivables from customers (Note 9)
2018		
Entities with Significant Influence		
Outstanding Balance:		
Deposit liabilities*	₱480	With annual fixed interest rate ranging from 0.00% to 4.00% including time deposits with maturity terms of 21 to 30 days (Note 16)
Amount/Volume:		
Deposit liabilities	464	Generally similar to terms and conditions above
Interest expense	36	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
Outstanding Balance:		
Interbank loans receivable*	₱4,634	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 2.61% to 3.54% with maturity terms of 32 to 184 days with minimal ECL (Note 7)
Receivables from customers*	13,685	Unsecured, with ECL of ₱3.0 million; with annual fixed interest rates ranging from 3.43% to 5.45% and maturity terms of 5 days to 3 years (Note 9)
Accounts receivable	274	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees (Note 9)
Derivative assets	118	Fair value of forward and swaps bought with various terms (Note 8)
Deposit liabilities*	3,093	With annual fixed interest rates ranging from 0.00% to 0.50% including time deposits with maturity terms of 3 days to 357 days (Note 16)

(Forward)

	Parent Company	
Category	Amount	Terms and Conditions/Nature
Treasury stock	₱67	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividend declared	2,255	Dividend declared by PSBank, MCC and MB Bahamas (Note 11)
Amount/Volume:		
Interbank loans receivable	2,496	Generally similar to terms and conditions above
Receivables from customers	13,450	Generally similar to terms and conditions above
Accounts receivable	(171)	Generally similar to terms and conditions above
Deposit liabilities	(2,661)	Generally similar to terms and conditions above
Treasury stock	10	Proceeds from disposal of Parent Company's shares held by FMIC's mutual fund subsidiaries
Interest income	365	Interest income on receivables from customers and interbank loans receivables
Service charges, fees and commissions	35	Income from transactional fees
Trading and securities loss - net	(17)	Net loss from securities transactions
Foreign exchange gain - net	7	Net gain from foreign exchange transactions
Leasing income	36	Income from leasing agreements with various lease terms
Miscellaneous income	212	Information technology and other fees (Note 25)
Interest expense	16	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Miscellaneous expense	45	Other fees (Note 25)
Contingent - derivatives	989	Swap bought with various terms
Securities transactions		
Purchases	6,907	Outright purchases of investment securities at FVTPL and FVOCI
Sales	13,566	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	43,162	Outright purchases of foreign currency
Sell	37,744	Outright sale of foreign currency
Associates		
Outstanding Balance:		
Receivables form customers*	₱703	Unsecured with ECL of ₱0.01 million; with annual fixed rates ranging from 4.33% to 6.18% and maturity terms of 346 to 360 days (Note 9)
Investment in associates	180	Liquidating dividends from SMBC Metro (Note 11)
Deposit liabilities*	821	With annual fixed interest rates ranging from 0.00% to 3.38% (including time deposits) and maturity terms of 31 to 36 days (Note 16)
Dividends declared	10	Dividend declared by NLI (Note 11)
Amount/Volume:		
Receivables from customers	703	Generally similar to terms and conditions above
Deposit liabilities	(290)	Generally similar to terms and conditions above
Interest Income	19	Interest income on receivables from customers (Note 9)
Foreign exchange gain - net	1	Net gain from foreign exchange transactions
Leasing income	8	Income from leasing agreements with various lease terms
Interest expense	1	Interest expense on deposit liabilities (Note 16)
Outright sale of securities	340	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	1,924	Outright purchases of foreign currency
Sell	1,054	Outright sale of foreign currency
Other Related Parties		
Outstanding Balance:		
Receivables from customers*	₱29,472	Secured - ₱5.2 billion and unsecured - ₱24.2 billion, with ECL of ₱3.1 million; with annual fixed interest rates ranging from 3.88% to 6.00% and maturity terms of 14 days to 5 years (Note 9)
Assets held under joint operations	219	Parcels of land and former branch sites of the Parent Company contributed to joint operations (Note 14)
Deposit liabilities*	13,183	With annual fixed interest rates ranging from 0.00% to 4.00% (including time deposits) and maturity terms of 6 to 359 days (Note 16)
Amount/Volume:		
Receivables from customers	9,770	Generally similar to terms and conditions above
Deposit liabilities	(12,237)	Generally similar to terms and conditions above
Interest income	713	Interest income on receivables from customers (Note 9)
Foreign exchange gain - net	1	Net gain from foreign exchange transactions
Leasing income	22	Income from leasing agreements with various lease terms
Interest expense	636	Interest expense on deposit liabilities (Note 16)

(Forward)

Category	Parent Company Amount	Terms and Conditions/Nature
Contingent		
Others	₱3	Bank guaranty with indemnity agreement
Securities transactions		
Sales	70	Outright sale of FVTPL and AFS investments
Foreign currency		
Buy	422	Outright purchases of foreign currency
Sell	967	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	₱68	Secured - ₱55.9 million and unsecured - ₱11.9 million, no impairment; with annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms of 5 to 15 years (Note 9)
Deposit liabilities	166	With various terms and with annual interest rates ranging from 0.00% to 6.00%; with interest expense of ₱0.7 million (Note 16)
Amount/Volume:		
Receivables from customers	8	Generally similar to terms and conditions above
Deposit liabilities	2	Generally similar to terms and conditions above
Interest income	2	Interest income on receivables from customers (Note 9)

*including accrued interest

As of December 31, 2019 and 2018, 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, 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's deposits to the Parent Company.

As of December 31, 2018, government securities classified as 'Investment securities at amortized cost' amounting to ₱40.9 billion for the Group and the Parent Company are pledged to various funds managed by the Trust Banking Group of the Parent Company to secure borrowings from these funds.

Receivables from customers and deposit liabilities and their related statement of financial position and statement of income accounts resulted from the lending and deposit-taking activities of the Group and the Parent Company. Together with the sale of investment properties, borrowings, contingent accounts including derivative transactions, outright purchases and sales of securities and foreign currency buy and sell, leasing of office premises, securing of insurance coverage on loans and property risk, and other management services rendered, these are conducted in the normal course of business, at arm's-length transactions and are generally settled in cash. The amounts and related volumes and changes are presented in the summary above. Terms of receivables from customers, deposit liabilities and borrowings are also disclosed in Notes 9, 16 and 17, respectively, while other related party transactions above have been referred to their respective note disclosures.

The compensation of the key management personnel of the Group and the Parent Company follows:

	Consolidated			**Parent Company**		
	2019	2018	2017	**2019**	2018	2017
Short-term employee benefits	**₱3,446**	₱3,222	₱2,910	**₱2,500**	₱2,334	₱2,165
Post-employment benefits	**140**	197	132	**56**	80	46
	₱3,586	₱3,419	₱3,042	**₱2,556**	₱2,414	₱2,211

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 ₱98.3 million, ₱69.1 million and ₱65.2 million in

2019, 2018 and 2017, respectively. In 2019 and 2018, the Parent Company sold securities totaling ₱4.5 billion and ₱2.2 billion, respectively, to its related party retirement plans and recognized net trading losses of ₱11.3 million and ₱94 thousand in 2019 and 2018, respectively, and has also purchased securities totaling ₱2.1 billion and ₱266.9 million, respectively. Further, as of December 31, 2019 and 2018, the total outstanding deposit liabilities of the Group to these related party retirement funds amounted to ₱103.6 million and ₱433.6 million, respectively. Interest expense on deposit liabilities amounted to ₱23.7 million, ₱17.7 million and ₱13.8 million in 2019, 2018 and 2017, respectively.

As of December 31, 2019 and 2018, the related party retirement plans also hold investments in the equity shares of various companies within the Group amounting to ₱278.8 million and ₱196.3 million, respectively, with unrealized trading losses of ₱20.1 million and ₱14.3 million, respectively, and investments in mutual funds and trust funds of various companies within the Group amounting to ₱672.4 million and ₱2.0 billion, respectively, with unrealized trading gains of ₱19.5 million and ₱48.7 million, respectively. Further as of December 31, 2019 and 2018, investments in the corporate bonds of the Parent Company by the related party retirement plans amounted to ₱3.7 billion and ₱2.1 billion, respectively, with unrealized trading gain of ₱109.1 million and minimal unrealized trading loss in 2019 and 2018, respectively. In 2019, 2018 and 2017, realized trading gains amounted to ₱92 million, ₱48.6 million and ₱7.8 million, respectively. The related party retirement plans also recognized dividend income amounting to ₱0.7 million in 2019.

32. **Financial Performance**

The basis of calculation for earnings per share attributable to equity holdings of the Parent Company follows (amounts in millions except for earnings per share):

	2019	2018	2017
a. Net income attributable to equity holders of the Parent Company	**₱28,055**	₱22,008	₱18,223
b. Weighted average number of outstanding common shares of the Parent Company	**4,496**	4,267	3,665
c. Basic/diluted earnings per share (a/b)	**₱6.24**	₱5.16*	₱4.97*

**Restated to show the effect of stock dividends issued in 2019 and stock rights issued in 2018.*

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			**Parent Company**		
	2019	2018	2017	**2019**	2018	2017
Return on average equity (1)	**9.47%**	9.08%	9.16%	**9.16%**	8.81%	9.05%
Return on average assets (2)	**1.20%**	1.02%	0.92%	**1.42%**	1.23%	1.12%
Net interest margin on average earning assets (3)	**3.84%**	3.82%	3.75%	**3.09%**	2.98%	2.85%

(1) Net income attributable to equity holders of the Parent Company for the year divided by average total equity attributable to the Parent Company.
(2) Net income attributable to equity holders of the Parent Company for the year divided by average total assets.
(3) Net interest income for the year divided by average interest-earning assets.

