

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)

March 17, 2021

(Period Ended Date)

None

(Secondary License Type and File Number)

(Draft) Notice of Annual Stockholders' Meeting

Notice is hereby given that the Annual Stockholders' Meeting (ASM or Meeting) of Metropolitan Bank & Trust Co. will be conducted virtually via the [AGM@Convene Platform (URL: To be Announced or TBA)] on Wednesday, April 28, 2021 at 2:00 P.M. The following items will be taken up:

AGENDA

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Meeting Held on May 28, 2020
4. President's Report to the Stockholders
5. Ratification of All Acts and Resolutions of the Board of Directors, Management and All Committees from May 28, 2020 to April 27, 2021
6. Election of Directors for 2021-2022
7. Appointment of External Auditors for 2021-2022
8. Other Matters
9. Adjournment

Record Date. Stockholders of record as of March 12, 2021 shall be entitled to attend and vote at the Meeting.

Due to the ongoing global pandemic, Stockholders may attend the Meeting either through remote communication or by proxy. The Meeting will have audio and digital recording. All votes cast shall be subject to the validation of SGV & Co.

Registration, Joining and Voting Procedures for the ASM.

Online participation and voting by remote communication will be available to all stockholders as of March 12, 2021 through the [AGM@Convene Platform (URL: TBA)].

Stockholders who wish to participate and vote online by remote communication will be required to register starting April 5, 2021 until April 27, 2021.

Stockholders who registered for the Meeting may cast their votes on proposed resolutions through the [AGM@Convene Platform (URL: TBA)]. Voting will remain open until the adjournment of the Meeting on April 28, 2021.

Proxy

If you are unable to join the Meeting you may appoint a proxy to attend and vote on your behalf. You may fill up the attached sample proxy form and send the accomplished scanned copy to ASMRegistration@metrobank.com.ph on or before April 23, 2021. You may also fill-up form found in the [AGM@Convene Platform (URL: TBA)] or <https://metrobank.com.ph>.

Questions About the Meeting and the Company. All approved registrants may send their advance questions in relation to the conduct of the meeting and about the Company via email to investor.relations@metrobank.com.ph. Stockholders who attend the Meeting via remote communication may also post questions using [AGM@Convene Platform (URL: TBA)]

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 Metrobank website <https://metrobank.com.ph> and through the PSE Edge portal <https://edge.pse.com.ph>.

LAARNI D. BERNABE
Assistant Corporate Secretary

Annual Meeting of the Stockholders

April 28, 2021 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 April 28, 2021, 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 2021 Annual Stockholders Meeting has been duly published and distributed to the Stockholders as of Record Date of March 12, 2021 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 May 28, 2020:

- i. *Call to Order and Certification of Quorum. The meeting was called to order by Chairman Arthur Ty at 2:00 o'clock in the afternoon. The Corporate Secretary, Regis V. Puno, certified that there were 3,503,722,425 common shares actually present in person or by proxy, out of the 4,497,415,555 common shares outstanding. This constituted 77.91% of the outstanding capital stock.*
- ii. *Approval of the Minutes of the Annual Stockholders' Meeting held on April 24, 2019 via the following:*

RESOLUTION NO. 067-MBTC-SH-2020

RESOLVED, that the Minutes of the Annual Stockholders' Meeting on April 24, 2019 are hereby approved.

- iii. *President's Report on the performance of Metrobank for 2019, as further detailed in the Annual Report for 2019.*

During the Meeting, the Host-Moderator Jette Gamboa picked questions received via email and/or sent via the Q&A panel of the Webex Cisco Events App.

- a. *How does Metrobank adjust to the fin tech developments?*
- b. *Will this eventually reduce earnings?*
- c. *What is Metrobank's Strategy?*

President Fabian Dee replied that he would like to highlight the advantage of banks over fintec companies, that is, the depositor's faith in keeping their money within the banking system. Metrobank's objective now is to deliver to its customers the best of both worlds that only a bank uniquely offer, which are the convenience of electronic channels and assurance of a well-capitalized bank where money can be safely deposited.

As an update, he also mentioned that Metrobank noted a significant increase in its e-channel transactions. There has been a doubling of new enrollments through these e-channels

specifically in Metrobank mobile. This was primarily driven by InstaPay and PesoNet transactions of the bank's customers through Metrobank Mobile.

Around 70% of the annual CAPEX spending has been approved for IT projects and digital initiatives. He adds that while the bank recognizes the need for building its capabilities especially in digital banking, the ECQ ironically accelerated the transaction volume as customers have become more receptive and confident at transacting via e-platforms, maybe also partly due to the need to stay at home.

- iv. Ratification of All Acts and Resolutions of the Board of Directors, Management, Board and Management Committees from April 24, 2019 to May 27, 2020 via the following:

RESOLUTION NO. 068-MBTC-SH-2020

RESOLVED, that all acts, transactions and resolutions of the Board of Directors, management, board and management committees from April 24, 2019 to May 27, 2020, including among others, the approval of all loans, investments, new Bank products and services and related party transactions, are hereby ratified and confirmed.

- v. Election of Twelve (12) Directors for the Year 2020 - 2021

Mr. Jesli A. Lapus, Chairman of the Nominations Committee, explained that the Nominations Committee and the Corporate Governance and Compensation Committee chaired by Angelica H. Lavares 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 2020-2021:

RESOLUTION NO. 069-MBTC-SH-2020

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. Francisco F. Del Rosario, Jr.*
3)	Mr. Fabian S. Dee	9)	Mr. Edgar O. Chua*
4)	Mr. Vicente R. Cuna, Jr.	10)	Mr. Solomon S. Cua
5)	Mr. Edmund A. Go	11)	Ms. Angelica H. Lavares*
6)	Mr. Alfred V. Ty	12)	Mr. Philip G. Soliven*

* Independent directors

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

RESOLUTION NO. 070-MBTC-SH-2020

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 2020.

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 2020.

Agenda Item 5

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 May 28, 2020 until April 27, 2021, including, among others, the approval of loans, investments, new Bank products and services and significant related party transactions as reflected in the Definitive Information Statement.

Agenda Item 6

Election of Directors for 2021-2022

The persons listed in the table below have been nominated to become directors for 2021-2022. 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 Marcelo C. Fernando, Jr., 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, 54 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 IT Steering Committee Trust Committee	Mr. Fabian S. Dee, Filipino, 58 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.

<p>VICENTE R. CUNA, JR. Director Chairman, IT Steering Committee Member, Executive Committee Adviser, Risk Oversight Committee</p>	<p>Mr. Vicente R. Cuna, Jr., Filipino, 59 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.</p>
<p>EDMUND A. GO Director Vice-Chairman, Trust Committee Member, IT Steering Committee Risk Oversight Committee</p>	<p>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.</p>
<p>ALFRED V. TY Director Member, Overseas Banking Committee</p>	<p>Mr. Alfred V. Ty, Filipino, 53 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.</p> <p>His brother Arthur Ty is the Chairman of the Bank. He is the brother-in-law of Zandra M. Ty, Metrobank First Vice-President.</p>
<p>SOLOMON S. CUA Director Member, Audit Committee Overseas Banking Committee</p>	<p>Mr. Solomon S. Cua, Filipino, 65 years old, is a former Undersecretary of the Department of Finance. He is currently the Chairman of AXA Philippines since April 2010 and Charter Ping An Insurance Corporation since April 2016. He has been the Vice-Chairman since June 2012 and Director since 2001 of Philippine Racing Club, Inc.; Adviser of MBCL since 2018; Director of Global Treasure Holdings, Inc. since 2011 and Grand Titan Capital Holdings, Inc. since 2011. He is also the President/Director of SC & SSC Holdings, Inc. since 2015 and Director/Treasurer of Palm Integrated Commodities, Inc. since 2011. 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.</p>

<p>FRANCISCO F. DEL ROSARIO, JR. Independent Director Chairman, Risk Oversight Committee Member, Audit Committee Corporate Governance and Compensation Committee Overseas Banking Committee</p>	<p>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.</p>
<p>EDGAR O. CHUA Independent Director Chairman, Audit Committee Member, Anti-Money Laundering Committee Nominations Committee Related Party Transactions Committee</p>	<p>Mr. Edgar O. Chua, Filipino, 64 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 Philippine Business for the Environment, Philippine Eagle Foundation since 2017, De La Salle Philippines, De La Salle Science Foundation since 2017 and Makati Business Club since 2016. He is currently the Chairman for the College of Saint Benilde and University of La Salle Bacolod. He is a Trustee/Treasurer of Philippine Business for Education and Trustee for the De La Salle Greenhills, De La Salle National Mission Council, Integrity Initiative, Gawad Kalinga Community Development Foundation, Inc. since 2005, Zuellig Family Foundation, Pilipinas Shell Foundation, Inc. since 2003, Philippine Disaster Relief Foundation and Alvarez Foundation Philippines. He is the Chairman of The English-Speaking Union of the Philippines, Inc. since 2009. He is the Co Vice-Chairman of National Resilience Council and Governor of Employers Confederation of the Philippines. He is also the Board Advisor of Mitsubishi Motors Phil. Corp. and Coca Cola FEMSA. 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.</p>
<p>ANGELICA H. LAVARES Independent Director Chairman, Anti-Money Laundering Committee Corporate Governance and Compensation Committee Member, Audit Committee Related Party Transactions Committee</p>	<p>Ms. Angelica H. Lavares, Filipino, 67 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</p>

	<p>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.</p>
<p>PHILIP G. SOLIVEN Independent Director Chairman, Related Party Transaction Committee Member, Nominations Committee Risk Oversight Committee Trust Committee</p>	<p>Mr. Philip G. Soliven, 60 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 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 and Treasurer 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 and Impact Environmental Solutions. He is a member of Makati Business Club and Management Association of the Philippines. He holds a degree in Business Management from the Ateneo de Manila University.</p>
<p>MARCELO C. FERNANDO, JR. New Nominee as Independent Director</p>	<p>Mr. Marcelo C. Fernando, Jr., 60 years old is a Director of AIC Group of Companies Holding Corp. since September 2018 and the Group Treasury Head/Corporate Treasurer of SM Investments Corporation (SMIC), a minority shareholder of the former from 2015 to 2020. He is also the President of Fuego Y Hielo, Inc., a family-owned publishing company that holds the right and reprints titles of Filipino authors. He was also the Managing Director of Citibank, N.A. Philippines; Citi Markets Cluster Head for Brunei, Indonesia, Malaysia, Philippines, Thailand and Vietnam for Asia Pacific Markets and concurrent Markets Head and Country Treasurer from 2009 to 2015. Also served as Citibank's Thailand Branch Managing Director, Fixed Income and Commodities Head and Country Treasurer from 2004 to 2008 both primarily responsible for the sales, trading and structuring activities in foreign exchange, fixed income, money markets, commodities, credits and their corresponding derivatives products. A three-time recipient of Citicorp's Service Excellence Awards and Citicorp Team Awards together with UP's School of Economics Distinguished Alumni Award where he graduated cum laude with a degree in Bachelor of Arts in Economics. He also holds a Master's Degree in Business Management with distinction from the Asian Institute of Management (AIM). The youngest son of former MERALCO SVP and Finance Undersecretary and Energy Regulatory Board (ERB) Chairman, Marcelo N. Fernando. He was an Open Market Committee Member (2001-2004, 2009), Sub-Committee</p>

	Chairman for Risk Management (2001) and Sub-Committee Chairman for Derivatives (2000) of the Bankers Association of the Philippines. He is currently a Fellow of the Institute of Corporate Directors since March 2015.
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The following were nominated as Independent Directors, namely, Mr. Francisco F. Del Rosario, Jr., Mr. Edgar O. Chua, Atty. Angelica H. Lavares, Mr. Philip G. Soliven and Mr. Marcelo C. Fernando, Jr. The corresponding Certificates that they have individually executed as independent director-nominees are attached as EXHIBITS 1, 2, 3, 4 & 5 of the Information Statement.

Agenda Item 7

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, 2020 and 2019 and for each of the three years ended December 31, 2020. 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 per Professional Regulatory Board of Accountancy Resolution No. 53, Series of 2019).

The Bank intends to retain SGV as its external auditors for the year 2021 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 8

Other Matters

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

Agenda Item 9

Adjournment

After consideration of all business in the Agenda, the Chairman will adjourn the 2021 Annual Stockholders Meeting.

Voting Procedures

1. Majority vote is required for the following:
 - a) Approval of the minutes of the annual meeting of the stockholders held on May 28, 2020
 - 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.

2. 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.
3. Metrobank has not solicited any discretionary authority to cumulative voting.
4. Votes cast at the meeting shall be counted by the Bank’s Stock Transfer Agent and validated by SGV.