33. Foreign Exchange

Closing rates as of December 31 and WAR for each of the year ended December 31 are as follows:

	BAP		PDS
	2019	2018	2017
Closing	**₱50.64**	₱52.58	₱49.93
WAR	**51.79**	52.68	50.41

34. Other Matters

The Group has no significant matters to report in 2019 on the following:

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

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

c. Issuances, repurchases and repayments of debt and equity securities except for the issuances of ₱17.5 billion, ₱11.25 billion and ₱13.75 billion fixed rate bonds and the redemption of the 2024 Peso Notes by the Parent Company; the issuance of ₱6.3 billion fixed rate bonds and the redemption of the 2024 Peso Notes by PSBank; and the issuance of ₱4.16 billion fixed rate bonds by ORIX Metro as discussed in Notes 19 and 20.

d. Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows except for the payments of cash dividends by the Parent Company as discussed in Note 23; and

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

35. Subsequent Events

a. The SEC approved the merger of MCC into the Parent Company effective January 3, 2020.

b. As discussed in Note 16, 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.

c. On January 16, 2020, the BOD of PSBank declared a 7.50% regular cash dividend for the fourth quarter of 2019 amounting to ₱287.3 million or ₱0.75 per share, payable on February 17, 2020 to all stockholders of record as of January 31, 2020.

d. On January 16, 2020, PSBank received the SEC Order fixing the Record Date of the 11.42% stock dividend involving 43,750,000 shares on January 31, 2020. Payment date of February 21, 2020 was set in accordance with the BOD approval and the rules of the PSE.

e. On February 4, 2020, PSBank issued ₱4.65 billion fixed rate bonds with an issue price at 100% face value, which bear an interest rate of 4.50% per annum and will mature on February 4, 2023.

f. On February 19, 2020, the BOD of the Parent Company approved the following:
   i. Declaration of 5% regular cash dividend payable on March 20, 2020 to all stockholders of record as of March 6, 2020; and
   ii. Exercise the call option on the Parent Company's ₱6.50 billion 2025 Peso Notes described in Note 20 on August 8, 2020 in accordance with its terms and conditions subject to BSP approval.

36. Approval of the Release of the Financial Statements

The accompanying financial statements of the Group and of the Parent Company were authorized for issue by the BOD on February 19, 2020.

37. Report on the Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

Supplementary Information Under RR No. 15-2010
On November 25, 2010, the BIR issued RR No. 15-2010 to amend certain provisions of RR No. 21-2002 which provides that starting 2010, the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Parent Company reported the following types of taxes for the year ended December 31, 2019 included under 'Taxes and licenses' account in the statements of income:

GRT	₱3,426
DST	2,400
Local taxes	177
Real estate tax	95
Others	368
	₱6,466

Details of the total withholding taxes remittances for the taxable year December 31, 2019 follow:

Final withholding taxes	₱4,561
Taxes withheld on compensation	2,205
Expanded withholding taxes	231
	₱6,997

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Metropolitan Bank & Trust Company and Subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this Form Definitive IS, and have issued our report thereon dated February 19, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Josephine Adrienne A. Abarca
Partner
CPA Certificate No. 92126
SEC Accreditation No. 0466-AR-4 (Group A),
November 13, 2018, valid until November 12, 2021
Tax Identification No. 163-257-145
BIR Accreditation No. 08-001998-61-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125200, January 7, 2020, Makati City

February 19, 2020

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

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Metropolitan Bank & Trust Company and Subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated February 19, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Josephine Adrienne A. Abarca

Josephine Adrienne A. Abarca
Partner
CPA Certificate No. 92126
SEC Accreditation No. 0466-AR-4 (Group A),
November 13, 2018, valid until November 12, 2021
Tax Identification No. 163-257-145
BIR Accreditation No. 08-001998-61-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125200, January 7, 2020, Makati City

February 19, 2020

EXHIBIT 7

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2019

Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68

Other Required Schedules/Information

Metropolitan Bank & Trust Company and Subsidiaries
Schedule A - Financial Assets
December 31, 2019

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes (in ₱ million)	Amount shown in the balance sheet (in ₱ million)	Valued based on market quotation at end of reporting period (in ₱ million)	Income received and accrued (in ₱ million)
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)				
Held-for-Trading (HFT) Securities				
Debt Securities				
Philippine Government Bonds (including its agencies)	24,446	27,160	27,160	
Other Government Bonds	11,299	11,697	11,697	
Private	7,859	7,935	7,935	
		46,792	46,792	1,936
Equity Securities	198	6,585	6,585	132
Derivative Assets		8,490	8,490	-
TOTAL FINANCIAL ASSETS AT FVTPL		61,867	61,867	2,068
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)				
Debt Securities				
Philippine Government Bonds (including its agencies)	115,909	125,170	125,170	
Other Government Bonds	38,595	39,491	39,491	
Private	35,848	36,199	36,199	
		200,860	200,860	5,538
Equity Securities	254	1,660	1,660	40
TOTAL FINANCIAL ASSETS AT FVOCI		202,520	202,520	5,578
FINANCIAL ASSETS AT AMORTIZED COST				
Debt Securities				
Philippine Government Bonds (including its agencies)	224,700	243,762	229,337	
Other Government Bonds	4,023	3,989	3,983	
Private	3,831	3,877	3,849	
TOTAL FINANCIAL ASSETS AT AMORTIZED COST		251,628	237,169	11,035
UNQUOTED DEBT SECURITIES	1,640	630	647	128

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other Than Related Parties)

December 31, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period

NOT APPLICABLE

Note: **Transactions to these parties are made in the ordinary course of business.**

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

Schedule C - Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements

December 31, 2019

(In ₱ Millions)

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		Current	Not Current	Balance at End of Year
			Amounts Collected	Amounts Written-Off			
First Metro Investment Corporation	539	6,915	6,403	-	1,051	-	1,051
Metrobank Card Corporation	7,062	23,006	21,534	-	6,645	1,889	8,534
Metropolitan Bank (China) Ltd.	4,107	16,206	14,636	-	5,677	-	5,677
ORIX Metro Leasing and Finance Corporation	6,620	3,489	2,398	-	2,503	5,208	7,711
Philippine Savings Bank	54	1,122	1,123	-	53	-	53
Remittance Centers:							
Metro Remittance Center, Inc.	191	1,859	2,018	-	32	-	32
Metro Remittance (Singapore) Pte. Ltd.	39	188	183	-	44	-	44
Metro Remittance (USA), Inc.	-	39	39	-	-	-	-
Metro Remittance (UK) Limited	13	163	147	-	29	-	29
Metro Remittance (Hong Kong) Limited	3	7	6	-	4		4
Metro Remittance (Japan) Co. Limited	8	66	74	-	-	-	-
Others	16	204	204	-	16	-	16
Total	18,652	53,264	48,765	-	16,054	7,097	23,151

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule D - Long Term Debt
December 31, 2019

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Subordinated Debt					
2023 Peso Notes issued December 20, 2013	1,170		1,166	6.21%	December 20, 2023
Total Subordinated Debt	1,170		1,166		
Bills Payable					
Local Banks	950		949	5.53%	April 21, 2021
Local Banks	1,000		999	4.74%	May 20, 2021
Local Banks	300		300	4.65%	August 12, 2021
Local Banks	1,500		1,494	5.27%	August 13, 2021
Local Banks	1,500		1,494	5.33%	August 16, 2021
Local Banks	1,500		1,491	4.70%	September 3, 2021
Local Banks	10		10	4.70%	September 9, 2021
Local Banks	3,291		3,241	3.78%	December 20, 2021
Local Banks	1,671		1,648	2.40%	December 23, 2021
Local Banks	1,904		1,872	2.70%	December 23, 2021
Local Banks	1,000		999	5.00%	March 31, 2022
Local Banks	2,532		2,477	2.50%	September 30, 2022
Local Banks	2,000		1,985	4.01%	December 19, 2022
	19,158		18,958		
Foreign Banks	3,304		3,304	3.59%	October 18, 2021
Foreign Banks	2,895		2,895	3.80%	October 18, 2021
Foreign Banks	10,127		10,103	1.89%	December 13, 2021
Foreign Banks	5,064		5,015	4.59%	December 29, 2021
	21,390		21,317		
Deposit Substitutes	2		2	3.50%	January 4, 2021
Deposit Substitutes	5		5	6.50%	January 6, 2021
Deposit Substitutes	23		23	3.63%	January 11, 2021
Deposit Substitutes	5		5	6.00%	January 11, 2021
Deposit Substitutes	1		1	5.27%	January 12, 2021
Deposit Substitutes	5		5	5.50%	January 14, 2021
Deposit Substitutes	5		5	3.63%	January 18, 2021
Deposit Substitutes	2		2	3.63%	January 19, 2021
Deposit Substitutes	6		6	3.63%	January 25, 2021
Deposit Substitutes	2		1	5.27%	January 28, 2021
Deposit Substitutes	2		2	3.63%	February 1, 2021
Deposit Substitutes	3		2	5.90%	February 4, 2021
Deposit Substitutes	3		3	3.63%	February 8, 2021
Deposit Substitutes	3		3	3.75%	February 8, 2021

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Schedule D - Long Term Debt
December 31, 2019

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	2		2	3.50%	February 9, 2021
Deposit Substitutes	3		3	4.13%	February 10, 2021
Deposit Substitutes	5		5	6.50%	February 10, 2021
Deposit Substitutes	5		5	5.00%	February 11, 2021
Deposit Substitutes	7		7	3.63%	February 15, 2021
Deposit Substitutes	10		10	3.75%	February 15, 2021
Deposit Substitutes	5		5	6.50%	February 15, 2021
Deposit Substitutes	1		1	3.63%	February 22, 2021
Deposit Substitutes	11		11	3.75%	February 22, 2021
Deposit Substitutes	5		5	6.50%	February 22, 2021
Deposit Substitutes	5		5	6.50%	March 1, 2021
Deposit Substitutes	8		8	3.63%	March 8, 2021
Deposit Substitutes	13		12	4.50%	March 8, 2021
Deposit Substitutes	5		5	6.50%	March 8, 2021
Deposit Substitutes	1		1	4.13%	March 9, 2021
Deposit Substitutes	6		6	3.75%	March 15, 2021
Deposit Substitutes	3		3	4.13%	March 15, 2021
Deposit Substitutes	14		14	4.50%	March 15, 2021
Deposit Substitutes	5		5	6.50%	March 15, 2021
Deposit Substitutes	51		50	4.50%	March 16, 2021
Deposit Substitutes	1		1	4.13%	March 17, 2021
Deposit Substitutes	12		12	4.50%	March 17, 2021
Deposit Substitutes	12		12	6.25%	March 19, 2021
Deposit Substitutes	5		5	3.50%	March 22, 2021
Deposit Substitutes	5		5	3.63%	March 22, 2021
Deposit Substitutes	5		5	6.50%	March 22, 2021
Deposit Substitutes	6		6	4.50%	March 26, 2021
Deposit Substitutes	3		3	3.63%	March 29, 2021
Deposit Substitutes	3		2	3.75%	March 29, 2021
Deposit Substitutes	3		3	3.88%	March 29, 2021
Deposit Substitutes	5		5	6.50%	March 29, 2021
Deposit Substitutes	10		10	4.50%	March 31, 2021
Deposit Substitutes	6		6	3.63%	April 5, 2021
Deposit Substitutes	4		4	3.75%	April 5, 2021
Deposit Substitutes	5		5	6.50%	April 5, 2021
Deposit Substitutes	4		4	3.63%	April 6, 2021
Deposit Substitutes	3		3	4.13%	April 6, 2021
Deposit Substitutes	14		13	4.13%	April 7, 2021
Deposit Substitutes	6		6	3.63%	April 12, 2021
Deposit Substitutes	27		27	4.13%	April 12, 2021
Deposit Substitutes	1		1	4.18%	April 12, 2021
Deposit Substitutes	5		5	6.50%	April 12, 2021
Deposit Substitutes	2		2	4.38%	April 13, 2021
Deposit Substitutes	50		50	4.50%	April 13, 2021
Deposit Substitutes	1		1	4.13%	April 14, 2021
Deposit Substitutes	17		17	4.38%	April 15, 2021

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Schedule D - Long Term Debt
December 31, 2019

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	8		8	4.13%	April 19, 2021
Deposit Substitutes	4		4	4.38%	April 19, 2021
Deposit Substitutes	5		5	6.50%	April 19, 2021
Deposit Substitutes	6		6	3.63%	April 20, 2021
Deposit Substitutes	2		2	4.38%	April 20, 2021
Deposit Substitutes	5		5	4.13%	April 23, 2021
Deposit Substitutes	7		7	4.13%	April 26, 2021
Deposit Substitutes	18		18	4.38%	April 26, 2021
Deposit Substitutes	2		2	4.50%	April 26, 2021
Deposit Substitutes	5		5	6.50%	April 26, 2021
Deposit Substitutes	16		16	4.50%	May 3, 2021
Deposit Substitutes	5		5	6.50%	May 3, 2021
Deposit Substitutes	3		3	4.13%	May 4, 2021
Deposit Substitutes	1		1	4.13%	May 5, 2021
Deposit Substitutes	3		2	3.50%	May 10, 2021
Deposit Substitutes	8		8	4.50%	May 10, 2021
Deposit Substitutes	5		5	6.50%	May 10, 2021
Deposit Substitutes	1		1	4.13%	May 17, 2021
Deposit Substitutes	8		8	4.50%	May 17, 2021
Deposit Substitutes	5		5	6.50%	May 17, 2021
Deposit Substitutes	12		12	4.50%	May 24, 2021
Deposit Substitutes	5		5	6.50%	May 24, 2021
Deposit Substitutes	1		1	4.50%	May 25, 2021
Deposit Substitutes	27		27	4.13%	May 26, 2021
Deposit Substitutes	1		1	4.13%	May 31, 2021
Deposit Substitutes	1		1	4.75%	May 31, 2021
Deposit Substitutes	5		5	6.50%	May 31, 2021
Deposit Substitutes	2		2	4.13%	June 2, 2021
Deposit Substitutes	1		1	4.13%	June 7, 2021
Deposit Substitutes	11		11	4.75%	June 7, 2021
Deposit Substitutes	2		2	4.88%	June 7, 2021
Deposit Substitutes	3		3	4.88%	June 7, 2021
Deposit Substitutes	5		5	4.88%	June 8, 2021
Deposit Substitutes	13		13	4.13%	June 9, 2021
Deposit Substitutes	12		11	3.88%	June 14, 2021
Deposit Substitutes	30		30	4.13%	June 14, 2021
Deposit Substitutes	10		10	4.75%	June 14, 2021
Deposit Substitutes	16		15	4.88%	June 14, 2021
Deposit Substitutes	1		1	4.13%	June 21, 2021
Deposit Substitutes	20		20	4.88%	June 21, 2021
Deposit Substitutes	5		5	6.50%	June 21, 2021
Deposit Substitutes	2		2	4.00%	June 22, 2021
Deposit Substitutes	10		10	4.13%	June 24, 2021
Deposit Substitutes	17		16	4.88%	June 28, 2021
Deposit Substitutes	1		0	4.88%	June 29, 2021
Deposit Substitutes	20		19	4.13%	June 30, 2021

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule D - Long Term Debt
December 31, 2019

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	8		8	4.88%	July 5, 2021
Deposit Substitutes	3		3	4.13%	July 12, 2021
Deposit Substitutes	40		40	5.00%	July 12, 2021
Deposit Substitutes	5		5	6.50%	July 12, 2021
Deposit Substitutes	6		6	4.13%	July 14, 2021
Deposit Substitutes	3		3	4.13%	July 19, 2021
Deposit Substitutes	13		13	5.00%	July 19, 2021
Deposit Substitutes	1		1	5.13%	July 20, 2021
Deposit Substitutes	8		8	5.00%	July 26, 2021
Deposit Substitutes	12		12	4.13%	July 28, 2021
Deposit Substitutes	1		1	4.13%	August 2, 2021
Deposit Substitutes	2		1	5.38%	August 2, 2021
Deposit Substitutes	13		13	4.13%	August 3, 2021
Deposit Substitutes	2		2	4.25%	August 3, 2021
Deposit Substitutes	7		6	4.13%	August 4, 2021
Deposit Substitutes	2		2	4.13%	August 9, 2021
Deposit Substitutes	3		3	5.25%	August 9, 2021
Deposit Substitutes	23		22	4.13%	August 10, 2021
Deposit Substitutes	50		50	5.75%	August 10, 2021
Deposit Substitutes	1		1	4.13%	August 11, 2021
Deposit Substitutes	8		8	4.00%	August 16, 2021
Deposit Substitutes	5		5	4.13%	August 16, 2021
Deposit Substitutes	1		1	4.90%	August 16, 2021
Deposit Substitutes	5		5	4.63%	August 18, 2021
Deposit Substitutes	11		11	4.00%	August 23, 2021
Deposit Substitutes	5		5	4.63%	August 23, 2021
Deposit Substitutes	1		1	5.25%	August 23, 2021
Deposit Substitutes	2		2	3.75%	August 25, 2021
Deposit Substitutes	5		5	4.00%	August 25, 2021
Deposit Substitutes	1		1	3.75%	August 26, 2021
Deposit Substitutes	5		5	4.63%	August 26, 2021
Deposit Substitutes	1		1	3.75%	August 30, 2021
Deposit Substitutes	15		15	4.00%	August 30, 2021
Deposit Substitutes	2		2	4.90%	August 30, 2021
Deposit Substitutes	8		8	5.25%	August 30, 2021
Deposit Substitutes	12		12	4.00%	September 1, 2021
Deposit Substitutes	6		6	4.63%	September 1, 2021
Deposit Substitutes	10		10	4.00%	September 6, 2021
Deposit Substitutes	5		5	4.63%	September 6, 2021
Deposit Substitutes	6		6	4.90%	September 6, 2021
Deposit Substitutes	1		1	5.25%	September 6, 2021
Deposit Substitutes	18		18	4.00%	September 7, 2021
Deposit Substitutes	8		8	3.75%	September 9, 2021
Deposit Substitutes	5		5	4.63%	September 13, 2021
Deposit Substitutes	1		1	3.75%	September 14, 2021
Deposit Substitutes	4		4	3.75%	September 15, 2021

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Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	15		15	4.00%	September 20, 2021
Deposit Substitutes	1		1	4.90%	September 27, 2021
Deposit Substitutes	3		3	5.25%	September 27, 2021
Deposit Substitutes	2		2	3.75%	September 29, 2021
Deposit Substitutes	5		5	4.00%	September 29, 2021
Deposit Substitutes	4		4	3.75%	October 4, 2021
Deposit Substitutes	250		250	4.00%	October 4, 2021
Deposit Substitutes	5		5	3.75%	October 5, 2021
Deposit Substitutes	1		1	3.75%	October 12, 2021
Deposit Substitutes	4		4	4.00%	October 12, 2021
Deposit Substitutes	1		1	3.75%	October 18, 2021
Deposit Substitutes	2		2	5.75%	October 18, 2021
Deposit Substitutes	88		88	4.00%	October 25, 2021
Deposit Substitutes	5		5	4.25%	October 25, 2021
Deposit Substitutes	1		1	5.25%	October 25, 2021
Deposit Substitutes	1		1	3.75%	November 2, 2021
Deposit Substitutes	5		5	4.25%	November 2, 2021
Deposit Substitutes	1		1	3.75%	November 3, 2021
Deposit Substitutes	2		2	5.10%	November 4, 2021
Deposit Substitutes	6		6	4.06%	November 8, 2021
Deposit Substitutes	5		5	4.25%	November 8, 2021
Deposit Substitutes	5		5	6.00%	November 8, 2021
Deposit Substitutes	1		1	3.75%	November 15, 2021
Deposit Substitutes	10		10	4.00%	November 15, 2021
Deposit Substitutes	1		1	3.75%	November 22, 2021
Deposit Substitutes	1		1	4.00%	November 29, 2021
Deposit Substitutes	4		4	7.00%	November 29, 2021
Deposit Substitutes	4		4	3.88%	December 6, 2021
Deposit Substitutes	15		15	4.00%	December 6, 2021
Deposit Substitutes	3		3	4.13%	December 6, 2021
Deposit Substitutes	1		1	7.00%	December 6, 2021
Deposit Substitutes	30		30	4.00%	December 7, 2021
Deposit Substitutes	1		1	5.90%	December 7, 2021
Deposit Substitutes	1		1	7.00%	December 7, 2021
Deposit Substitutes	1		1	7.00%	December 9, 2021
Deposit Substitutes	3		3	3.88%	December 13, 2021
Deposit Substitutes	25		25	4.00%	December 13, 2021
Deposit Substitutes	2		2	5.90%	December 13, 2021
Deposit Substitutes	2		2	3.88%	December 15, 2021
Deposit Substitutes	5		5	3.50%	December 20, 2021
Deposit Substitutes	5		5	3.50%	December 27, 2021
Deposit Substitutes	2		2	4.90%	January 10, 2022
Deposit Substitutes	1		1	4.00%	January 11, 2022
Deposit Substitutes	4		4	3.88%	January 19, 2022
Deposit Substitutes	3		3	3.88%	January 24, 2022
Deposit Substitutes	5		5	4.00%	January 24, 2022