Metrobank's Dividend Policy Statement

The Bank's dividend policy, which is an integral component of its capital management policy, intends to balance shareholder returns and maintain a strong capital base.

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. In 2021, the Board of Directors declared an annual cash dividend of 20 percent of par value, comprised of P1.00 per common share and a special dividend of P3.00 per common share.

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

P R O X Y ¹

The undersigned stockholder of Metropolitan Bank & Trust Company (Metrobank) hereby appoints _____ ² or in his absence, the Chairman of the meeting, as my/our proxy, to act for me and on my/our behalf at the Metrobank Annual Stockholders' Meeting to be held on April 28, 2021 (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 May 28, 2020			
2	Ratification of all Acts and Resolutions of the Board of Directors, Management and All Committees from May 28, 2020 to April 27, 2021			
3	Election of Directors for 2021-2022 1. Arthur Ty 2. Francisco C. Sebastian 3. Fabian S. Dee 4. Alfred V. Ty 5. Edmund A. Go 6. Francisco F. Del Rosario, Jr. 7. Vicente R. Cuna, Jr. 8. Edgar O. Chua 9. Solomon S. Cua 10. Angelica H. Lavares 11. Philip G. Soliven 12. Marcelo C. Fernando, Jr.			
4	Appointment of External Auditor (Sycip Gorres Velayo & Co.)			

Signature _____
 Print Name _____
 Contact Number _____
 Email Address _____

Date _____

¹ For proxy sent via email, to be valid, a scanned copy of this proxy must be emailed on or before April 23, 2021 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
 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

**April 28, 2021, 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

April 6, 2021

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
<u>Common Shares</u>	<u>4,497,415,555</u>

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

Yes No

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

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

A. GENERAL INFORMATION

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

Date	:	April 28, 2021
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 April 6, 2021.

**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 2021-2022 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 March 12, 2021	:	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 : March 12, 2021
- (c) Number of holders as of March 12, 2021 : 3,004 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 March 12, 2021, 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	<p>GT CAPITAL HOLDINGS, INC.</p> <p>Stockholder</p> <p>43/F GT Tower International Ayala Avenue Corner H.V. Dela Costa Street, Makati City</p> <p><i>Arthur Ty is authorized to vote the shares of GT Capital Holdings, Inc.(GTCAP) in Metrobank.</i></p>	<p>Beneficial and Record Owner</p> <p><i>The following persons own more than 5% of the outstanding voting shares of GTCAP as of March 12, 2021:</i></p> <p><i>Grand Titan Capital Holdings, Inc. – 55.93%</i></p> <p><i>PCD Nominee Corporation (Non-Filipino) – 22.98%</i></p> <p><i>PCD Nominee Corporation (Filipino) – 20.75%</i></p> <p><i>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.</i></p>	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 (Filipino) 29 th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, 1226, Makati City	Various Scrippless Stockholders <i>There is no participant of PCD who holds more than 5% of the common stock of Metrobank.</i>	Filipino	1,131,807,798	25.166%
3	Common	PCD NOMINEE CORPORATION (Non-Filipino) 29 th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, 1226, Makati City	Various Scrippless Stockholders <i>There is no participant of PCD who holds more than 5% of the common stock of Metrobank.</i>	Foreign	946,652,587	21.049%
TOTAL					3,749,071,395	83.361%

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 scrippless. Beneficial ownership of shares lodged with the PNC remains with the lodging stockholder.

(2) Security Ownership of Directors and Management

As of March 12, 2021, the registrant's directors and officers as a group held a total of 34,766,164 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	15,601,513	Direct	Filipino	0.347
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	11,152	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	0.001
9	Common	FRANCISCO F. DEL ROSARIO, JR. (c)	146	Direct	Filipino	0.000
10	Common	EDGAR O. CHUA (c)	113	Direct	Filipino	0.000
11	Common	ANGELICA H. LAVARES (c)	113	Direct	Filipino	0.000
12	Common	PHILIP G. SOLIVEN (c)	30,100	Direct	Filipino	0.001
Sub-total			34,202,537			0.760

(a) Director and President

(b) Director and Senior Executive Vice-President

(c) Independent Directors

Class of Shares	Name of Beneficial Owner	Beneficial Ownership		Citizenship	Percent of Class	
		No. of Shares	Nature			
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	112,184	Direct	Filipino	0.002
Executive Vice-Presidents (5)						
3		MARY MYLENE A. CAPARAS			Filipino	
4		PAUL ROBERT Y. MURGA			Filipino	
5		CORAZON MA. THERESE B. NEPOMUCENO			Filipino	
6		RICHARD BENEDICT S. SO			Filipino	
7	Common	ANICETO M. SOBREPENA	10,370	Direct	Filipino	0.000
Senior Vice-Presidents (16)						
8		CHRISTINE Y. CARANDANG			Filipino	
9		ANNA THERESE RITA D. CUENCO			Filipino	
10	Common	RENATO K. DE BORJA, JR.	25,000	Direct	Filipino	0.001
11		RAMON JAIME L.V. DEL ROSARIO			Filipino	
12		POCHOLO V. DELA PEÑA			Filipino	
13		HIERBERT A. DIMAGIBA			Filipino	
14		ROMMEL ENRICO C. DIONISIO			Filipino	
15		FERLOU I. EVANGELISTA			Filipino	
16		DAVID HOLMES			British	
17		ANTONIO R. OCAMPO, JR.			Filipino	
18		HOMER GERRARD L. ORTEGA			Filipino	
19	Common	BERNARDINO D. RAMOS	4,657	Direct	Filipino	0.000
20		ANGELICA S. REYES	10,500		Filipino	
21		LEANDRO ANTONIO G. SANTILLAN			Filipino	
22	Common	LITA S. TAN	18,365	Direct	Filipino	0.000
23	Common	ANTHONY PAUL C. YAP	43,551	Direct	Filipino	0.001
First Vice-President (3)						
24		LEO R. FRAGANTE			Filipino	
25		ELY ROY B. LINDO			Filipino	
26		CHRISTIAN D. SAN JUAN			Filipino	
Sub-total			563,627			0.012
Total (Directors and Officers)			34,766,164			0.773

(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
<p>ARTHUR TY Chairman Chairman, Executive Committee Member, Anti-Money Laundering Committee Corporate Governance and Compensation Committee</p>	<p>Mr. Arthur Ty, Filipino, 54 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.</p> <p>His brother Alfred Ty is the Director of the Bank. He is married to Zandra M. Ty, Metrobank First Vice-President.</p>
<p>FRANCISCO C. SEBASTIAN Vice-Chairman Chairman, Overseas Banking Committee Vice-Chairman, Executive Committee Adviser, Risk Oversight Committee</p>	<p>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.</p>
<p>FABIAN S. DEE President Member, Executive Committee IT Steering Committee Trust Committee</p>	<p>Mr. Fabian S. Dee, Filipino, 58 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.</p>
<p>ALFRED V. TY Director Member, Overseas Banking Committee</p>	<p>Mr. Alfred V. Ty, Filipino, 53 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.</p> <p>His brother Arthur Ty is the Chairman of the Bank. He is the brother-in-law of Zandra M. Ty, Metrobank First Vice-President.</p>

Name	Experience
<p>EDMUND A. GO Director Vice-Chairman, Trust Committee Member, IT Steering Committee Risk Oversight Committee</p>	<p>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.</p>
<p>VICENTE R. CUNA, JR. Director Chairman, IT Steering Committee Member, Executive Committee Adviser, Risk Oversight Committee</p>	<p>Mr. Vicente R. Cuna, Jr., Filipino, 59 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.</p>
<p>SOLOMON S. CUA Director Member, Audit Committee Overseas Banking Committee</p>	<p>Mr. Solomon S. Cua, Filipino, 65 years old, is a former Undersecretary of the Department of Finance. He is currently the Chairman of AXA Philippines since April 2010 and Charter Ping An Insurance Corporation since April 2016. He has been the Vice-Chairman since June 2012 and Director since 2001 of Philippine Racing Club, Inc.; Adviser of MBCL since 2018; Director of Global Treasure Holdings, Inc. since 2011 and Grand Titan Capital Holdings, Inc. since 2011. He is also the President/Director of SC & SSC Holdings, Inc. since 2015 and Director/Treasurer of Palm Integrated Commodities, Inc. since 2011. 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.</p>
<p>JESLI A. LAPUS Independent Director Chairman, Nominations Committee Trust Committee Vice-Chairman, Risk Oversight Committee Member, Corporate Governance and Compensation Committee</p>	<p>Mr. Jesli A. Lapus, Filipino, 71 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</p>

Name	Experience
JESLI A. LAPUS (continuation)	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.
<p>FRANCISCO F. DEL ROSARIO, JR. Independent Director Chairman, Risk Oversight Committee Member, Audit Committee Corporate Governance and Compensation Committee Overseas Banking Committee</p>	<p>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.</p>
<p>EDGAR O. CHUA Independent Director Chairman, Audit Committee Member, Anti-Money Laundering Committee Nominations Committee Related Party Transactions Committee</p>	<p>Mr. Edgar O. Chua, Filipino, 64 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 Philippine Business for the Environment, Philippine Eagle Foundation since 2017, De La Salle Philippines, De La Salle Science Foundation since 2017 and Makati Business Club since 2016. He is currently the Chairman for the College of Saint Benilde and University of La Salle Bacolod. He is a Trustee/Treasurer of Philippine Business for Education and Trustee for the De La Salle Greenhills, De La Salle National Mission Council, Integrity Initiative, Gawad Kalinga Community Development Foundation, Inc. since 2005, Zuellig Family Foundation, Pilipinas Shell Foundation, Inc. since 2003, Philippine Disaster Relief Foundation and Alvarez Foundation Philippines. He is the Chairman of The English-Speaking Union of the Philippines, Inc. since 2009. He is the Co Vice-Chairman of National Resilience Council and Governor of Employers Confederation of the Philippines. He is also the Board Advisor of Mitsubishi Motors Phil. Corp. and Coca Cola FEMSA. 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.</p>

Name	Experience
<p>ANGELICA H. LAVARES Independent Director Chairman, Anti-Money Laundering Committee Corporate Governance and Compensation Committee Member, Audit Committee Related Party Transactions Committee</p>	<p>Ms. Angelica H. Lavares, Filipino, 67 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.</p>
<p>PHILIP G. SOLIVEN Independent Director Chairman, Related Party Transaction Committee Member, Nominations Committee Risk Oversight Committee Trust Committee</p>	<p>Mr. Philip G. Soliven, 60 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 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 and Treasurer 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 and Impact Environmental Solutions. He is a member of Makati Business Club and Management Association of the Philippines. He holds a degree in Business Management from the Ateneo de Manila University.</p>

The five (5) Independent Directors, namely, Mr. Jesli A. Lapus, Mr. Francisco F. Del Rosario, Jr., Mr. Edgar O. Chua, Ms. Angelica H. Lavares and Mr. Philip G. Soliven 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, 60 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, 54 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.
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 the Vice-Chairman of FMIC since June 2020. She was the Director of ORIX Metro from 2015 to March 2020. 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 after serving as 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, 59 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, 55 years old, is the Head of Products, Channels and Overseas Banking Group since October 2020. He was the Head of Countryside Branch Banking under the National Branch Banking Sector from March 2016 to September 2018 and was the Retail Banking Sector Head from September 2018 to September 2020. He serves as a member of the Board of Directors of several foreign subsidiaries 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 from 2010 to 2019, Metro Remittance Italia Spa from 2010 to January 2021 and Corporate Secretary of MBCL from 2014 to 2019. 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, 67 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.
Christine Y. Carandang Senior Vice-President	Ms. Christine Y. Carandang, Filipino, 54 years old, has been the Head of General Services Group since June 2014, and the President of Circa 2000 Homes, Inc. since 2009. She has been the Head of Acquired Assets Management and Disposition Group from May 2007 to December 2015.