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Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	6		6	3.88%	January 26, 2022
Deposit Substitutes	3		3	3.88%	February 2, 2022
Deposit Substitutes	1		1	4.00%	February 7, 2022
Deposit Substitutes	4		4	4.90%	February 14, 2022
Deposit Substitutes	4		4	5.38%	February 21, 2022
Deposit Substitutes	5		5	3.75%	February 22, 2022
Deposit Substitutes	10		10	3.88%	February 24, 2022
Deposit Substitutes	6		5	3.75%	February 28, 2022
Deposit Substitutes	10		10	4.25%	February 28, 2022
Deposit Substitutes	7		7	6.00%	February 28, 2022
Deposit Substitutes	2		2	3.88%	March 7, 2022
Deposit Substitutes	2		2	3.75%	March 15, 2022
Deposit Substitutes	1		1	4.00%	March 21, 2022
Deposit Substitutes	2		2	3.75%	March 28, 2022
Deposit Substitutes	2		2	3.75%	May 16, 2022
Deposit Substitutes	1		1	4.00%	May 31, 2022
Deposit Substitutes	15		15	4.13%	June 6, 2022
Deposit Substitutes	1		1	4.00%	June 8, 2022
Deposit Substitutes	5		5	4.13%	June 20, 2022
Deposit Substitutes	8		8	4.25%	June 20, 2022
Deposit Substitutes	0		0	4.88%	June 20, 2022
Deposit Substitutes	5		5	4.25%	June 22, 2022
Deposit Substitutes	1		1	4.13%	July 4, 2022
Deposit Substitutes	4		4	5.20%	September 19, 2022
Deposit Substitutes	5		5	5.13%	November 3, 2022
Deposit Substitutes	1		1	5.13%	November 7, 2022
Deposit Substitutes	1		1	5.65%	November 8, 2022
Deposit Substitutes	4		4	5.13%	November 14, 2022
Deposit Substitutes	1		1	5.20%	November 14, 2022
Deposit Substitutes	15		15	5.13%	December 1, 2022
Deposit Substitutes	1		1	4.63%	December 19, 2022
Deposit Substitutes	2		2	4.50%	January 3, 2023
Deposit Substitutes	3		3	4.50%	January 9, 2023
Deposit Substitutes	2		2	5.13%	January 16, 2023
Deposit Substitutes	25		25	5.25%	January 24, 2023
Deposit Substitutes	5		5	4.63%	January 25, 2023
Deposit Substitutes	23		23	5.25%	January 25, 2023
Deposit Substitutes	1		1	5.25%	January 26, 2023
Deposit Substitutes	9		9	5.25%	January 30, 2023
Deposit Substitutes	1		1	4.63%	January 31, 2023
Deposit Substitutes	1		1	4.63%	February 6, 2023
Deposit Substitutes	3		3	5.25%	February 6, 2023
Deposit Substitutes	2		2	4.63%	February 7, 2023
Deposit Substitutes	5		5	5.13%	February 13, 2023
Deposit Substitutes	2		2	4.63%	February 27, 2023
Deposit Substitutes	25		25	5.13%	March 2, 2023

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
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Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	81		81	5.00%	March 15, 2023
Deposit Substitutes	1		1	5.13%	March 15, 2023
Deposit Substitutes	4		4	5.13%	March 16, 2023
Deposit Substitutes	2		2	5.13%	March 28, 2023
Deposit Substitutes	1		1	4.63%	April 3, 2023
Deposit Substitutes	2		2	4.63%	April 5, 2023
Deposit Substitutes	1		1	5.00%	April 5, 2023
Deposit Substitutes	1		1	5.00%	April 13, 2023
Deposit Substitutes	7		7	5.00%	April 27, 2023
Deposit Substitutes	4		4	5.00%	May 4, 2023
Deposit Substitutes	4		4	5.00%	May 17, 2023
Deposit Substitutes	2		2	5.00%	May 29, 2023
Deposit Substitutes	2		1	5.00%	June 1, 2023
Deposit Substitutes	3		2	5.00%	June 5, 2023
Deposit Substitutes	1		1	5.00%	June 14, 2023
Deposit Substitutes	1		1	5.00%	June 15, 2023
Deposit Substitutes	12		12	5.00%	June 19, 2023
Deposit Substitutes	6		6	5.00%	June 21, 2023
Deposit Substitutes	6		5	5.13%	June 26, 2023
Deposit Substitutes	5		5	5.25%	July 17, 2023
Deposit Substitutes	2		2	5.00%	July 20, 2023
Deposit Substitutes	1		2	5.50%	July 24, 2023
Deposit Substitutes	6		6	5.00%	July 27, 2023
Deposit Substitutes	5		5	6.25%	July 31, 2023
Deposit Substitutes	1		1	6.50%	July 31, 2023
Deposit Substitutes	1		1	6.25%	August 1, 2023
Deposit Substitutes	5		5	5.00%	August 3, 2023
Deposit Substitutes	1		1	5.00%	August 9, 2023
Deposit Substitutes	4		4	5.00%	August 10, 2023
Deposit Substitutes	1		1	5.30%	August 10, 2023
Deposit Substitutes	50		50	6.50%	August 10, 2023
Deposit Substitutes	5		5	4.13%	August 24, 2023
Deposit Substitutes	1		1	4.13%	August 28, 2023
Deposit Substitutes	1		1	5.30%	August 29, 2023
Deposit Substitutes	1		1	6.25%	August 29, 2023
Deposit Substitutes	1		1	6.25%	August 30, 2023
Deposit Substitutes	3		3	4.13%	September 20, 2023
Deposit Substitutes	1		1	4.13%	September 26, 2023
Deposit Substitutes	4		4	4.38%	September 26, 2023
Deposit Substitutes	1		1	6.75%	September 26, 2023
Deposit Substitutes	2		2	4.63%	October 4, 2023
Deposit Substitutes	2		2	6.75%	October 5, 2023
Deposit Substitutes	4		4	4.38%	October 11, 2023
Deposit Substitutes	4		4	4.38%	October 16, 2023
Deposit Substitutes	1		1	6.75%	October 23, 2023
Deposit Substitutes	3		3	6.88%	October 25, 2023

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Schedule D - Long Term Debt
December 31, 2019

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet	Interest Rates	Maturity Dates
Deposit Substitutes	2		2	6.88%	November 7, 2023
Deposit Substitutes	1		1	4.13%	November 21, 2023
Deposit Substitutes	1		1	4.13%	November 23, 2023
Deposit Substitutes	1		1	4.13%	November 27, 2023
Deposit Substitutes	6		6	4.13%	November 27, 2023
Deposit Substitutes	0		0	4.00%	December 18, 2023
Deposit Substitutes	2		2	4.13%	February 8, 2024
Deposit Substitutes	1		1	4.13%	February 13, 2024
Deposit Substitutes	1		1	4.13%	March 6, 2024
Deposit Substitutes	1		1	4.25%	May 9, 2024
Deposit Substitutes	5		5	4.75%	March 5, 2025
Deposit Substitutes	35		35	6.20%	December 18, 2025
	2,080		2,245		
Total Bills Payable	42,628		42,520		
Other Liabilities					
Bonds Payable - Fixed Rate Bonds	11,250		11,178	5.500%	July 3, 2021
Bonds Payable - Fixed Rate Bonds	6,300		6,255	5.600%	July 24, 2021
Bonds Payable - Fixed Rate Bonds	4,160		4,121	4.550%	November 15, 2021
Bonds Payable - Fixed Rate Bonds	17,500		17,384	6.300%	April 11, 2022
Bonds Payable - Fixed Rate Bonds	13,750		13,634	4.500%	October 24, 2023
	52,960		52,572		
	96,758		96,257		

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)

December 31, 2019

Name of Related Party	Balance at Beginning of Period	Balance at End of Period

NOT APPLICABLE

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

Schedule F - Guarantees of Securities of Other Issuers

December 31, 2019

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which this Statement is Filed	Nature of Guarantee

NOT APPLICABLE

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

Schedule G - Capital Stock

December 31, 2019

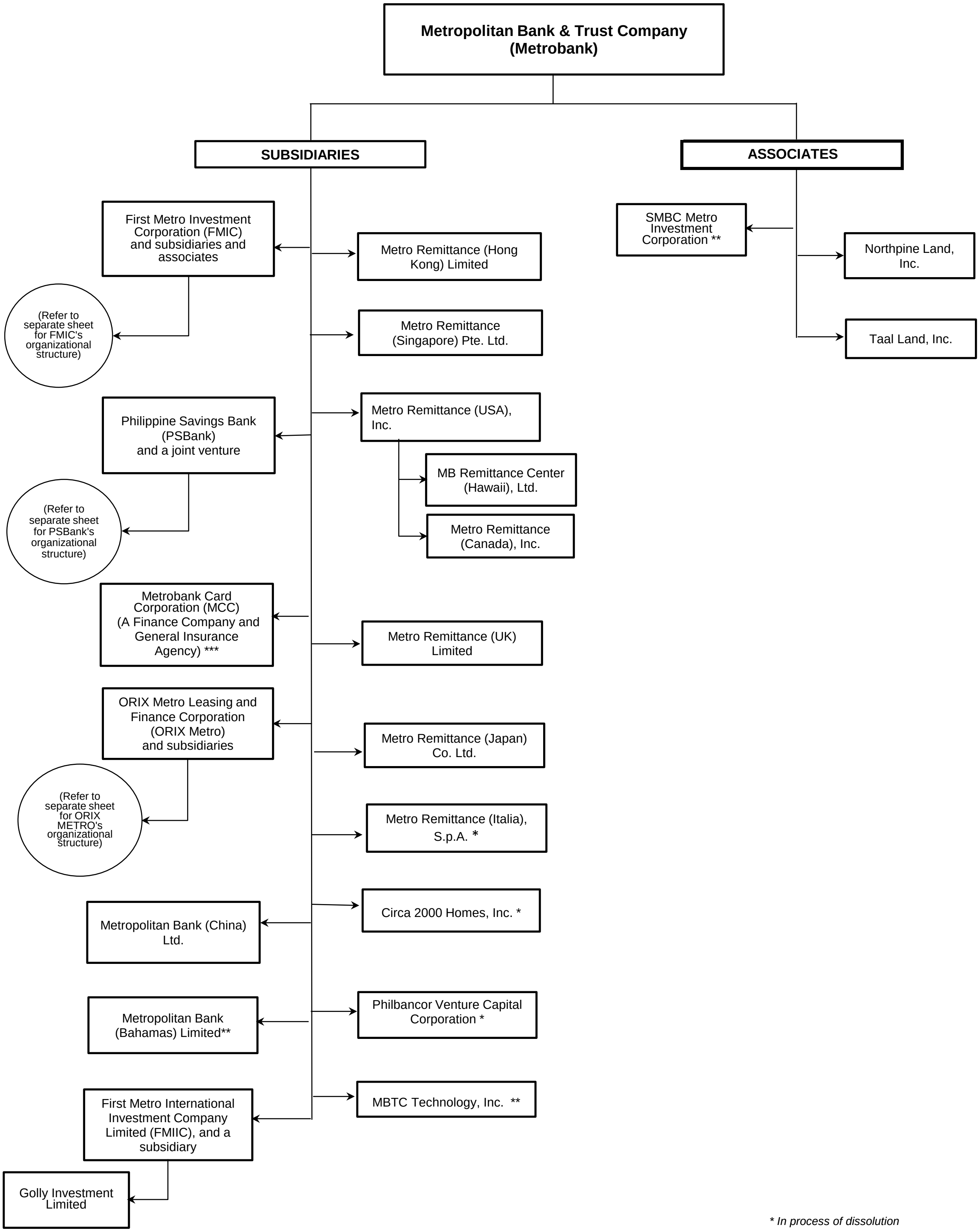
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Authorized						
Preferred stock - P20 par value	1,000,000,000					
Common stock - P20 par value	6,000,000,000					
Issued and outstanding						
Common stock - P20 par value		4,497,415,555		2,269,450,419	34,316,398	2,193,648,738