Name	Experience
Anna Therese Rita D. Cuenco Senior Vice-President	Ms. Anna Therese Rita D. Cuenco, Filipino, 47 years old, assumed the position of Head, Consumer Lending Group under the Consumer Business Sector (CBS) 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.
Renato K. De Borja, Jr. Senior Vice-President	Mr. Renato K. De Borja, Jr., Filipino, 49 years old, has joined the Bank as Controller on November 16, 2020. He previously served as a Group Head of Remittance, Cards and Contact Center of China Banking Corporation from 2016 to 2020 and as a Director of China Bank Insurance Brokers, Inc. from 2017 to 2019. He was the Chief Finance Officer of East West Banking Corporation from 2009 to 2016.
Ramon Jaime L.V. Del Rosario Senior Vice-President	Mr. Ramon Jaime L.V. Del Rosario, Filipino, 44 years old, assumed the position of Cards and Personal Credit Sector Head in January 2020 then took the role of CBS Head in September 2020. Prior to this, he was the MCC President from July to December 2019 and 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, 54 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.
Hierbert A. Dimagiba Senior Vice-President	Mr. Hierbert “Digs” Dimagiba, Filipino, 43 years old, is the Chief Marketing Officer and Head of the Analytics, Brand, Communications & Marketing-Technology (ABCMT) Group (formerly ABCMT Division) since 2017. He also serves as Internal Vice President and elected member of the Board of Directors of the Internet & Mobile Marketing Association of the Philippines (IMMAP) industry group since 2018. He is also an incorporator and member of the board of directors of the H&D Group of Companies since 1999. Previously, he was the first Country Director of Facebook Philippines from 2016 to 2017 and before that, was the Country Director of the IT & Mobile Business Unit of Samsung Philippines from 2014 to 2016.
Rommel Enrico C. Dionisio Senior Vice-President	Mr. Rommel Enrico C. Dionisio, Filipino, 48 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, 60 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.
David Holmes Senior Vice-President	Mr. David Holmes, British, 45 years old, has been the Customer Engagement Group Head since July 2020. He also held the role of Centralized Processing Division Head from Oct 2019 to Aug 2020 concurrent to his position BSC Deputy Head from Jun 2019 to Nov 2020. Prior to this he worked for Citibank where he was the Head of Customer Experience for EMEA and prior to that for APAC between 2014 and 2018.

Name	Experience
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 a member of the Bank's Senior Credit Committee. 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.
Homer Gerrard L. Ortega Senior Vice-President	Mr. Homer Gerrard L. Ortega, Filipino, 54 years old, has been the Head of Human Resources Management Group (HRMG) effective February 1, 2021. He joined Metrobank as Deputy Head of HRMG in September 2018. Prior to joining Metrobank, he was the Vice-President and Country HR Manager for Shell Companies in the Philippines (2007-2018) and Cluster HR Manager for Shell in Japan and South Korea (2013-2018).
Bernardino D. Ramos Senior Vice-President	Mr. Bernardino D. Ramos, Filipino, 55 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, 47 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, 52 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, 58 years old, assumed the position of Branch Banking Group Head last October 2020. She was the Retail Banking Sector Head from September 2018 to September 2020. 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.
Anthony Paul C. Yap Senior Vice-President	Mr. Anthony Paul C. Yap, Filipino, 44 years old, assumed the position as Head of RBS on October 1, 2020. He was the Head of RBS Strategy & Transformation from January 1, 2020 to September 30, 2020 which was renamed to RBS Analytics Insight and Strategy Unit; 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, 56 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, 56 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.

Name	Experience
Christian D. San Juan First Vice-President	Mr. Christian D. San Juan, Filipino, 44 years old, was appointed Chief Risk Officer and Head of Risk Management Group effective February 1, 2021. He served as the Group's Deputy Head from July 2017 up to his appointment. Prior to joining Metrobank, he was the Enterprise Risk Officer and Head of Credit and Group Risk Division of Rizal Commercial Banking Corp which he served from March 2010 until June 2017.

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. Lopus, Committee Chairman, with Edgar O. Chua and Philip G. Soliven 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. Francisco F. Del Rosario, Jr., Edgar O. Chua, Atty. Angelica H. Lavares, Philip G. Soliven and Marcelo C. Fernando, Jr. They were nominated by stockholders Yu Chuen Yan, Vincent Marcos F. Huliganga, Evelyn Uy Sy, Ambrosio J.N. Santos and June Uy Go, 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. Marcelo C. Fernando, Jr., are incumbent directors of the Bank. All twelve (12) nominees confirmed and accepted their nomination to become directors.

Mr. Marcelo C. Fernando, Jr., 60 years old is a Director of AIC Group of Companies Holding Corp. since September 2018 and the Group Treasury Head/Corporate Treasurer of SM Investments Corporation (SMIC), a minority shareholder of the former from 2015 to 2020. He is also the President of Fuego Y Hielo, Inc., a

family-owned publishing company that holds the right and reprints titles of Filipino authors. He was also the Managing Director of Citibank, N.A. Philippines, Citi Markets Cluster Head for Brunei, Indonesia, Malaysia, Philippines, Thailand and Vietnam for Asia Pacific Markets and concurrent Markets Head and Country Treasurer from 2009 to 2015. Also served as Citibank's Thailand Branch Managing Director, Fixed Income and Commodities Head and Country Treasurer from 2004 to 2008 both primarily responsible for the sales, trading and structuring activities in foreign exchange, fixed income, money markets, commodities, credits and their corresponding derivatives products. A three-time recipient of Citicorp's Service Excellence Awards and Citicorp Team Awards together with UP's School of Economics Distinguished Alumni Award where he graduated *cum laude* with a degree in Bachelor of Arts in Economics. He also holds a Master's Degree in Business Management with distinction from the Asian Institute of Management (AIM). The youngest son of former MERALCO SVP and Finance Undersecretary and Energy Regulatory Board (ERB) Chairman, Marcelo N. Fernando. He was an Open Market Committee Member (2001-2004, 2009), Sub-Committee Chairman for Risk Management (2001) and Sub-Committee Chairman for Derivatives (2000) of the Bankers Association of the Philippines. He is currently a Fellow of the Institute of Corporate Directors since March 2015.

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 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. Major subsidiaries, which include FMIC, PSBank 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 Parent Company, 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	2021 (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	₱264.35 million	₱46.88 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)	₱521.06 million	₱68.27 million	₱49.40 million

Name and Principal Position	2020		
	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	₱254.19 million	₱45.07 million	₱22.48 million
All executive officers and directors as a group unnamed (except the President and four other highly compensated executive officers and directors mentioned above)	₱501.02 million	₱65.65 million	₱46.55 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

* Inclusive of directors' per diem and transportation allowances amounting to ₱45.64 million, ₱43.03 million and ₱39.82 million as of December 31, 2021, 2020, and 2019, respectively, or an average of ₱292,538.46, ₱275,820.51 and ₱255,269.23 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, 2020 and 2019 and for each of the three years ended December 31, 2020. 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 per Professional Regulatory Board of Accountancy Resolution No. 53, Series of 2019).

The Bank intends to retain SGV as its external auditors for the year 2021 and is submitting the same to the stockholders for ratification as endorsed by the Audit Committee with the approval of the Board of Directors.

C. OTHER MATTERS

I. Proposed Action

1. Approval of the minutes of the annual meeting of stockholders held on May 28, 2020:

i. *Call to Order and Certification of Quorum. The meeting was called to order by Chairman Arthur Ty at 2:00 o'clock in the afternoon. The Corporate Secretary, Regis V. Puno, certified that there were 3,503,722,425 common shares actually present in person or by proxy, out of the 4,497,415,555 common shares outstanding. This constituted 77.91% of the outstanding capital stock.*

ii. *Approval of the Minutes of the Annual Stockholders' Meeting held on April 24, 2019 via the following:*

RESOLUTION NO. 067-MBTC-SH-2020

RESOLVED, that the Minutes of the Annual Stockholders' Meeting on April 24, 2019 are hereby approved.

iii. *President's Report on the performance of Metrobank for 2019, as further detailed in the Annual Report for 2019.*

During the Meeting, the Host-Moderator Jette Gamboa picked questions received via email and/or sent via the Q&A panel of the Webex Cisco Events App.

- a. *How does Metrobank adjust to the fin tech developments?*
- b. *Will this eventually reduce earnings?*
- c. *What is Metrobank's Strategy?*

President Fabian Dee replied that he would like to highlight the advantage of banks over fintec companies, that is, the depositor's faith in keeping their money within the banking system. Metrobank's objective now is to deliver to its customers the best of both worlds that only a bank uniquely offer, which are the convenience of electronic channels and assurance of a well-capitalized bank where money can be safely deposited.

As an update, he also mentioned that Metrobank noted a significant increase in its e-channel transactions. There has been a doubling of new enrollments through these e-channels specifically in Metrobank mobile. This was primarily driven by InstaPay and PesoNet transactions of the bank's customers through Metrobank Mobile.

Around 70% of the annual CAPEX spending has been approved for IT projects and digital initiatives. He adds that while the bank recognizes the need for building its capabilities especially in digital banking, the ECQ ironically accelerated the transaction volume as customers have become more receptive and confident at transacting via e-platforms, maybe also partly due to the need to stay at home.

- iv. *Ratification of All Acts and Resolutions of the Board of Directors, Management, Board and Management Committees from April 24, 2019 to May 27, 2020 via the following:*

RESOLUTION NO. 068-MBTC-SH-2020

RESOLVED, that all acts, transactions and resolutions of the Board of Directors, management, board and management committees from April 24, 2019 to May 27, 2020, including among others, the approval of all loans, investments, new Bank products and services and related party transactions, are hereby ratified and confirmed.

- v. *Election of Twelve (12) Directors for the Year 2020 - 2021*

Mr. Jesli A. Lapus, Chairman of the Nominations Committee, explained that the Nominations Committee and the Corporate Governance and Compensation Committee chaired by Angelica H. Lavares 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 2020-2021:

RESOLUTION NO. 069-MBTC-SH-2020

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. Francisco F. Del Rosario, Jr.*
3)	Mr. Fabian S. Dee	9)	Mr. Edgar O. Chua*
4)	Mr. Vicente R. Cuna, Jr.	10)	Mr. Solomon S. Cua
5)	Mr. Edmund A. Go	11)	Ms. Angelica H. Lavares*
6)	Mr. Alfred V. Ty	12)	Mr. Philip G. Soliven*

** Independent directors*

- vi. *Appointment of SyCip Gorres Velayo & Co. as External Auditors via the following:*

RESOLUTION NO. 070-MBTC-SH-2020

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 2020.

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 2020.

3. Ratification of Corporate Acts

The matters for ratification include all acts, transactions and resolutions of the Board of Directors, management and all Committees done in the ordinary course of business from May 28, 2020 until April 27, 2021, 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. Majority vote is required for the following:
 - a) Approval of the minutes of the annual meeting of the stockholders held on May 28, 2020
 - 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.

2. 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.
3. Metrobank has not solicited any discretionary authority to cumulative voting.
4. 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.

Registration, Joining and Voting Procedures for the ASM.

Online participation and voting by remote communication will be available to all stockholders as of March 12, 2021 through the [AGM@Convene Platform (URL: TBA)].

Stockholders who wish to participate and vote online by remote communication will be required to register starting April 5, 2021 until April 27, 2021.

Stockholders who registered for the Meeting may cast their votes on proposed resolutions through the [AGM@Convene Platform (URL: TBA)]. Voting will remain open until the adjournment of the Meeting on April 28, 2021.

Proxy

If you are unable to join the Meeting you may appoint a proxy to attend and vote on your behalf. You may fill up the attached sample proxy form and send the accomplished scanned copy to ASMRegistration@metrobank.com.ph on or before April 23, 2021. You may also fill-up form found in the [AGM@Convene Platform (URL: TBA)] or <https://metrobank.com.ph>.

Questions About the Meeting and the Company. All approved registrants may send their advance questions in relation to the conduct of the meeting and about the Company via email to investor.relations@metrobank.com.ph. Stockholders who attend the Meeting via remote communication may also post questions using [AGM@Convene Platform (URL: TBA)]

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 Metrobank website <https://metrobank.com.ph> and through the PSE Edge portal <https://edge.pse.com.ph>.

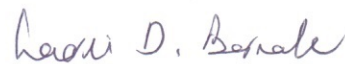
SIGNATURES

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 March 17, 2021.

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
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me at Makati City, Metro Manila this MAR 17 2021, affiants exhibiting to me her Passports with the following details:

Names	Passport No.	Date/Place of Issue	Valid Until
LAARNI D. BERNABE			



ATTY. MARIA SOFIA A. LOPEZ
Notary Public for Makati City
Appointment No. M-264 until Dec. 31, 2021
10/F Metrobank Plaza, Sen. Gil Puyat Ave., Makati City
Roll No. 38610/5.13.1993/MCLE Comp.No. VI-0009478
PTR No. MKT8530491; 01.04.2021, Makati City
IBP No. 144752; 01.07.2021, Quezon City

Doc. No. 473 ;
Page No. 96 ;
Book No. 49 ;
Series of 2021

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. The SEC approved the renewal on November 19, 2007.