METROPOLITAN BANK & TRUST COMPANY
SURPLUS AVAILABLE FOR DIVIDENDS *
AS OF DECEMBER 31, 2019
(In ₱ Millions)

UNAPPROPRIATED SURPLUS, BEGINNING	**₱**	**130,550**
Adjustments:		
Less: Non-actual/unrealized income net of tax:		
Accumulated share in net income of subsidiaries, associates and joint venture - net of dividends, restated		36,494
Fair value adjustments (mark-to-market gains)		4,052
Recognized deferred tax asset (DTA)		5,005
Unrealized gains on foreclosure of investment properties - net of accumulated depreciation		364
		45,915
UNAPPROPRIATED SURPLUS AS ADJUSTED TO AVAILABLE FOR DIVIDEND DISTRIBUTION AT BEGINNING OF YEAR		**84,635**
Add: Net income actually earned/realized during the year:		
Net income during the year closed to Surplus		28,055
Less: Non-actual/unrealized income net of tax:		
Fair value adjustment (mark-to-market gains)		929
Movement on DTA		84
Unrealized gains on foreclosure of investment properties - net of accumulated depreciation		6
Equity in net income of subsidiaries, associates and a joint venture-net of dividends		7,865
		8,884
Net income actually earned during the year		**19,171**
Add/(Less):		
Realized gain on sale of equity securities at FVOCI		19
Dividend declarations during the year		(14,328)
Appropriations of Retained Earnings during the year		(142)
		(14,451)
UNAPPROPRIATED SURPLUS AVAILABLE FOR DIVIDENDS, END	**₱**	**89,355**

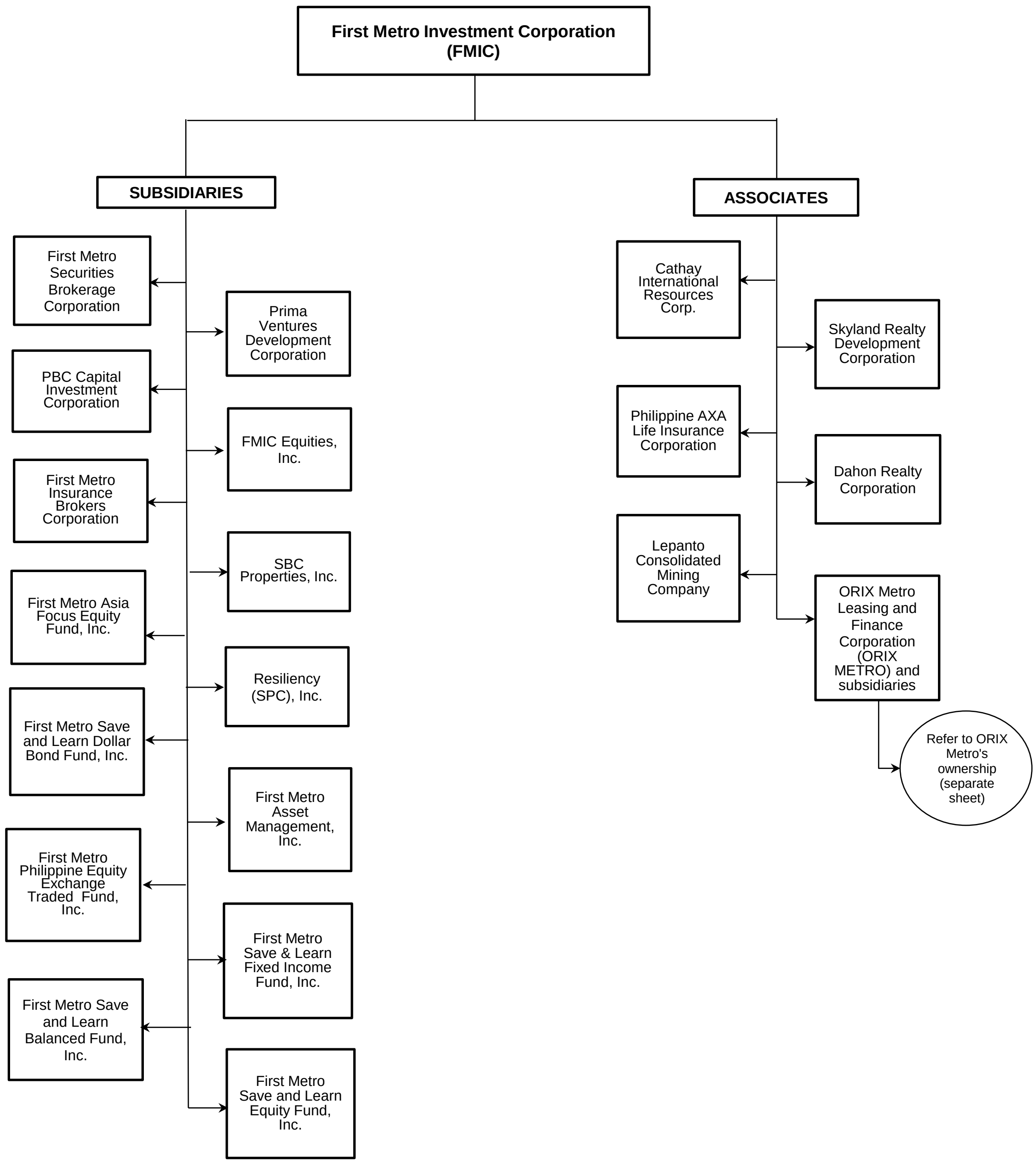
* The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following Bangko Sentral ng Pilipinas guidelines.

Metropolitan Bank & Trust Company
Subsidiaries and Associates
As of December 31, 2019

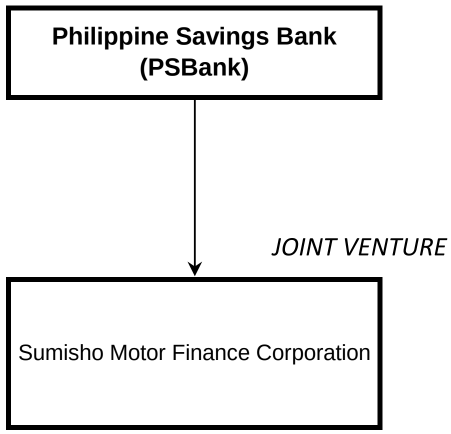


** In process of dissolution*
*** In process of liquidation*
**** The SEC approved the merger of MCC into the Bank effective January 3, 2020*

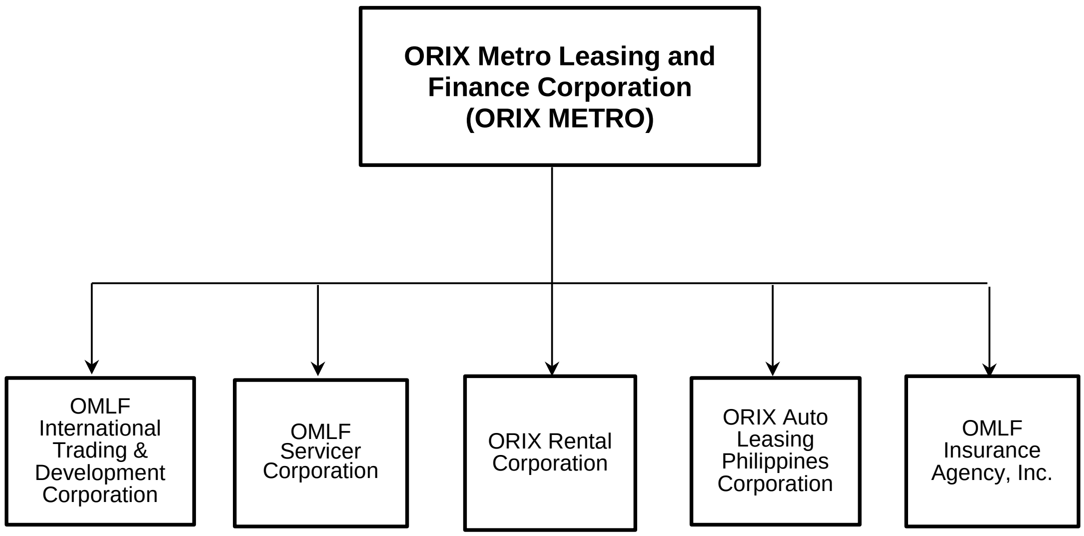
First Metro Investment Corporation
Subsidiaries and Associates
As of December 31, 2019



Philippine Savings Bank
Joint Venture
As of December 31, 2019



ORIX Metro Leasing and Finance Corporation (ORIX METRO)
Subsidiaries
As of December 31, 2019



METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
FINANCIAL INDICATORS
AS OF DECEMBER 31, 2019 AND 2018

	RATIO	FORMULA	2019	2018
a)	Liquidity Ratio	Liquid Assets / Total Assets	36.56%	35.04%
b)	Loans to Deposits Ratio	Total Loans / Total Deposit Liabilities	86.67%	89.49%
c)	Debt to Equity Ratio	Total Liabilities / Total Equity Attributable to Equity Holders of the Parent Company	688.84%	690.20%
d)	Asset to Equity Ratio	Total Assets / Total Equity Attributable to Equity Holders of the Parent Company	791.72%	792.94%
e)	Return on Average Equity	Net Income Attributable to Equity Holders of the Parent Company / Average Equity	9.47%	9.08%
f)	Return on Average Assets	Net Income Attributable to Equity Holders of the Parent Company / Average Assets	1.20%	1.02%
g)	Net Interest Margin on Average Earning Assets	Net Interest Income / Average Earning Assets	3.84%	3.82%
h)	Operating Efficiency Ratio	Total Operating Expenses / Net Operating Income	54.60%	58.49%
i)	Interest Coverage Ratio	Earnings Before Interest and Taxes / Interest Expense	199.36%	209.93%
j)	Net Profit Margin	Net Income / Total Income	19.76%	19.37%
k)	Capital Adequacy Ratio	Total Qualifying Capital / Total Risk-Weighted Assets	17.49%	16.98%
l)	Common Equity Tier 1 Ratio	Net Tier 1 Capital / Total Risk-Weighted Assets	16.19%	14.56%

EXHIBIT 8

COVER SHEET

2 0 5 7 3

SEC Registration Number

M E T R O P O L I T A N B A N K & T R U S T C O M P A N Y
A N D S U B S I D I A R I E S

(Company's Full Name)

M e t r o b a n k P l a z a , S e n . G i l P u y a t
A v e n u e , U r d a n e t a V i l l a g e , M a k a t i
C i t y , M e t r o M a n i l a

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

Marilou C. Bartolome-Cirilo

(Contact Person)

8898-8805

(Company Telephone Number)

1 2 | 3 1

Month *Day*

(Fiscal Year)

1 7 - Q

(Form Type)

Month *Day*

(Annual Meeting)

NONE

(Secondary License Type, If Applicable)

Corporate Finance Department

Dept. Requiring this Doc.