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 10, 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 19, 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) (before the merger). 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 70.64%, 72.01% and 74.32% of the Group's revenue net of interest and finance charges in 2020, 2019 and 2018, 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 29.36%, 27.99% and 25.68% of the Group's revenue net of interest and finance charges in 2020, 2019 and 2018, 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 2020, 2019 and 2018 are as follows:

Offices in	Year	Percentage Contribution to	
		Revenue, Net	External Net Operating Income
Asia (Other than Philippines)	2020	2.39	3.34
	2019	2.62	2.68
	2018	2.67	2.69
United States	2020	0.36	0.54
	2019	0.41	0.46
	2018	0.69	0.76
Europe	2020	0.03	0.05
	2019	0.04	0.05
	2018	0.06	0.06

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 equities 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. For years, it 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. FMIC is also a PSE-accredited financial advisor providing strategic advice on enhancing corporate value, selecting optimal fundraising structure, and addressing valuation issues.

- **Sales & Distribution Group** - the Group is primarily responsible for offering the various FMIC underwritten products to the investing public. As an active brokering participant, SDG makes available to its clients the wide range of tradeable fixed income securities in the market. Driving the success of our underwritten deals is the dynamic synergy between the Investment Banking Group and SDG. FMIC's underwriting strength is complemented by its ability to distribute securities widely.
- **Treasury Group** - the Group is responsible for the trading of financial instruments such as peso- and dollar-denominated government securities and corporate papers, as well as managing the liquidity requirements of the company. It is an SEC and BTr-authorized Government Securities Eligible Dealer (GSED) and one of the most active dealing participants in the industry. It has been selected as one of the market makers of the Bureau of Treasury. As a market maker for most corporate issues, it provides counterparties and clients with active two-way quotes, delivering financial solutions that address their specific funding requirements. Its traders are consistently recognized as top dealers by prestigious publications and organizations.

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 535 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. 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.

4. 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 nine (9) 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, Xiamen Branch and Suzhou Branch.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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 2020 and 2019 with 706 and 707 branches, respectively. 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.

2020 - New International Remittance Tie-Ups

- | | |
|--|--|
| a. Rewire OSG Research and Development Ltd. | h. Global Remit Currency Services |
| b. ARY Exchange Company WLL | i. SGS Corporation |
| c. Moneytun LLC | j. Forex World Pty Ltd |
| d. PFG Forex Pty Ltd | k. Jeonbuk Bank Co. Ltd |
| e. Fastpay International Ltd. | l. Kuwait Bahrain International Exchange |
| f. Kuwait Asian International Exchange Company | m. Worldwide Cash Express Limited |
| g. Lulu Exchange Company WLL | n. Guavapay Limited |

2020 - New Local Remittance Tie-Up

- a. Fast Remit Service Inc.

3. ATMs

All of Metrobank's 1,774 ATMs are full-featured and allow a wide array of financial and non-financial transactions for its clients and those of BancNet member banks. Apart from being the first bank to secure EMV-chip (Euro MasterCard VISA) certification in the Philippines, it has deployed 179 Cash Accept Machines to allow clients to make real-time cash deposits to their accounts. We have installed security device in machines, thus providing more secure and convenient solutions to meet its clients' banking needs.

4. 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.

5. Online Banking

- Metrobank Online (onlinebanking.metrobank.com.ph) is Metrobank's new online banking platform with an enhanced user experience and interface. This allows clients to have instant access to their accounts and do banking transactions in the most convenient way anytime, anywhere, using any device. Features include: Balance Inquiry, Transaction History, Fund Transfers, Bill Payments, Online Time Deposits, UITF Online, QR Code Transfers, and more.

- 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.
6. MBOS (Metrobank Business Online Solution) is a web-based application that replaced 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.
7. 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, 2020, the Philippine universal/commercial banking sector consisted of 46 banks, including 26 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 September 30, 2020.

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

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

Innovations and Promotions

In 2020, Metrobank Group continued to introduce campaigns and promotions to address the market's needs.

- To enhance the non-physical banking capabilities of clients, Metrobank revamped its online banking platform through Metrobank Online. The new facility features allow clients to secure their purchases and money transfers with a passcode, real-time SMS and email notification of account activities for easy monitoring, and faster processing of frequent transactions, among others. With Metrobank Online, clients may view, add and redeem investments, as well as request a call with an investment specialist. Metrobank Online is also optimized for mobile use, making it easy for clients to access their accounts through their smartphones. Likewise, through the Earnest app, aside from offering clients bite-sized lessons and easy-to-read articles about investments, clients may now open digital deposit and investment accounts, while accessing the Bank's wide range of products and services. Complementing the Bank's online banking initiatives, Metrobank also deployed mobile ATMs to reach more clients and facilitate their banking needs.
- Metrobank continued to offer exclusive deals through its partner merchants, both retail and online, while supporting client amid disruptions caused by the pandemic. In May 2020, the Bank launched a 0% installment plan for essential spend to help ease cardholders' worries and manage their spending during the enhanced

community quarantine. The Bank also launched a donation drive encouraging Metrobank credit cardholders to help fellow Filipino workers whose livelihoods have been affected by the enhanced community quarantine. Cardholders had the option convert their credit card Rewards Points into a donation for Filipino communities in need through the *McDo Kindness Kitchen* and *GMA Kapuso Foundation*. Plus, Metrobank committed to also make a donation equal to the amount that the cardholders pledge.

- To ease customer convenience, the Bank also launched a Mobile Statement of Account (SOA) facility wherein SOAs are sent to clients' mobile phones through SMS and a secure personalized link – a way to minimize physical deliveries. Metrobank also launched *PayNow*, a convenient facility that lets Metrobank credit cardholders send money to any bank account in an instant.
- To cap off the year, Metrobank was also recognized by Digital Banker for *Outstanding Social Media Campaign* at the Global Retail Banking Innovation Awards for 2020 as the Bank effectively used social media to reach a younger segment by collaborating with 30 social influencers and had over 30% growth in card sign-ups.
- Metrobank spearheaded *Scam Proof*, an online platform that consolidates information about different online scams and fraudulent activities. Mindful of increasing digital transactions that are vulnerable to illicit schemes, this financial education initiative aims to increase awareness about such online scams with tips on how to avoid them. The platform engages the community in detecting and reporting fraud across banks and other industries, thus empowering consumers. In “Scam Proof,” the users can learn about the basic bank account security measures so they can protect their confidential information. The website also provides knowledge on how to identify red flags of potentially fraudulent activities. As the Bangko Sentral ng Pilipinas aims to further increase the adaptation of digital transactions and as financial technologies improve, this online repository of latest fraud techniques will be beneficial for everyone as it helps educate the community and deters fraudulent activity.
- Metrobank once again 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 savings or checking deposit account at any Metrobank branch during the promotion period.
- PSBank upgraded its Mobile App to enable customers to open a Peso time deposit account online, lessening the need for physical transactions. PSBank also enabled clients to use QR codes for quick and easy money transfer and P2P payments, thus reducing the need to input or memorize account numbers and other account details for fast and easy transactions. Likewise, its consumer and business loan clients can now pay loans through Instapay fund transfer. All these initiatives aim to improve customers' ability to conveniently and securely do bank transactions from their homes. PSBank also launched a social media campaign called *Tap, Tap, Tapos Agad* that reiterates the value of its robust mobile app, underscoring its commitment to enable customer to complete any banking transaction in just a few taps on the mobile app, lessening the need for physical contact or in-branch appearance. The campaign showcases how simple and fast users can do their banking transactions using the improved functionalities of PSBank Mobile App.
- AXA Philippines partnered with Cebu Pacific to reach more customers and offer value-for-money health solutions and insurance plans online. In the third quarter of 2020, AXA launched *Global Health Access (GHA)* which includes pandemic coverage and *GHA Gold Lite Plus* which provides inpatient and outpatient coverage for more affordable rates. Aside from that, customers were given access to free teleconsultation during the quarantine necessitated by the pandemic. AXA also held several webinars via social media to discuss relevant topics such as home schooling, prioritizing physical and mental health and managing investments during the pandemic. During Bayanihan Act I and II, AXA promptly sent customers to inform them of the grace period extension. In November 2020, AXA launched a rewards program to provide customers with exclusive benefits and allows them to earn points for transactions and online interactions.
- First Metro Investment Corporation (FMIC) was awarded as the *Best Investment Bank in the Philippines* by FinanceAsia, a Hong Kong-based financial publishing firm. For 2020, FMIC's resilience and ability to adapt to fast-changing conditions even under business disruptions posed by the pandemic stood out from peers as it closed 18 investment banking deals with different private companies and facilitated Retail Treasury Bonds with the government. FMIC also bagged the *Best M&A House in the Philippines* award by Alpha Southeast Asia for its advisory work for GT Capital Holdings Inc. FMIC was also recognized in *Asiamoney's Leaders for Women 2020* for its efforts in encouraging women in the workplace.
- First Metro Asset Management Inc. (FAMI) launched several webinars and promos throughout the year keep clients engaged and informed. In May 2020, FAMI continued to reach out to clients via webcasts that

discussed views and investment strategies during the pandemic. At the height of the lockdown, FAMI kept clients informed as much they can, both on safety precautions and investment advisory. Before 2020 ended, FAMI conducted a free webinar to educate Filipinos about investing for the next year, with a focus on mutual funds. FAMI also launched occasion-based promos to keep customers engaged as they were urged to share stories – anecdotes or experiences for promos on Valentine’s Day *#MyFAMIValentine* promo, Mother’s Day *Treat Your Mom* promo and Father’s Day *Thank you, Dad!* promo. FAMI also reached out to prospective clients and raised brand awareness through social media contests such as *12 Days of Christmas Fun*, a trivia game on FAMI’s Facebook account. FAMI tied up with Grab Philippines to develop and improve the financial literacy of Grab’s more than 70,000 Partner-Drivers through seminars on financial goal-setting, budgeting, education planning, retirement planning, investment planning, and family finance. Partner-Drivers will also be given their own relationship manager who can advise them on investment strategies to help achieve their financial goals.

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; Puregold Mastercard and NCCC Mastercard. Features: Cash2Go; Balance Transfer; Bills2Pay; M Here (Shopping Perks & Privileges); Rewards and PayNow.
Prepaid Card: YAZZ Reloadable Prepaid Visa; Victory Liner Premiere Prepaid Visa; NWorld Cash Card; Pisopay.com Prepaid Visa; AXA Prepaid Visa; Ardeur Bonus Card; JAC Liner My Ride Card; WeEvolve Prepaid VISA; UniPrint Elite Prepaid VISA; IAM Worldwide Prepaid VISA; Metrobank Prepaid VISA AND PayCard.
3. For internet banking: Online Banking and MBOS
4. For mobile banking: Metrobank Mobile Banking
5. For remittance services: Metrobank Superbilis Padala, World Cash Card, MetroRemit, PayStation, CollectAnywhere, PayAnywhere and Payroll Plus
6. For consumer lending: MetroHome and MetroCar
7. For special current account: MetroChecking Extra; MetroAccount One
8. For special savings account for kids below 18 years old.: Fun Savers Club (FSC) Regular and Spark Savings Account
9. 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 and investment company adviser (ICA)
4. For ORIX Metro: financing company and quasi-banking license
5. For MBCL: financial 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)

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%.

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 13,718 employees as of December 31, 2020. By year-end 2021, the Bank projects to have 13,986 employees.

	Officers	Rank and File	Total
As of year-end 2020:			
AVPs and up	574		574
Senior Managers and down	6,127	7,017	13,144
	6,701	7,017	13,718
By year-end 2021 (projected):			
AVPs and up	586		586
Senior Managers and down	6,318	7,082	13,400
	6,904	7,082	13,986

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 Board of Directors (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 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 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 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.

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 Group and 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 (Δ EVE), 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.

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:

YEAR	QUARTER/ PERIOD ENDED	MARKET PRICES			AVERAGE
		HIGH	LOW	CLOSE	
2021	February 28	51.00	44.50	50.70	48.17
	January 31	50.00	44.50	45.00	47.52
2020	March 31	67.00	35.30	40.00	56.16
	June 30	43.00	33.20	37.00	37.77
	September 30	39.20	33.10	38.20	35.65
	December 31	51.75	38.60	49.05	45.02
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

Holders

The Bank has 3,004 stockholders as of March 12, 2021.

Top Twenty Stockholders

Following are the top 20 stockholders as of March 12, 2021:

	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 (Filipino) ^b	1,131,807,798	25.166
3	PCD Nominee Corporation (Non-Filipino)	946,652,587	21.049
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
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	15,601,513	0.347
15	Bloomingtondale Enterprises, Inc.	15,027,844	0.334
16	Asia Pacific Capital Equities and Securities Corp	10,914,927	0.243
17	Solid State Multi-Products Corporation	10,547,559	0.235
18	Ty, Alesandra Vy ^e	7,703,038	0.171
19	Grand Asia Realty Investment Corp.	7,537,152	0.168
20	Dy Buncio, Anjanette	7,377,216	0.164

- 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 March 12, 2021, public ownership on the Bank was at 48.16%. Of the total shares issued, 21.081% 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 2018 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

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

In the midst of a pandemic, running a business is an unprecedented challenge for business leaders. The restrictions imposed by the government in handling the COVID-19 outbreak raise significant challenges as regards to corporate governance. The crisis presents complex issues on business operations like disruptions to meetings, risk management, internal control, disclosure, etc. It is imperative to ensure that appropriate strategies are put in place to anticipate and to mitigate the impact and ensure compliance with the rapidly evolving regulatory landscape.

Integrity, accountability, fairness and transparency, the four pillars upon which the Bank's governance policies rest, are maintained during these difficult times. The corporate governance framework as embodied in the Corporate Governance Manual setting out the roles and responsibilities within the Bank as well as the practices and procedures that are adopted is sustained to ensure that the organization remains to be governed with the highest standards of good governance. These principles and values are continued to be observed in all our operations and dealings.

Board of Directors

A competent Board of Directors (Board) that has collective responsibilities for leadership and control of the Bank's affair ensuring its long-term sustainability and success heads the Bank. The Board sets the Corporate Governance tone in the Bank by collectively directing the company's affairs, whilst meeting the appropriate interest of shareholders and stakeholders. It leads the process of developing and reviewing the Bank's strategies annually. It oversees the development, review and approval of the Bank's mission vision, a sound corporate governance framework, strategic and business plans, risk management, internal control system, financial performance and environmental, social and governance issues. The detailed responsibilities of the Board are disclosed in the Corporate Governance Manual posted on the company's website through the Corporate Governance page.

The Board is comprised of a diverse group of proficient people who combine insight and good judgment in implementing good governance. Diversity takes various forms and is inclusive of different elements such as gender, expertise, policy-making experience, ethnicity and independence. The members of the Board possess integrity, probity, physical & mental fitness, competence, education, financial literacy, training, diligence, knowledge and experience relevant to the banking industry.

To adequately fulfill their responsibilities, the Board has separate and independent access to the corporate secretary who manages the flow of information to the Board prior to the meetings.

Board Composition

The Bank consistently maintained the Board composition to twelve (12) directors. Ten (10) are non-executive directors of which five (5) are independent including one (1) female independent director, a deliberate stance to promote objectivity and strong element of independence in the Board. The number of independent director constitutes 42% of the Board, bringing focus, clear perspective and the ability to lead objective board discussions and better decision-making.

The members of the Board are elected annually. In accordance with Bank's By Laws, any stockholder may submit nominations for directorial positions to represent their interest in promoting long-term value creation. The Nominations Committee is responsible for screening and recommending candidates to the full Board, 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 as defined in the Bank's By-laws and Corporate Governance Manual and due consideration of the relevant regulations of BSP and SEC. The Board through its Nominations Committee strives to ensure the optimal mix of skills and talent and balanced membership of the Board to achieve its strategic objectives.

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 and suggestions from stockholders. To the extent possible, they also make use of external databases or external search firms. Only nominees whose names appear in the Final List of Candidates shall be eligible for election as director.

Directors are committed to actively engage in their role in the Board, with sufficient time to carry out the duties of the Board and their Board committee membership. As a rule, the non-executive directors of the Board may concurrently serve as directors only to a maximum of five (5) publicly listed companies, making sure however that the shareholders' legal right to vote and be voted directors remains inviolable. None of the Bank's directors serve in more than five (5) publicly listed companies.

The independent directors are independent of management and major shareholders. They have not engaged and do not engage in any transaction with the institution or with any of its related companies or with any of its substantial shareholders, whether by themselves or with other persons or through a firm of which they are partners or a company of which they are directors or substantial shareholders, other than transactions which are conducted at arm's-length and could not materially interfere with or influence the exercise of their judgment. The independent directors, as a rule, may serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from re-election as such, but may continue to qualify for nomination and election as a regular director. Reckoned from 2012 election, none of the independent directors have reached the maximum cumulative term of more than nine (9) years.

In 2020, the Board approved the retirement of Mr. Rex C. Drilon II as a director. In his replacement, the Board welcomed Mr. Philip G. Soliven as Independent Non-Executive Director effective May 28, 2020. With extensive experience in banking and finance, he can bring valuable contributions, capabilities and exceptional leadership in the Board.

The Chairman of the Board and the President

The roles of the Chairman of the Board and the President are separate but complementary positions that work together for the good of the Bank. This split balances power, responsibility and accountability while preserving the independent decision-making of the Board. Each has clearly defined responsibilities in the Bank's By-Laws and Corporate Governance Manual.

The Chairman of the Board provides leadership in the Board. He ensures effective functioning of the Board, including maintaining a relationship of trust with Board members. In addition, the Chairman ensures a sound decision making process and encourages and promotes critical discussions and makes sure that dissenting views can be expressed within the decision-making process. On the other hand, the President exercises direct and active management of the business and operations of the Bank, conducting the same according to the orders, resolutions and instructions of the Board and according to his own discretion wherever the same is not expressly limited by such orders, resolutions and instructions. He communicates and implements the vision, mission, values and overall strategy of the Bank and promotes any organization change in relation to the same. He exercises general superintendence and direction over the other officers and the employees of the Bank and to see to it that their respective duties are properly performed.

The Chairman of the Board is Arthur Ty while the President is Fabian S. Dee.

Board Meetings

Regularly scheduled Board meetings are held to keep directors up to date on the Bank's performance as well as approve strategies, appointments, and other decisions requiring their attention. The 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 (4) directors. An organizational meeting is held immediately after the Annual Stockholder's Meeting (ASM) and the Board-level committees are reconstituted during this meeting.

In light of the COVID-19 pandemic, Securities and Exchange Commission issued guidelines allowing participation in corporate meetings through remote communication such as videoconferencing, teleconferencing, or other alternative modes. To support the measures in controlling the spread of COVID-19 outbreak, at the start of the imposed community quarantine, the Bank had transitioned the Board as well as the committee meetings from in-person to virtual meetings with the use of videoconferencing tools. The Bank also created an alternative mode, safely accessible through the internet or mobile technology, in providing the pertinent materials for discussion to address administrative, technical and logistical issues of the current situation.

In 2020, the Board held a total of fourteen (14) meetings. The Board meeting attendance, which is at 100%, shows active participation among directors and demonstrates that they can give optimal level of their function despite of the current situation.

The Bank's Non-Executive Directors (NEDs) also met separately and conducted its virtual meeting together with the External Auditors, Risk Officer, Compliance Officer and Chief Audit Executive, without the presence of any executive directors on November 18, 2020. The meeting was led by Vice-Chairman Francisco C. Sebastian and all NEDs were present. Among the agenda is the discussion on the challenges faced by the control function units brought about by the pandemic, corporate governance matters and on-going initiatives.

The Annual Stockholders' Meeting was also held exclusively in digital form without requiring the physical presence of the Board members and shareholders via WebEx Events on May 28, 2020. All Board members were present in the meeting.

The Office of the Corporate Secretary, which plays a significant role in supporting the Board in discharging its responsibilities, prepares the agenda and sends out notices and materials at least five (5) business days before the meeting dates. It also prepares and distributes the minutes of the previous meeting and keeps full minutes of all Board and stockholder meetings.

Board-level Committees

The Board assigns specific tasks to committees to help them fulfill their diverse range of responsibilities. It delegates particular matters or affairs of the Bank to the committees to prepare the groundwork for decision-making and eventually report to the Board for notation or approval. In 2020, the Bank has ten (10) board-level committees that assist the Board in the optimal performance of its roles and responsibilities. Seven (7) committees namely Anti-Money Laundering Committee, Audit Committee, Corporate Governance and Compensation Committee, Nominations Committee, Related Party Transactions Committee, Risk Oversight Committee and Trust Committee, are chaired by independent directors. The Board-level committees have their own respective charters which set out their mandate, scope and working procedures and can be found in the Bank's website.

The *Anti-Money Laundering Committee (AMLACOM)* 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 AMLA, as amended, its Revised Implementing Rules and Regulations (RIRR), and BSP regulations. This committee is comprised of three (3) non-executive directors, of which two (2) are independent directors. The Committee conducted five (5) meetings in 2020.

The *Audit Committee (AUDITCOM)* is tasked to assist the Board in fulfilling its statutory and fiduciary responsibilities, enhancing shareholder value, and protecting shareholders' interest through effective oversight of internal and external audit functions, transparency and proper reporting, compliance with laws, rules and regulations and codes of conduct, and adequate and effective internal controls. This committee is primarily responsible for the appointment/selection, re-appointment and dismissal of internal auditor, as well as independent external auditor and external service providers based on fair and transparent criteria. It is comprised of four (4) non-executive directors, three (3) of whom are independent, including the Chairman, who is not the chairman of the Board or of any other Board-level committee. In 2020, the Committee had its monthly meetings with two (2) joint meetings with Risk Oversight Committee.

The *Corporate Governance and Compensation Committee* assists the Board in fulfilling its corporate governance responsibilities and in providing oversight on the implementation of the Bank's Compliance System. The committee is

tasked with establishing a formal and transparent procedure in determining the remuneration of directors and officers that is consistent with the Bank's culture, strategy, business environment and industry practice. The Committee is composed of four (4) members, three (3) are independent directors, including the committee chairperson. The Committee convened three (3) times in 2020.

The *Executive Committee* is primarily responsible for the review and approval of credit proposals and credit policies within its authority and limits as well as provides recommendations or conditions to lending. The Committee may also act on other matters as delegated by the Stockholders and the Board within its competence and in accordance with the By-Laws of the Bank. The Committee had 77 meetings in 2020.

The *Information Technology Steering Committee* provides governance and oversight in the management of the Bank's information technology (IT) resources. Its principal function is to ensure that IT strategies are consistent with the overall business objectives. It shall have oversight of 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. As delegated by the Board, it shall also approve IT-related requests and other IT-related services/arrangements, including outsourcing/insourcing activities. It should regularly render periodic report to the Board regarding overall IT performance, status of major projects and other significant issues related to IT risks. The Committee is composed of non-executive director, Heads of Financial and Control Sector and Information Technology Group. The Committee should meet at least four (4) times annually.

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. The Committee is composed of three (3) independent directors, including the Chairman. The Committee meets as needed.

The *Overseas Banking Committee* assists the Board in its oversight functions over the operations and financial performance of the overseas branches and subsidiaries, and Metrobank expatriates assigned in countries without foreign office but with remittance tie-up arrangement, 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 Bangko Sentral ng Pilipinas and Securities and Exchange Commission. The Committee convened five (5) times in 2020.

The *Related Party Transactions Committee* 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 resource of the Bank are not misappropriated or misapplied. The Committee is entirely composed of three (3) independent directors. The Committee, which meets monthly, is supported by the Compliance Officer.

The *Risk Oversight Committee (ROC)*, as an extension of the Board, is primarily responsible for the development and oversight of the risk management framework of the Bank its affiliates, and subsidiaries (collectively, the Group), and its Trust Banking arm. The Committee is majority composed of independent directors, including the Chairman who is not a Chairman of the Board or of any other committee. The ROC members possess a range of risk management expertise and adequate knowledge of the Group's risk exposures. The Committee held twelve (12) meetings in 2020.

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. The Committee is composed of five (5) members, three (3) members of the Board, President and Trust Officer. The Committee convened eleven (11) meetings in 2020.

Company's Policies

Orientation Program for New Directors

In accordance with applicable SEC rules and expressly stated in the Bank's CGM, orientation for first time directors shall be for at least eight (8) hours. Each first-time director is provided with orientation kit, which contains a copy of the Bank's Articles of Incorporation, By-Laws, Code of Conduct, Bank's CGM and applicable Board Committee Charters. They are also provided with the general responsibilities and specific duties 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 responsibilities and specific duties. In addition, each director certifies that he or she has all the prescribed qualifications and none of the disqualification as a director.

Continuing Education

The Covid-19 global pandemic crisis is an adaptive and transformative challenge especially in keeping the Board well informed of developments in the evolving corporate governance norms as well as being attuned to the rapidly changing external situation. Given these challenges, the Bank still recognizes the value of continuing education for its Directors.

For 2020, amidst the on-going crisis, the Bank ensures constant education of its Directors and key officers to keep them abreast of updates in corporate governance standards to support their leadership roles, by taking advantage of available public seminars via online platforms. As such, Directors and key officers attended the following webinars provided by the Bangko Sentral ng Pilipinas (Introduction to Environmental and Social Risk Management System Webinar), Institute of Corporate Director (Pilipinas: Aspire, Rise, Sustain Series "The Nexus of Climate Change and Sustainable Development", "Integrating Climate Risks in Corporate Strategy" and "Cultivating Business Impact Through Sustainability Reporting") and Association of Bank Compliance Officers (Risk based Approach: Implementing an Enterprise-wide ML/TF Risk Assessment Process), among others.