Amended Articles Number/Section

As of 03.31.2020

2,994

Total No. of Stockholders

Total Amount of Borrowings

Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SEC Number 20573
File Number______

METROPOLITAN BANK & TRUST COMPANY
(Company's Full Name)

Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila
(Company's Address)

8898-8805
(Telephone Number)

December 31
(Fiscal year ending)

17-Q
(Form Type)

(Amendment Designation, if applicable)

March 31, 2020
(Period Ended Date)

None
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

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

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

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

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

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

Yes [x]   No [   ]

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

12. Indicate by check mark whether the registrant:

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

Yes [x]   No [   ]

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

Yes [x]   No [   ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Attached are the following:

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

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

PART II - OTHER INFORMATION

I. Control of Registrant

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

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

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

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

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

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

II. Pending Legal Proceedings

As of March 31, 2020, several suits and claims relating to the Group's lending operations and labor-related cases remain unsettled. In the opinion of management, these suits and claims, if decided adversely, will not involve sums having a material effect on the Group's financial statements.

III. Board Resolutions

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

SIGNATURES

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

METROPOLITAN BANK & TRUST COMPANY
By:

MARILOU C. BARTOLOME-CIRILO
Senior Vice President/Controller

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

April 30, 2020

METROPOLITAN BANK & TRUST COMPANY
AND SUBSIDIARIES

Interim Condensed Consolidated Financial Statements
As of March 31, 2020 (Unaudited) and December 31, 2019 (Audited)
and for the quarters ended March 31, 2020 and 2019 (Unaudited)

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

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

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

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

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

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

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

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

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

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

Capital Stock of the Parent Company as of March 31, 2020 and 2019 consists of (Note 10):

* **COMMON STOCK** at ₱20 par value
Authorized – 6,000,000,000 and 4,000,000,000 shares as of March 31, 2020 and 2019, respectively
Issued – 4,497,415,555 and 3,980,015,036 shares as of March 31, 2020 and 2019, respectively

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

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

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

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

1. Corporate Information

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

The Bank's shares were listed with the Philippine Stock Exchange, Inc. (PSE), on February 26, 1981, as approved by the SEC in November 1980. It has a universal banking license granted by the Bangko Sentral ng Pilipinas (BSP) on August 21, 1981.

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

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Groups' annual audited financial statements as at December 31, 2019.

The unaudited interim condensed financial statements have been prepared on a historical cost basis except for financial assets and financial liabilities at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) that have been measured at fair value.

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

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The respective functional currencies of the subsidiaries are presented under Basis of Consolidation.

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

Presentation of Financial Statements
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position. Income and expense are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Basis of Consolidation

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

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

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

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

Merger with MCC

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

All significant intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full at consolidation. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of subsidiaries ceases when control is transferred out of the Group or the Parent Company. The results of subsidiaries acquired or disposed of during the period, if any, are included in the unaudited interim condensed consolidated statement of income and unaudited interim condensed consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

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

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

Entity with significant influence over the Group

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.

Non-Controlling Interest

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

Non-equity Non-controlling Interest

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

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

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.

Amendments

Amendments to PFRS 3, *Business Combinations - Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business. These amendments will apply to future business combinations of the Group.

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

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

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

Significant Accounting Policies

Leases

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

ROU assets

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

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

Residual value of leased assets and deposits on lease contracts

The residual value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the sale of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee when the lessee decides to buy the leased asset.

Fair Value Measurement

The Group measures certain financial instruments, such as, derivatives, at fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 4.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability; or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid - ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets and liabilities not listed in an active market, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group determines the policies and procedures for both recurring fair value measurement, such as financial assets and liabilities at FVTPL and for non-recurring measurement, such as investment properties.

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

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

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on trade date basis. Deposits, amounts due to banks and customers and loans are recognized when cash is received by the Group or advanced to the borrowers.

Initial recognition of financial instruments
All financial instruments are initially measured at fair value. Except for financial assets and financial liabilities at FVTPL, the initial measurement of financial instruments includes transaction costs.

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

Classification and Subsequent Measurement
Financial assets are measured at FVTPL unless these are measured at FVOCI or at amortized cost. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Group may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

As a second step of it classification process, the Group assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL.

Financial assets at FVTPL
These are recorded in the statements of financial position at fair value with changes in fair value recognized in 'Trading, securities and foreign exchange gain - net'. Interest earned is recorded in 'Interest Income' while dividend income is recorded in 'Dividends' when the right to receive payment has been established. Included in this classification are debt and equity securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

Derivatives recorded at FVTPL
The Parent Company and some of its subsidiaries are counterparties to derivative contracts, such as currency forwards, currency swaps, interest rate swaps (IRS), call options, non-deliverable forwards (NDF) and other interest rate derivatives. These derivatives are entered into as a service to customers and as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes. Such derivative financial instruments are initially recorded at fair value on the date at which the derivative contract is entered into and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the statement of income and are included in 'Trading, securities and foreign exchange gain - net'.

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

Investment securities at FVOCI

Investment securities at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of investment securities at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statement of comprehensive income as ‘Change in net unrealized loss on investment securities at FVOCI’.

Debt securities at FVOCI are those that meet both of the following conditions: (1) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flow that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatement on foreign currency-denominated debt securities at FVOCI is reported in the statement of income. Interest earned on holding debt securities at FVOCI are reported as ‘Interest Income’ using the effective interest rate (EIR) method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the statement of comprehensive income is recognized as ‘Trading, securities and foreign exchange gain - net’ in the statement of income. The expected credit loss (ECL) arising from impairment of such investments are recognized in OCI with a corresponding charge to ‘Provision for credit and impairment losses’ in the statement of income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the statement of income as ‘Dividends’ when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statement of comprehensive income is reclassified to ‘Surplus’ or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

Financial assets at amortized cost

Financial assets at amortized cost are debt financial assets that meet both of the following conditions: (1) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. This accounting policy relates to the statement of financial position captions ‘Due from BSP’, ‘Due from other banks’, ‘Interbank loans receivable and SPURA’, ‘Investment securities at amortized cost’ and ‘Loans and receivables’.

After initial measurement, financial assets at amortized cost are subsequently measured at amortized cost using the EIR method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in ‘Interest income’ in the statement of income. Gains and losses are recognized in statement of income when these investments are derecognized or impaired, as well as through the amortization process. The ECL are recognized in the statement of income under ‘Provision for credit and impairment losses’. The effects of revaluation on foreign currency-denominated investments are recognized in the statement of income.

Financial liabilities at amortized cost

Issued financial instruments or their components, which are not designated at FVTPL, are classified as liabilities under ‘Deposit liabilities’, ‘Bills payable and securities sold under repurchase agreements (SPURA)’, ‘Bonds payable’ or ‘Subordinated debts’ or other appropriate financial liability accounts, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, bills payable and similar financial liabilities not qualified as and not designated at FVTPL, are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.

Financial guarantees and undrawn loan commitments
The Group issues financial guarantees and loan commitments. Financial guarantees are those issued by the Group to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract/agreement. Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. These contracts are in the scope of the expected credit loss (ECL) requirements where the Group estimates the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized in 'Miscellaneous liabilities' under 'Other liabilities'.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the Group could be required to repay ('the guarantee amount'). When the Group's continuing involvement takes the form of a written or purchased option (or both) on the transferred asset the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase. However, in case of a written put option to an asset that is measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price. When the Group's continuing involvement takes the form of a cash-settled option or similar provision on the transferred asset, the extent of the Group's continuing involvement is measured in the same way as that which results from non-cash settled options.

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

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

Repurchase and reverse repurchase agreements
Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is

recognized in the statement of financial position as securities sold under repurchase agreements (SSURA) included in ‘Bills Payable and SSURA’ and is considered as a loan to the Group, reflecting the economic substance of such transaction.

Conversely, securities purchased under agreements to resell at a specified future date (‘reverse repos’) are not recognized in the statement of financial position. The corresponding cash paid including accrued interest, is recognized in the statement of financial position as SPURA, and is considered a loan to the counterparty. The difference between the purchase price and resale price is treated as interest income and is accrued over the life of the agreement using the EIR method.

Reclassification of Financial Assets

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

Impairment of Financial Assets

Overview of the ECL principles

ECL represents credit losses that reflect an unbiased and probability weighted amount which is based on reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and time value of money. The ECL allowance is based on the credit losses expected to arise on a 12-month duration if there has been no SICR of the financial asset since origination. Otherwise if a SICR is observed, then the ECL estimation is extended until the end of the life of the financial asset. The 12-month ECL represents the losses that result from default events on a financial asset which may happen within 12 months after the reporting date. The Lifetime ECL on the other hand represents the losses that result from default events on a financial asset which may happen over its life. Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The major portfolios of financial assets identified upon initial analysis of the Group’s credit exposure are loan receivables, treasury accounts, and other receivables. Loan receivables may be availed by specific individuals, corporations or organizations. Hence, these portfolios can be further segmented to commercial and consumer portfolios. After segmentation, financial assets are grouped into Stage 1, Stage 2, and Stage 3 as described below.

Definition of “default” and “cure”

The Group defines a financial instrument as in default, which is fully aligned with the definition of non-performing loans i.e. credit impaired, in all cases when the borrower becomes more than 90 days (more than 30 days in 2018) past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. to have cured) when it no longer meets any of the default criteria and has exhibited a satisfactory track record.

Treasury exposures are considered in default upon occurrence of a credit event such as but not limited to bankruptcy of counterparty, restructuring, failure to pay on agreed settlement date, or request for moratorium.