Corporate Governance Manual

Metrobank has a strong corporate governance framework that is embodied in the Corporate Governance Manual (CGM), which sets out the roles and responsibilities within the Bank and the practices and procedures that are adopted to ensure that the organization is directed with the highest standards of good governance.

The CGM serves as a practical toolkit designed to help implement good governance practices in the institution. It is periodically updated to guarantee that it remains relevant and in alignment with new regulatory issuances and best industry practices. The Bank's structures and processes ensure that business is conducted ethically and comply with applicable laws and regulations. The Board, 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. Our staunch duty to safeguard the long-term interest of our shareholders and all other stakeholders translates into a corporate culture that embraces good governance practices and fiduciary duties made manifest by the Board, Senior Management and down to all other employees.

The Manual was revised to include changes in the regulations and approved by the Board on 24 August 2020. 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 accessible to the public.

Code of Conduct and Ethics for Bank Directors

In today's environment, stakeholders have high expectations that companies are operating in accordance with good corporate governance practices. As such, the Bank is unwavering to conduct its business with the highest ethical standard of fairness, accountability and transparency, taking into account the interest of all stakeholders. These values are the guiding principles of good corporate governance adopted by the Bank in its Code of Conduct and Ethics for Directors.

The Code of Conduct and Ethics for Directors articulates the standard of conduct for ensuring the proper discharge of 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.

The Code is properly disseminated to directors. The Code can be accessed by both internal and external stakeholders as it is posted in the Bank's intranet and company's website through the Corporate Governance page.

Code of Conduct for Employees

In place also is the Bank's 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.

The Human Resource Management Group (HRMG) has disseminated the Bank of Code of Conduct to all employees including the new hires. HRMG also regularly circulates core advisories which serve as a reminder on the values that the Bank wishes to foster by its employees. Both internal and external stakeholders can access the Bank's Code of Conduct for Employees as it is posted in the Bank's intranet and company's website through the Corporate Governance page.

Performance Evaluation and Self-Assessment

The best measure of the Board effectiveness is through an assessment process. Metrobank conducts its annual performance assessment of the Board, Chairman of the Board, President, Board Committees and each of the individual directors using Board-approved rating sheets.

The Board conducts its annual evaluation process through the Corporate Governance and Compensation Committee. It has adopted an internal self-rating system and procedures to determine and measure compliance vis-à-vis good corporate governance principles and practices as prescribed in the Code of Corporate Governance: (i) Each Director self-rates and collectively rates the Board, the Chairman of the Board and the President; (ii) Corporate Governance, Audit, Risk Oversight and other Board committees conduct self-rating. The performance rating sheet normally circulated on paper or online using 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 serves as an avenue to revisit existing process or areas in need of improvement within the Board.

In July 2020, the Corporate Governance and Compensation Committee Secretary presented summary results of the self-assessments and evaluation covering the performance of the different key persons: Board of Directors, Individual Directors, Chairman, President and Board-Level Committees of the Bank to the Corporate Governance Compensation Committee and endorsed to the Board. The assessment showed that the Bank's key persons possess the right mix of backgrounds and competencies to fulfill their duties.

In line with the SEC rules and global best practices, the self-assessment exercise of the Bank is supported by an external facilitator every three (3) years. The Corporate Governance and Compensation Committee in its meeting on October 13, 2020, and the President, approved the engagement of the Bank of a third party facilitator that shall conduct Board effectiveness review. For 2020, the Bank commissioned Reyes Tacandong & Co to facilitate the Board effectiveness evaluation in compliance with the SEC Code of Corporate Governance, and to further align its governance framework with the principles of the said Code and global best practices. This will provide an independent review of the effectiveness of the Board and the efficiency of the execution of the roles and responsibilities of the Board under existing governance arrangements, taking into account the review, communication, and reportorial requirements and procedures within the Board and between the Board and Management.

Fair Business Transactions & Managing Conflicts of Interest

The Bank has adopted the Anti-Bribery and Corruption Policy, which requires the directors and employees to conduct business in accordance with the highest possible standards of ethics, honesty, accountability and good governance. The Bank does not tolerate any form of bribery or corruption to obtain an unfair advantage. Directors, officers and employees are prohibited in taking advantage of their positions in the Bank to directly or indirectly derive personal gain or profit.

The members of the Board conduct fair business transactions with the Bank and ensure that personal interest does not bias Board decisions. All directors are expected to act ethically at all times, notify promptly of any material facts or potential conflict of interest and take appropriate corrective action. Employees are expected to effectively manage their personal affairs and avoid any situation or business endeavors arising from associations, interest or relationships that may lead to conflict or potential conflict between their personal interest and of the Bank.

It is also part of the Bank's corporate governance framework that all related parties are properly identified and related party transactions are vetted and approved either by Related Party Transactions Management Committee (RPTMC), a management-level committee composed of senior officers or the Related Party Transactions Committee (RPTC), a Board-level committee composed of independent directors, depending on the materiality threshold set by the Bank. Directors and officers with personal interest in the transaction shall abstain from the discussion, approval and management of transaction. No director or officer shall participate in the RPTC or RPTMC or Board discussion of a related party transaction for which he, she or any member of his or her close family or related interest is involved, including transactions of subordinates, except in order to provide material information on the related party transaction. The material related party transactions that reach ten percent (10%) or higher of the Bank's total consolidated assets are required to be evaluated by an appointed external independent party to ensure the fairness of the terms. All acts of the Board, including related party transactions, are confirmed by the majority vote of the Bank's stockholders during the Annual Stockholders' Meeting.

Policy on Insider Trading

In accordance with the Bank's Insider Trading Policy, the Reporting Insiders and his Associates as defined in the policy, shall not sell or buy Metrobank shares of stock during the period within which Material Non-public Information is obtained and up to two (2) trading days after the Information is disclosed. All officers and employees involved in the transaction shall maintain the level of confidentiality consistent with ethical standards and in compliance with the insider trading policy even prior to Board approval.

In case of change in the beneficial ownership of Metrobank shares (e.g., sale, purchase, inheritance, transfer of residence, etc.), the Reporting Insider shall accomplish and submit a scanned copy of the Statement of Changes in Beneficial Ownership of Securities on the next trading day from the date of the change in the beneficial ownership pursuant to the requirements of the SEC and the PSE.

Whistle Blowing Policy

It is the goal of the Bank to develop an ethical corporate culture that aims to control and eliminate wrongdoings and wrongdoers from the organization. The Bank recognizes the importance of whistleblowing in both detecting and deterring acts of fraud, malpractice, conflict of interest or violation of internal/regulatory policies, procedures and controls. Complaints or concerns may be filed through the Bank's website or sent via an e-mail (whistleblowing@metrobank.com.ph) or text hotline (+639427471359), without fear of retaliation as the identity of the reporting employee/stakeholders is not required to be disclosed.

The Head of Internal Audit Group is the designated recipient of complaints from the reporting employees and other stakeholders. Consistent with the principle of good governance, the Chief Audit Officers report to the Board's Audit Committee for any reported matters.

Customer/Creditor's Welfare

In Metrobank, Customer Protection is part of the Bank's culture. It is not a responsibility of only one person or a single unit. It is a collective and shared responsibility of each and everyone, from the Board, to Management, and to all employees.

The five pillars of consumer protection standards namely: a) Disclosure and Transparency; b) Protection of client information; c) Fair treatment; d) Effective Recourse and 5) Financial Education and Awareness, govern the conduct of the Bank in dealing with its customers and creditors. As such, the Customer Protection Policy Manual is created to ensure that customer protection is inherent in the day-to-day operations, providing the foundation in ensuring the Bank's adherence to customer protection standards of conduct. The Board, through the Executive Committee, provides effective oversight of the Bank's Financial Customer Protection while the Senior Management, through the Customer Experience Committee, ensures that the Bank developed a Customer Protection Risk Management System.

The Bank continuously adapt to regulatory requirements particularly on standardizing the process in the handling of complaints across all segments, redefining the turnaround time in resolving incidents to meet the client's expectation. In compliance with BSP Circular No. 949, the Bank also has a Social Media Risk Management Policy that provides guidance to covered individuals in the business and legal risks associated with the use of social media. Specifically, these rules require respecting co-workers privacy, respecting customer privacy, protecting confidentiality and security, safeguarding and proper use of the Bank's information and assets.

Stockholders' Rights and Protection of Minority Stockholders' Interests

In accordance with the Bank's CGM, the Bank treats all its shareholders fairly and equitably, and also recognizes, protects and facilitates the exercise and their rights. The Board respects the rights of the stockholders as provided for in the Corporation Code. It promotes transparency and fairness in conducting annual and special stockholders' meeting. The Bank encourages active shareholders to participate in the meeting by sending Notice of Annual and Special Shareholders' meeting with sufficient relevant information. The notice for the Bank's 2020 Annual Stockholders Meeting (ASM) was published and distributed to all stockholders as of record date of May 7, 2020 pursuant to the SEC rules of sending notices of at least twenty (21) days before the meeting. 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. For 2020, since mass gatherings are discouraged, the ASM was live streamed via Cisco WebEx app to ensure the health and safety of the participants. The stockholders who participated pre-registered at ASMRegistration@metrobank.com.ph. The Minutes of the Annual Stockholders' Meeting was available and posted in the Bank's website five (5) business days from the end of the meeting.

Every stockholder entitled to vote on a particular question or matter involved is 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. The Bank has not solicited any discretionary authority to cumulative voting.

Majority vote is required for the following: (a) approval of the minutes of the annual meeting of the stockholders; (b) ratification of corporate acts; (c) election of external auditors. On the election of directors, nominees receiving the highest number of votes shall be declared elected following the provision of the Corporation Code. SGV & Co. validated all votes cast in the Bank's 2020 ASM.

Policy on Health, Safety and Welfare of Employees

The Bank understands the magnitude of a safe and healthy workplace during a pandemic; as such, the Bank has instituted health and safety protocols that are aligned with Department of Health (DOH) and the Centers for Disease Control and Prevention (CDC) on the onset of the Covid-19 pandemic. It is committed to mitigation and prevention strategy in response to the Covid-19 pandemic to ensure the health and safety of each Metrobanker. Employees have

been properly guided through various communications on good hygiene and appropriate disinfection procedures; available personal protective equipment (PPE) for employees and how to wear, use, clean and store it properly and disinfectant supplies such as alcohol, hand soaps etc.; social distancing strategies, including avoiding close physical contact and large gatherings of people.

Metrobank has been very adaptive to the change brought upon by the pandemic. The Bank has modified immediately the work environment and changes the work practices to provide additional protection for its employees, clients and other stakeholders such as providing physical barriers, installation of temperature checking machines, installation of hand sanitizers and additional disinfection methods such as UV filtration and improve social distancing set-up. It has provided options to employees on flexible working schedule and working remotely. It implemented work-from-home policies and revises work schedules and/or create staggered shifts to limit the number of workers on-site at a given time.

It 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 are wellness check of employees, results of which are the basis of choosing relevant health interventions for the workforce. Medical services have been properly set up for all employees and the availability of Bank's health partner from ActiveOne was made sure to answer common questions about COVID-19. The Bank has also provided series of webinars to employees which focuses on active and healthy lifestyle habits to combat Self-Inflicted Diseases (hypertension, diabetes and obesity) through SEED (Sleep, Eat Right, Exercise and De-stress) Campaign.

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. The Bank also conducted lectures on bank security to equip personnel.

The Bank also strives to empower Metrobankers with the right skills, knowledge, work ethics and expertise that are relevant to the stakeholders. It 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 strategies 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.

Supplier & Contract Selection

To mitigate the risk of dealing with unqualified suppliers/contractor, the Bank maintains 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.

Environment Protection

Metrobank is committed to sound environmental stewardship. It consistently strives to look for areas to improve its operations towards the conservation of energy, water and resources. 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 are in place.

As part of Metrobank's core value of being a responsible corporate citizen, it believes that sustainable development is a fundamental aspect of sound business management and recognizes that this must rank among the top priorities of its lending portfolio. Metrobank is focused on developing a loan portfolio that directly protects and promotes environmental and social care, and likewise instilling in the borrowers, the awareness that social and environmental care are inextricable to economic growth in order to achieve sustainable development.

The Metrobank Purple Hearts Club (PHC) has "You're In Green Hands" (YIGH), an environmental stewardship program which centers on combating various environmental issues faced by the country through restoration activities such as tree planting, mangrove planting, seashore, and coastal clean-up drives.

Corporate Governance Scorecard

In recognition of the impact of the COVID-19 pandemic on the regular operations of corporations and to ease the regulatory burden on the business sector during these trying times, SEC extended the deadline for the filing of the I-ACGR until 01 September 2020.

The Bank's Integrated Annual Corporate Governance Report (I-ACGR) was submitted to the regulators in August 2020 and was posted in 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 practices under the PSE CG Guidelines and the ASEAN Corporate Governance Scorecard. In 2020 reporting, the Bank generally complied with all the relevant provisions as set out in the Code of Corporate Governance.

With the utmost dedication in aligning its policies and procedures to the international benchmark in corporate governance, the Bank has been recognized as one of the top performing companies in the ASEAN region for achieving high scores in the corporate governance assessment.

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.

Awards

- The Asian Banker Bank Quality Consumer Survey and Rankings
 - Most Recommended Retail Bank in the Philippines, and 4th in Asia Pacific
 - 3rd Most Helpful Bank in the Philippines and 38th in Asia Pacific During Covid 19
- 2020 Annual Philippine Dealing System (PDS) Awards
 - Cesar EA Virata Award for Best Securities House (Bank Category)
 - Top 5 PDDTS-PvP Participants (Rank 2)
 - Top Corporate Securities Dealing Participant
 - Top Brokering Participant for Retail Transactions
 - Top Dealing Participant
- The Asset Benchmark Research Awards 2020
 - Top Investment Houses in Asian G3 Bonds (Rank 1)
 - Top Investment Houses in Asian Local Currency Bonds (Rank 4)
 - The most Astute Investors in Asian G3 Bonds (Rank 1)
 - The most Astute Investors in Asian Local Currency Bonds (Highly Commended)
 - Best Local Currency Bond Individual - Trading (Rank 2 & 3)
 - Best Local Currency Bond Individual - Sales (Rank 4 & Highly Commended)
- The Asset Top Sellside Firms in Asian Currency Bonds 2020
 - Top sellside firms in the secondary market - Corporate bonds - PHP (Rank 1)
 - Top sellside firms in the secondary market - Government bonds - PHP (Rank 1)
 - Top arrangers - Investors' Choice for primary issues - Government bonds - PHP (Rank 1)
- 2020 Fund Managers Association of the Philippines (FMAP) Awards & Fellowship Night
 - Best Fixed Income House (Rank 2)
 - Best Foreign Fixed Income Trader (Rank 1)
 - Best Local Fixed Income Trader (Rank 1)
- The Bureau of Treasury GSED-Market Maker
- Institute of Corporate Directors (ICD) Corporate Governance Award

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) 2020 vs. 2019		Increase (Decrease) 2019 vs. 2018	
	2020	2019	2018	Amount	%	Amount	%
Assets							
Cash and Other Cash Items	₱38,469	₱32,956	₱33,091	₱5,513	16.73	(₱135)	(0.41)
Due from Bangko Sentral ng Pilipinas	304,906	219,994	240,134	84,912	38.60	(20,140)	(8.39)
Due from Other Banks	38,233	54,767	45,802	(16,534)	(30.19)	8,965	19.57
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA)	79,394	72,174	50,719	7,220	10.00	21,455	42.30
Investment Securities at Fair Value Through Profit or Loss (FVTPL)	77,551	61,867	39,689	15,684	25.35	22,178	55.88
Fair Value Through Other Comprehensive Income (FVOCI)	569,445	202,520	111,288	366,925	181.18	91,232	81.98
Amortized Cost	23,293	251,628	265,376	(228,335)	(90.74)	(13,748)	(5.18)
Loans and Receivables	1,252,929	1,483,568	1,391,034	(230,639)	(15.55)	92,534	6.65
Property and Equipment	24,617	25,700	21,954	(1,083)	(4.21)	3,746	17.06
Investments in Associates and a Joint Venture	6,248	6,591	5,947	(343)	(5.20)	644	10.83
Goodwill	5,199	5,200	5,200	(1)	(0.02)	-	-
Investment Properties	7,667	7,762	7,500	(95)	(1.22)	262	3.49
Deferred Tax Assets	14,028	10,512	10,238	3,516	33.45	274	2.68
Other Assets	13,184	15,574	15,721	(2,390)	(15.35)	(147)	(0.94)
Total Assets	₱2,455,163	₱2,450,813	₱2,243,693	₱4,350	0.18	₱207,120	9.23

Liabilities and Equity							
Liabilities							
Deposit Liabilities							
CASA	₱1,311,357	₱1,077,507	₱964,944	₱233,850	21.70	₱112,563	11.67
<i>Demand</i>	515,378	411,873	355,473	103,505	25.13	56,400	15.87
<i>Savings</i>	795,979	665,634	609,471	130,345	19.58	56,163	9.22
Time	450,103	592,897	548,019	(142,794)	(24.08)	44,878	8.19
Long-Term Negotiable Certificates	35,755	43,740	43,790	(7,985)	(18.26)	(50)	(0.11)
	1,797,215	1,714,144	1,556,753	83,071	4.85	157,391	10.11
Bills Payable and Securities Sold Under Repurchase Agreements	139,614	238,281	259,607	(98,667)	(41.41)	(21,326)	(8.21)
Derivative Liabilities	13,465	7,427	6,537	6,038	81.30	890	13.61
Manager's Checks and Demand Drafts Outstanding	6,024	6,806	7,565	(782)	(11.49)	(759)	(10.03)
Income Taxes Payable	2,711	4,188	2,830	(1,477)	(35.27)	1,358	47.99
Accrued Interest and Other Expenses	9,149	10,499	9,619	(1,350)	(12.86)	880	9.15
Bonds Payable	91,397	80,486	30,743	10,911	13.56	49,743	161.80
Subordinated Debts	1,167	7,660	26,618	(6,493)	(84.77)	(18,958)	(71.22)
Non-equity Non-controlling Interest	8,315	6,553	6,747	1,762	26.89	(194)	(2.88)
Other Liabilities	52,931	56,278	45,970	(3,347)	(5.95)	10,308	22.42
Total Liabilities	2,121,988	2,132,322	1,952,989	(10,334)	(0.48)	179,333	9.18

	December 31			Increase (Decrease) 2020 vs. 2019		Increase (Decrease) 2019 vs. 2018	
	2020	2019	2018	Amount	%	Amount	%
Equity							
Equity Attributable to Equity Holders of the Bank							
Common stock	₱89,948	₱89,948	₱79,600	₱-	-	₱10,348	13.00
Capital paid in excess of par value	85,252	85,252	85,252	-	-	-	-
Surplus reserves	2,260	2,098	1,956	162	7.72	142	7.26
Surplus	153,282	144,154	130,550	9,128	6.33	13,604	10.42
Treasury stock	(65)	(72)	(67)	7	9.72	(5)	(7.46)
Remeasurement losses on retirement plan	(4,778)	(5,531)	(3,591)	753	13.61	(1,940)	(54.02)
Net unrealized loss on investment securities at FVOCI	7,611	2,629	(2,994)	4,982	189.50	5,623	187.81
Equity in other comprehensive income (losses) of investees	(22)	345	(27)	(367)	(106.38)	372	1,377.78
Translation adjustment and others	(9,284)	(9,269)	(7,719)	(15)	(0.16)	(1,550)	(20.08)
	324,204	309,554	282,960	14,650	4.73	26,594	9.40
Non-controlling Interest	8,971	8,937	7,744	34	0.38	1,193	15.40
Total Equity	333,175	318,491	290,704	14,684	4.61	27,787	9.56
Total Liabilities and Equity	₱2,455,163	₱2,450,813	₱2,243,693	₱4,350	0.18	₱207,120	9.23

Statements of Income

Interest Income	₱107,787	₱116,183	₱97,186	(₱8,396)	(7.23)	₱18,997	19.55
Interest and Finance Charges	21,680	39,186	28,364	(17,506)	(44.67)	10,822	38.15
Net Interest Income	86,107	76,997	68,822	9,110	11.83	8,175	11.88
Provision for Credit and Impairment Losses	40,760	10,078	7,770	30,682	304.45	2,308	29.70
Net Interest Income After Provision for Credit and Impairment Losses	45,347	66,919	61,052	(21,572)	(32.24)	5,867	9.61
Other Operating Income	35,129	29,054	22,910	6,075	20.91	6,144	26.82
Other Operating Expenses	60,120	57,906	53,656	2,214	3.82	4,250	7.92
Income Before Share in Net Income of Associates and a Joint Venture	20,356	38,067	30,306	(17,711)	(46.53)	7,761	25.61
Share in Net Income of Associates and a Joint Venture	664	868	874	(204)	(23.50)	(6)	(0.69)
Income Before Income Tax	21,020	38,935	31,180	(17,915)	(46.01)	7,755	24.87
Provision for Income Tax	7,046	10,061	7,745	(3,015)	(29.97)	2,316	29.90
Net Income	₱13,974	₱28,874	₱23,435	(₱14,900)	(51.60)	₱5,439	23.21
Attributable to:							
Equity holders of the Bank	₱13,831	₱28,055	₱22,008	(₱14,224)	(50.70)	₱6,047	27.48
Non-controlling interest	143	819	1,427	(676)	(82.54)	(608)	(42.61)
	₱13,974	₱28,874	₱23,435	(₱14,900)	(51.60)	₱5,439	23.21

Statements of Comprehensive Income

Net Income	₱13,974	₱28,874	₱23,435	(₱14,900)	(51.60)	₱5,439	23.21
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	(94)	(414)	(351)	320	77.29	(63)	(17.95)
Change in remeasurement gain (loss) on retirement plan	794	(2,038)	498	2,832	138.96	(2,536)	(509.24)
Items that may be reclassified to profit or loss:							
Change in net unrealized gain (loss) on investment on debt securities at FVOCI	5,038	6,142	(2,443)	(1,104)	(17.97)	8,585	351.41
Change in equity in other comprehensive income (loss) of investees	(370)	375	(50)	(745)	(198.67)	425	848.00
Translation adjustment and others	(23)	(399)	(309)	376	94.24	(90)	(29.13)
	4,645	6,118	(2,802)	(1,473)	(24.08)	8,920	318.34
Total Comprehensive Income for the Year	₱19,319	₱32,540	₱20,780	(₱13,221)	(40.63)	₱11,760	56.59
Attributable to:							
Equity holders of the Bank	₱19,140	₱31,214	₱19,665	(₱12,074)	(38.68)	₱11,549	58.73
Non-controlling Interest	179	1,326	1,115	(1,147)	(86.50)	211	18.92
	₱19,319	₱32,540	₱20,780	(₱13,221)	(40.63)	₱11,760	56.59

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, 2021 (unaudited)

Metrobank Group	₱72.65	₱0.95	15.70%	2.12%	3.69%
FMIC (a)	39.90	(0.17)	8.68%	4.04%	4.21%
PSBank	81.37	3.42	4.20%	0.66%	6.76%

For the Year 2020

Metrobank Group	₱72.10	₱3.08	4.36%	0.56%	3.98%
FMIC (a)	40.26	0.98	2.45%	1.05%	2.18%
PSBank	81.82	2.63	3.21%	0.50%	7.26%

For the Year 2019

Metrobank Group	₱68.84	₱6.24	9.47%	1.20%	3.84%
FMIC (a)	39.66	1.08	2.72%	1.02%	0.58%
PSBank	91.38	8.03	10.29%	1.31%	5.82%
MCC (b)	19.48	4.91	28.63%	5.55%	13.50%

(a) FMIC and Subsidiaries

(b) MCC was merged into the Parent Company effective January 3, 2020

A separate schedule showing financial soundness indicators of the Group as of December 31, 2020 and 2019 is presented in Exhibit "7" as an attachment to this report.

2020 Performance

Financial Position

As of December 31, 2020, the Metrobank Group posted a total assets of ₱2.46 trillion or higher by ₱4.35 billion compared with ₱2.45 trillion as of December 31, 2019. Total liabilities of the Group decreased to ₱2.12 trillion from ₱2.13 trillion or by ₱10.33 billion. On the other hand, equity attributable to equity holders of the Parent Company was higher by ₱14.65 billion from ₱309.55 billion to ₱324.20 billion.

Cash and Other Cash Items increased by ₱5.51 billion or 16.73%. Due from BSP which represents 12.42% of the Group's total assets increased by 38.60% due to the net effect of the increase in overnight deposit facility placement and term deposit with the BSP and lower reserve requirement. Due from Other Banks decreased by ₱16.53 billion or 30.19% 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 ₱7.22 billion or 10.0% due to the ₱20.25 billion increase in interbank loans receivable reduced by the ₱13.03 billion decrease in securities under resale agreement with the BSP.