SICR

In order to determine whether an instrument is subject to 12-month or Lifetime ECL, the Group assesses whether there has been a SICR since initial recognition. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative and qualitative factors. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group’s internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses (i.e. with internal credit rating of 6 due to financial or repayment concerns or lower). These may include adverse trends or developments of financial, managerial, economic or political nature, or a significant weakness in collateral. Credit weakness may be manifested by unfavorable record or unsatisfactory characteristics or may only be potential that deserves management’s close attention and may lead to significant losses or may result in collection or liquidation of the outstanding loan amount to be highly improbable. For exposures without internal credit grades, if contractual payments are more than 30 days past due (1 day past due in 2018), the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial asset improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.

Staging assessment
For non-credit-impaired financial assets:
- Stage 1 is comprised of all non-impaired financial assets which have not experienced a SICR since initial recognition. The Group recognizes a 12-month ECL for Stage 1 financial assets.
- Stage 2 is comprised of all non-impaired financial assets which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 financial assets.

For credit-impaired financial assets:
- Financial assets are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial asset or a portfolio of financial assets. ECL for Stage 3 exposure are computed on a per account, taking into consideration the present value of the expected recoverable cash flows from each transaction.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired (POCI) assets. These are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs. POCI assets pertain to loans purchased by the Parent Company from MBCL.

Assessment of ECL on a collective basis
The Group calculates ECL either on an individual or a collective basis. The Group performs collective impairment by grouping exposures into smaller homogenous portfolios based on a combination of borrower and account characteristics. Accounts with similar risk attributes (i.e. facility, security, credit rating, months-on-books, utilization and collateral type, etc.) are pooled together for calculating provisions based on the ECL models.

ECL parameters and methodologies
ECL is a function of the probability of default (PD), exposure-at-default (EAD), and loss-given default (LGD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgement.

The PD represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual financial asset is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

EAD consists of the amortized cost and any accrued interest receivable. For off-balance sheet and undrawn committed amounts, EAD includes a credit conversion factor which is an estimate of any further amount to be drawn at the time of default.

LGD is the amount that may not be recovered in the event of default and is modelled based on historical cash flow recovery and reasonable and supportable information about future economic conditions, where appropriate. LGD takes into consideration the amount and quality of any collateral held.

The Group applies a simplified ECL approach for its accounts receivables wherein the Group uses a provisioning matrix that considers historical changes in the behavior of the portfolio to predict conditions over the span of a given observation period.

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

Forward-looking information
The Group incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as growth of the gross domestic product, inflation rates, unemployment rates, interest rates and BSP statistical indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

In 2019, after model reviews and validation, the Company relied on the following as economic inputs in measuring ECL:

- Treasury Bill (T-Bill) Rates
- Philippine Stock Exchange (PSE) All Shares Index
- GDP growth
- External debt
- PSE Financials Index
- GDP Financial intermediation
- Government expenditure

Debt investment securities measured at FVOCI
The ECL for debt securities at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to profit or loss upon derecognition of these financial assets.

<u>Restructured Loans</u>
Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews and monitors restructured loans until derecognition to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for credit and impairment losses' in the statement of income. When the loan has been restructured but not derecognized, the Group also reassesses whether there has been a SICR and considers whether the assets should be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.

Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of the Group's financial statements are listed below. The listing consists of standards and interpretations issued which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

Effective beginning on or after January 1, 2021

PFRS 17, *Insurance Contracts*
PFRS 17 provides updated information about the obligation, risks and performance of insurance contracts, increases transparency in financial information reported by insurance companies, and introduces consistent accounting for all insurance contracts based on a current measurement model. The standard is effective for annual periods beginning on or after January 1, 2021. Early application is permitted but only if the entity also applies PFRS 9 *Financial Instruments* and PFRS 15 *Revenue from Contracts with Customers*.

Deferred effectivity

Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Financial Risk Management

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

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

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

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

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

Liquidity Risk
Liquidity risk is the current and prospective risk to earnings or capital arising from the inability to meet its obligations when they become due. This may be caused by the inability to liquidate assets or to obtain funding to meet the liquidity needs. The Group manages its liquidity risk by holding adequate stock of high quality liquid assets, analyzing net funding requirements over time, diversification of funding sources and contingency planning.

To measure the prospective liquidity needs, the Group uses Maximum Cumulative Outflow (MCO), a liquidity gap tool to project short-term as well as long-term cash flow expectations on a business-as-usual condition.

The MCO is generated by distributing the cash flows of the Bank's assets, liabilities and off-balance sheet items to time bands based cash flow expectations such as contractual maturity, nature of the account, behavioral patterns, projections on business strategies, and/or optionality of certain products. The incorporation of behavioral cash flow assumptions and business projections or targets results in a dynamic gap report which realistically captures the behavior of the products and creates a forward-looking cash flow projection.

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

The MCO is monitored regularly to ensure that it remains within the set limits. The Parent Company generates and monitors its MCO on a daily basis. The subsidiaries generate their respective MCO reports at least on a monthly basis. The liquidity profile of the Group is reported monthly to the Parent Company's ALCO and ROC.

To supplement the business-as-usual scenario parameters reflected in the MCO report, the Group also conducts liquidity stress testing to determine the impact of extreme factors, scenarios and/or events to the Group's liquidity profile. Liquidity stress testing is performed on a quarterly basis on a per firm basis, and at least annually on the Group-wide level.

Market Risk
Market risk is the possibility of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, and other market factors. Market risk originates from its holdings in foreign currencies, debt securities and derivatives transactions.

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

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

Market Risk - Trading Book
In measuring the potential loss in its trading portfolio, the Parent Company uses Value-at-Risk (VaR). VaR is an estimate of the potential decline in the value of a portfolio, under normal market conditions, for a given "confidence level" over a specified holding period. The Parent Company measures and monitors the Trading Book VaR daily and this value is compared against the set VaR limit. Meanwhile, the Group VaR is monitored and reported monthly.

VaR methodology assumptions and parameters
Historical Simulation is used to compute the VaR. This method assumes that market rates volatility in the future will follow the same movement that occurred within the 260-day historical period. In calculating VaR, a 99.00% confidence level and a one-day holding period are assumed. This means that, statistically, within a one-day horizon, the trading losses will exceed VaR in 1 out of 100 trading days.

Like any other model, the Historical Simulation Method has its own limitations. To wit, it cannot predict volatility levels which did not happen in the specified historical period. The validity of the VaR model is verified through a daily Back testing Analysis, which examines how frequently both actual and hypothetical daily losses exceed VaR. The result of the daily back testing analysis is reported to the ALCO and ROC monthly.

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

The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures and by doing stress testing analysis. These processes address potential product concentration risks, monitor portfolio vulnerability and give the management an early advice if an actual loss goes beyond what is deemed to be tolerable to the bank, even before the VaR limit is hit.

Stress testing is performed by the Parent Company on a quarterly basis and the results are reported to the ALCO and, subsequently, to the ROC and BOD. On a Group-wide perspective, stress testing is done, at least annually. The results are reported by the Parent Company's Risk Management Group to the BOD through ROC.

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

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

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

Earnings-at-Risk (EaR) measures the possible decline in the Bank's net interest income as a result of adverse interest rate movements, given the current repricing profile. It is a tool used to evaluate the sensitivity of the accrual portfolio to changes in interest rates in the adverse direction over the next twelve (12) months.

EaR methodology assumptions and parameter
The Group calculates EAR using Historical Simulation (HS) approach, with one-year horizon and using five years data. EaR is then derived as the 99th percentile biggest drop in net interest income (NII).

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

In addition to EAR, the Parent Company uses ΔEVE to measure changes in the net present value of its banking book at different interest rates shocks and stress scenarios. It reflects changes in the economic value of equity over the remaining life of the assets and liabilities. ΔEVE is calculated by slotting the notional repricing cash flows arising from rate-sensitive assets and liabilities into pre-defined tenor buckets. The present value of the net repricing cash flows is then calculated using various interest rate scenarios prescribed by Basel and internally developed by the Parent Company.

Aside from the EaR and ΔEVE, the Parent Company and its subsidiaries perform regular sensitivity and stress testing analyses on their banking books to further broaden its forward looking analysis. This way, management can craft strategies to address and/or arrest probable risks, if necessary.

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

4. **Fair Value Measurement**

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

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

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

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

5. **Segment Information**

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

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

Segment assets are those operating assets that are employed by a segment in its operating activities and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross interest income and interest expense. The Group has no significant customers which contributes 10.00% or more of the consolidated revenue net of interest expense. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on a pool rate which may vary from period to period and which approximates the cost of funds. The following table presents revenue and income information of operating segments presented in accordance with PFRS and segment assets and liabilities as of and for the periods ended March 31, 2020 and 2019.

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

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
Statement of Financial Position							
Total assets	**₱218,457**	**₱1,045,112**	**₱-**	**₱639,839**	**₱149,567**	**₱323,689**	**₱2,376,664**
Total liabilities	**₱96,476**	**₱1,012,232**	**₱-**	**₱635,157**	**₱253,302**	**₱65,839**	**₱2,063,006**
Other Segment Information							
Capital expenditures	**₱113**	**₱29**	**₱-**	**₱34**	**₱15**	**₱638**	**₱829**
Depreciation and amortization	**₱81**	**₱48**	**₱-**	**₱14**	**₱561**	**₱671**	**₱1,375**
Provision for credit and impairment losses	**₱2,742**	**₱2,140**	**₱-**	**₱-**	**₱76**	**₱82**	**₱5,040**
Period Ended March 31, 2019 (Unaudited)							
Results of Operations							
Net interest income (expense)							
Third party	₱4,247	₱13,191	₱-	₱1,592	(₱1,593)	₱664	₱18,101
Intersegment	(160)	(10,588)	-	1,208	9,540	-	-
Net interest income (expense) after intersegment transaction	4,087	2,603	-	2,800	7,947	664	18,101
Non-interest income	1,637	369	75	1,012	1,231	1,791	6,115
Revenue - net of interest expense	5,724	2,972	75	3,812	9,178	2,455	24,216
Non-interest expense	3,736	1,707	6	519	6,150	3,751	15,869
Income (loss) before share in net income of associates and a joint venture	1,988	1,265	69	3,293	3,028	(1,296)	8,347
Share in net income of associates and a joint venture	-	23	-	-	-	325	348
Provision for income tax	(503)	(80)	-	(696)	(44)	(442)	(1,765)
Non-controlling interest in net income of consolidated subsidiaries	-	–	-	-	-	(177)	(177)
Net income (loss)	₱1,485	₱1,208	₱69	₱2,597	₱2,984	(₱1,590)	₱6,753
Statement of Financial Position							
Total assets	₱184,861	₱1,043,310	₱-	₱531,222	₱147,171	₱346,934	₱2,253,498
Total liabilities	₱67,359	₱993,215	₱-	₱538,212	₱243,383	₱114,057	₱1,956,226
Other Segment Information							
Capital expenditures	₱101	₱8	₱-	₱21	₱34	₱642	₱806
Depreciation and amortization	₱182	₱31	₱-	₱15	₱438	₱668	₱1,334
Provision for credit and impairment losses	₱1,800	₱419	₱-	₱-	₱139	₱44	₱2,402

Non-interest income consists of service charges, fees and commissions, profit from assets sold, trading, securities and foreign exchange gain - net, income from trust operations, leasing, dividends and miscellaneous income. Non-interest expense consists of compensation and fringe benefits, taxes and licenses, provision for credit and impairment losses, depreciation and amortization, occupancy and equipment-related cost, amortization of software costs and miscellaneous expense.

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

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

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

7. Securities Sold Under Repurchase Agreement

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

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

8. Bonds Payable

This account consists of the following scripless fixed rate bonds:

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

PSBank Fixed Rate Bonds due 2023

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

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

9. Subordinated Debts

Details of the Group's subordinated debt follow:

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

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

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

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

10. Capital Stock

The movement in issued shares follows:

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

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

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

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

On February 13, 2019, the BOD of the Parent Company approved (a) the amendment of the AOI to increase the authorized capital stock from ₱100.0 billion to ₱140.0 billion and (b) the declaration of a 13% stock dividend equivalent to 517,401,955 shares amounting to ₱10.3 billion representing the minimum 25% subscription and paid-up capital for the increase in the authorized capital stock which were ratified by the stockholders representing at least 2/3 of the outstanding capital stock on April 24, 2019. These were approved by the BSP on August 8, 2019 and by the SEC on October 4, 2019. Following this, the authorized capital stock of the Parent Company increased from ₱100.0 billion to ₱140.0 billion consisting of 6.0 billion common shares and 1.0 billion preferred shares, both with par values of ₱20.0 per share. On October 16, 2019, the Parent Company received the SEC Order fixing the Record Date of the 13% stock dividend on

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

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

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

11. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities and are classified as entities with significant influence, subsidiaries, associates, other related parties and key personnel.

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectibility and did not present other unfavorable conditions.

The Parent Company has a RPTC and a Related Party Transactions Management Committee (RPTMC), both of which are created to assist the BOD in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that corporate or business resources of the Parent Company are not misappropriated or misapplied. After appropriate review, RPTMC (through RPTC) and RPTC disclose all information and endorses to the BOD with recommendations, the proposed related party transactions. The members of the RPTC are appointed annually by the BOD, composed of at least three (3) Board non-executive members, two (2) of whom should be independent directors, including the Chairperson. Currently, RPTC is composed of three (3) independent directors (including the Committee's Chairman); the head of Internal Audit Group (as Resource Person); and the Compliance Officer (as the Committee Secretary) and meets bi-monthly or as the need arises. On the other hand, RPTMC members are appointed annually by the President, composed of four (4) members. RPTC's and RPTMC's review of the proposed related party transactions considers the following: (a) identity and relationship of the parties involved in the transaction; (b) terms of the transaction and whether these are no less favorable than terms generally available to an unrelated third party under the same circumstances; (c) business purpose, timing, rationale and benefits of the transaction; (d) approximate monetary value of the transaction and the approximate monetary value of the related party's interest in the transaction; (e) valuation methodology used and alternative approaches to valuation of the transaction; (f) information concerning potential counterparties in the transaction; (g) description of provisions or limitations imposed as a result of entering into the transaction; (h) whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the transaction; (i) impact to a director's independence; (j) extent that such transaction or relationship would present an improper conflict of interest; and (k) the availability of others sources of comparable products or services. Further, no director or officer participates in any discussion of a related party transaction for which he, she, or any member of his or her immediate family is a related party, including transactions of subordinates except in order to provide material information on the related party transaction to RPTC.

Major subsidiaries, which include FMIC, PSBank, MCC and MBCL, have their own respective RPTCs which assist their respective BODs in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that their corporate or business resources are not misappropriated or misapplied.

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

BSP Circular Nos. 560 and 654 provide the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks which require that the total outstanding loans, other credit accommodations and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% while a separate individual limit of 25.00% for those engaged in energy and power generation, of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% or 12.50%, respectively, of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank as reported to the BSP. As of March 31, 2020 and December 31, 2019, the total outstanding loans, other credit accommodations and guarantees to each of the Parent Company's subsidiaries and affiliates did not exceed 10.00% of the Parent Company's net worth, as reported to the BSP, and the unsecured portion did not exceed 5.00% of such net worth wherein the total outstanding loans, other credit accommodations and guarantees to all such subsidiaries and affiliates represent 11.28% and 16.59%, respectively, of the Parent Company's net worth. The Parent Company has no outstanding loans, other credit accommodations and guarantees to subsidiaries and affiliates engaged in energy and power generation

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

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

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

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

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

Transactions Affecting Statements of Income

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

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

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

* including accrued interest

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

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

<u>Transactions with retirement plans</u>

Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company has business relationships with a number of related party retirement plans pursuant to which it provides trust and management services to these plans. Certain trustees of the plans are either officers or directors of the Parent Company and/or the subsidiaries. Income earned by the Parent Company from such services amounted to ₱23.5 million and ₱22.2 million in March 31, 2020 and 2019, respectively. As of March 31, 2020 and 2019, the Parent Company sold securities totaling ₱9.9 million and ₱2.6 billion, respectively, to its related party retirement plans and recognized ₱0.2 million and ₱17.0 million trading loss, respectively and has also purchased securities totaling ₱562.7 million as of March 31, 2019. Further, as of March 31, 2020 and December 31, 2019, the total outstanding deposit liabilities of the Group to these related party retirement funds amounted to ₱195.2 million and ₱103.6 million, respectively. Interest expense on deposit liabilities amounted to ₱1.3 million and ₱15.6 million in March 31, 2020 and 2019, respectively.

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

12. Notes to Statements of Cash Flows

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

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

13. Commitments and Contingent Liabilities

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

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

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

Upon its own discovery, the Bank immediately caused the arrest of its Corporate Service Management Division Head, Ma. Victoria S. Lopez on July 17, 2017 for qualified theft through falsification of commercial documents. Both the Motion to Fix Bail and Motion for Reconsideration were denied. On July 24, 2017, another criminal complaint for qualified theft through falsification of commercial documents and violation of Section 55 of the General Banking Law (GBL) was filed against her and her cohorts for the abstraction of ₱900.0 million before the Regional Trial Court (RTC) of Makati City. On December 5, 2017, a third criminal case for the qualified theft through falsification of commercial documents and violation of Section 55 of GBL was filed against her, her cohorts and family members relative to the abstraction of ₱850.0 million. In addition, foreign proceedings are ongoing on the cases which were filed in the United States of America and in Singapore to preserve and recover their identified properties. Accounts receivable classified under 'Loans and Receivables' includes total identified claims of ₱1.75 billion with provisioning. Relative to this incident, the Monetary Board (MB) approved the imposition of certain sanctions to the Bank (which was lifted on July 18, 2019) and added that the MB took into consideration the strong financial condition and immediate corrective actions of the Bank as well as its safety and soundness given the medium to long-term initiatives that improve governance, controls and compliance. The Bank does not expect this isolated incident to have long term material impact on its financial statements. Further, the Bank is reinforcing its commitment to the highest standards of integrity and upholds the protection of its customers as its main priority.

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

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

14. Financial Performance

The basis of calculation for earnings per share attributable to equity holdings of the Parent Company follows (amounts in millions except for earnings per share):

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

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

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

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

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

15. Other Matters

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

a. Known trends, events or uncertainties that would have material impact on liquidity and on the sales or revenues;
b. Explanatory comments about the seasonality or cyclicality of interim operations;
c. Issuances, repurchases and repayments of debt and equity securities except for the issuance of the ₱4.65 billion fixed rate bonds of PSBank as discussed in Note 8;
d. Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows except for the payments of cash dividends by the Parent Company as discussed in Note 10; and
e. Effect of changes in the composition of the Group during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations except as discussed in Note 2.

16. **Subsequent Event**

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

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

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

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

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

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

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

Key Performance Indicators

Financial Ratios

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Liquidity
To ensure that funds are more than adequate to meet its obligations, the Bank proactively monitors its liquidity position daily. Based on this system of monitoring, the Bank does not anticipate having any cash flow or liquidity problem within the next twelve months. As of March 31, 2020, the contractual maturity profile shows that the Bank has at its disposal about ₱925.67 billion of cash inflows in the next twelve months from its portfolio of cash, placements with banks, debt securities and receivable from customers. This will cover 63.17% of the ₱1.47 trillion total deposits maturing during the same period. These cash inflows exclude securities in FVTPL and FVOCI with maturities beyond one year but may easily be liquidated in an active secondary market. Inclusive of these securities, the total financial assets will cover 82.15% of the total deposits maturing during the same period. On the other hand, historical balances of deposits showed that no substantial portion has been withdrawn in one year.

Events That Will Trigger Material Direct or Contingent Financial Obligation
These events are discussed in Annex 5 under Note 13 - Commitments and Contingent Liabilities of the General Notes to the Interim Condensed Consolidated Financial Statements.

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

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

Material Events or Uncertainties

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

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

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

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

Material Changes in Financial Statements Accounts

Financial Condition

March 31, 2020 (Unaudited) vs. December 31, 2019 (Audited)

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

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

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

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

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

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

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

Bonds payable increased by ₱4.68 or 5.81% on account of the ₱4.65 billion fixed rate bonds issued by PSBank on February 4, 2020. Details of these bonds are discussed in Annex 5 Note 8. Deferred Tax Liabilities decreased by ₱0.04 billion or 41.67%. Non-equity Non-controlling Interest representing the portion of net income and net assets of the mutual fund subsidiaries of FMIC not attributed to the Group went down by ₱1.13 billion or 17.26% on account of the net decline in income of these mutual funds. Other Liabilities went down by ₱5.84 billion or 10.39% primarily due to the decrease in bills purchased contra (₱10.62 billion) offset by the increases in accounts payable (₱1.95 billion), outstanding acceptances (₱1.43 billion) and miscellaneous liabilities (₱1.06 billion).

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

Results of Operations

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

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

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

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

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

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

METROPOLITAN BANK & TRUST COMPANY
(CONSOLIDATED)

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

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