Total investment securities which consisted of FVTPL, FVOCI and securities at amortized cost and represents 27.30% and 21.05% of the Group's total assets as of December 31, 2020 and 2019, respectively, went up by ₱154.27 billion or 29.90%. FVTPL securities consist of HFT securities and derivative assets amounting to ₱65.71 billion and ₱11.85 billion, respectively, as of December 31, 2020 and ₱53.38 billion and ₱8.49 billion, respectively, as of December 31, 2019. The ₱366.93 billion increase in FVOCI securities was mainly due to the net effect of the increases in investments in treasury notes and bonds (₱230.56 billion), treasury bills (₱81.50 billion) and BSP bonds (₱30.05 billion). In 2020, the Group disposed of investment securities at amortized cost as discussed in Note 8 of the audited financial statements of the Group as presented in Exhibit B.

Net loans and receivables, representing 51.03% and 60.53% of the Group's total assets as of December 31, 2020 and 2019, respectively, went down by ₱230.64 billion or 15.55% due to lower portfolios of corporate, commercial and consumer loans. Investments in Associates and a Joint Venture went down by ₱0.34 billion or 5.20% due to lower net income and other comprehensive income of the associates and a joint venture. Deferred Tax Assets increased by ₱3.52

billion or 33.45% due to movements on temporary tax differences. Other Assets decreased by ₱2.39 billion or 15.35% from ₱15.57 billion to ₱13.18 billion primarily due to the decreases in interoffice float items and creditable withholding tax.

Deposit liabilities represent 84.69% and 80.39% of the consolidated total liabilities as of December 31, 2020 and 2019, respectively, wherein, low cost deposits represent 72.97% and 62.86% of the Group's total deposits, respectively. The Group's deposit level, sourced by the Bank, PSBank and MBCL reached ₱1.80 trillion as of December 31, 2020, an increase of ₱83.07 billion or 4.85% from ₱1.71 trillion as of December 31, 2019. The increment came from demand and savings by ₱103.51 billion and ₱130.35 billion, respectively, while time deposits went down by ₱142.79 billion. Further, the ₱8.00 billion long-term negotiable certificates of deposits of the Parent Company had matured in April 2020.

Bills Payable and SSURA representing 6.58% and 11.17% of the Group's total liabilities as of December 31, 2020 and 2019, respectively, went down by ₱98.67 billion or 41.41% due to the net effect of lower borrowings from foreign banks by ₱38.43 billion, local banks by ₱7.81 billion and deposit substitutes by ₱53.99 billion offset by the ₱1.57 billion increase in SSURA. 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 ₱6.04 billion or 81.30%.

The decrease of ₱0.78 billion or 11.49% in Manager's Checks and Demand Drafts Outstanding resulted from normal banking operations of the Bank and PSBank. Income taxes payable decreased by ₱1.48 billion or 35.27% and Accrued Interest and Other Expenses went down by ₱1.35 billion or 12.86% due to decrease in accruals of interest expenses. Bonds payable increased by ₱10.91 billion or 13.56% on account of the ₱4.65 billion fixed rate bonds issued by PSBank, the ₱10.50 billion fixed rate bonds and USD500 million senior unsecured notes net of the maturity of ₱28.0 billion fixed rate bonds issued by the Parent Company. Details of these bonds are discussed in Note 19 of the audited financial statements of the Group as presented in Exhibit B. On August 8, 2020, the Parent Company redeemed its 2025 Notes ahead of its maturity, which caused the decrease in Subordinated Debts.

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 up by ₱1.76 billion or 26.89% due to the net effect of the increase in income and the decrease in ownership of these mutual funds. Other Liabilities decreased by ₱3.35 billion or 5.95% primarily due to the decreases in bills purchased contra (₱3.10 billion), notes payable (maturity in 2020 of the unsecured notes issued by ORIX Metro amounting to ₱2.59 billion) and marginal deposits (₱0.77 billion) offset by the increases in accounts payable (₱2.59 billion) and miscellaneous liabilities (₱2.84 billion).

Equity attributable to equity holders of the Parent Company increased by ₱14.65 billion or 4.73% mainly due to the net income reported during the year and improvement in net unrealized gain on investment securities at FVOCI.

Results of Operations

For the year ended December 31, 2020, interest income went down by ₱8.40 billion or 7.23% resulting from lower interest income on loans and receivables by ₱10.16 billion partially offset by the improvements in interest income on investment securities by ₱0.54 billion and on interbank loans receivable, deposit with banks and others by ₱1.22 billion. Meanwhile, lower interest expense on deposit liabilities by ₱12.08 billion and on borrowings by ₱5.43 billion accounted for the decrease of ₱17.51 billion or 44.67% in interest and finance charges. These resulted to a ₱9.11 billion or 11.83% improvement on net interest income.

Other operating income of ₱35.13 billion increased by ₱6.08 billion or 20.91% from ₱29.05 billion in 2019 on account of higher net trading and securities and gain by ₱1.24 billion and foreign exchange gain by ₱0.61 billion net of the decreases in fee-based income by ₱2.56 billion and miscellaneous income by ₱0.73 billion. The disposal of investment securities at amortized cost by the Group in 2020 (as discussed in Note 8 of the audited financial statements of the Group as presented in Exhibit B) resulted to a gain of ₱8.18 billion.

Total operating expenses increased by ₱2.21 billion or 3.82% from ₱57.91 billion to ₱60.12 billion with higher compensation and fringe benefits by ₱1.18 billion or 4.99%, occupancy and equipment-related costs by ₱0.21 billion or 11.41% and miscellaneous expenses by ₱1.10 billion or 6.66%. To recognize the impact of the current COVID-19 pandemic, the Group's provision for credit and impairment losses was increased to ₱40.76 billion from ₱10.08 billion in previous year. Provision for income tax was lower by ₱3.02 billion from ₱10.06 billion to ₱7.05 billion due to net movements in corporate, final and deferred income taxes.

Income attributable to non-controlling interests went down to ₱0.14 billion from ₱0.82 billion or by ₱0.68 billion or 82.54% due to lower net income. The audited income attributable to equity holders of the Parent Company for the year 2020 went down by ₱14.22 billion or 50.70% to P13.83 billion from the P28.06 billion net income reported in 2019.

Total comprehensive income went down by ₱13.22 billion from ₱32.54 billion to ₱19.32 billion for the year ended December 31, 2020 and 2019, respectively, due to the net effect of the decrease in net income, lower net unrealized gain recognized this year on FVOCI investments and the gain recognized in retirement liability. Total comprehensive income attributable to equity holders of the Parent Company for the year ended December 31, 2020, went down to ₱19.14 billion or by ₱12.07 billion from ₱31.21 billion for the same year in 2019.

Market share price was at ₱49.05 from ₱66.30 as of December 31, 2019 with a market capitalization of ₱220.60 billion as at December 31, 2020.

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 B.

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 4. 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.

Other Liabilities increased by ₱10.31 billion or 22.42% 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 ₱1.44 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.

2018 Performance

Financial Position

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

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

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

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

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

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

The decrease of ₱0.49 billion or 6.07% in Manager's Checks and Demand Drafts Outstanding resulted from normal banking operations of the Bank and PSBank. Income taxes payable decreased by ₱0.55 billion or 16.30% while Accrued Interest and Other Expenses went up by ₱2.65 billion or 37.95% due to increases in accruals of other bank expenses and interests on deposit liabilities. Bonds payable increased by ₱27.83 billion on account of the ₱10.00 billion and ₱18.00 billion fixed rate bonds issued by the Parent Company on November 9 and December 17, 2018, respectively, which bear an interest rate of 7.15% per annum and will mature on November 9, 2020. 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 ₱12.91 billion or 21.92% 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.

Key Variable and Other Qualitative and Quantitative Factors

Plans for 2021

Metrobank continues to reinforce its Core Values program and maintains the principles and standards espoused in its Meaningful Banking campaign as the Bank navigates through a new operating environment under this pandemic to deliver the “You’re in Good Hands” promise to each client. This commitment underpins the Bank’s continued focus on sustaining market relevance, alongside 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.

To adapt to an evolving environment, the Bank believes that fulfilling its promises will be dependent on a sustainable culture transformation and change management program, a robust IT infrastructure, as well as sound control and risk management practices. Thus, the Bank’s 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 633,415,049 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. Likewise, on August 8, 2020, the Bank redeemed the 2025 Peso Notes amounting to P6.5 billion, ahead of its maturity after approval by the BSP on May 7, 2020.

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, 2020, the Group's Capital Adequacy Ratio (CAR) and Common Equity Tier 1 (CET1) Ratio are 20.15% and 19.28%, respectively, both well above the regulatory requirements.

2020 Economic Performance

2020 was a very challenging year for the global economy amid the triple shock brought by the COVID-19 pandemic: a health crisis, strict lockdown measures, and a global recession of unprecedented scale. The Philippines, along with most of the world's economies, fell into recession, with the full-year 2020 GDP contraction coming in at -9.5%, a significant fall from the positive expansion of 6.0% in 2019. The sharp economic decline, especially in the second quarter of the year, was mainly attributed to the steep dive in household spending, deep slump in capital formation, and the collapse of external trade due to the impact of strict lockdown measures domestically and globally.

Full-year average inflation came in slightly higher at 2.6% compared to 2.5% in 2019 amid the faster annual increases in some commodity groups towards the end of the year. The price of food, a heavily-weighted commodity, was higher in the last quarter of the year as weather-related disturbances adversely affected domestic supply conditions. Nevertheless, the full-year average still came in within the BSP's target range of 2-4%.

Domestic interest rates remained low throughout 2020 on ample liquidity condition, benign inflation expectations, and subsequent policy rate cuts from the US Federal Reserve and the BSP. Central banks in almost all of the countries adopted a loose monetary policy stance to support their own economies. The Fed slashed the federal funds rate to near-zero in March and has been buying about \$120 billion in government-backed debt every month. Meanwhile the BSP cut key policy rates by a total of 200 basis points and deployed regulatory relief measures to complement fiscal stimulus and help stimulate the domestic economy.

Risk appetite was the key driver of the USD well into the end of 2020. Demand for the USD as a safe haven declined amid improving global market risk appetite especially for emerging market assets. The Philippine peso made strong gains and remained within the ₱48 level from the ₱50.69 close at the start of the year. The peso was even hailed as Asia's best performing currency last year.

To overcome the adverse impact of the pandemic on the domestic economy, the government launched a socioeconomic strategy to address the Covid-19 pandemic which included fiscal and monetary measures. On the fiscal side, the National Government approved several stimulus packages aimed at helping the highly-vulnerable sectors. On the monetary side, the BSP slashed key policy rates by a total of 200 basis points and deployed regulatory relief measures to complement fiscal stimulus and help stimulate the economy.

The near-term outlook for the global economy remains highly uncertain amid the renewed infection waves and new variants of the coronavirus. Nevertheless, a likely softening in the 1st half of 2021 is seen to usher in a recovery in the 2nd half as the roll-out of vaccination programs in different countries gain pace. Furthermore, the unprecedented policy support by governments is seen to continue and will become more targeted and flexible so as to adapt to fast-changing conditions.

For the Philippine economy, support will still largely come from the National Government and the BSP. A return of consumer confidence -- or the confidence of consumers to once again do both discretionary and non-discretionary spending -- will play a large role in the economic recovery because fundamentally, consumer spending is what drives the economic engines of the Philippines

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, 2020, the contractual maturity profile shows that the Bank has at its disposal about ₱1.192 trillion 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 76.29% of the ₱1.561 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 101.90% 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.

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, 2020 and 2019 (in millions):

	2020	2019
Trust Banking Group accounts	P567,841	P491,659
Credit card lines	205,815	209,766
Unused commercial letters of credit	42,283	44,036
Undrawn commitments – facilities to lend	17,413	21,980
Bank guaranty with indemnity agreement	8,591	9,904
Credit line certificate with bank commission	4,262	5,984
Outstanding guarantees	3,826	139
Outstanding shipside bonds/airway bills	2,594	1,931
Inward bills for collection	1,909	991
Late deposits/payments received	1,756	1,539
Confirmed export letters of credits	964	935
Outward bills for collection	821	850
Others	11,488	12,933
	P869,563	P802,647

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, 2020:

	<u>Effective % of Ownership</u>
Taal Land, Inc.	35.00%
Cathay International Resources Corporation	34.49%
Sumisho Motor Financing Corporation*	26.52% *
SMBC Metro Investment Corporation	30.00%
Northpine Land, Inc.	20.00%
Lepanto Consolidated Mining Company	13.35%

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

Material Commitments for Capital Expenditures

For the year 2021, the Bank estimates to incur capital expenditures of about P3.0 to P5.0 billion, of which 70% 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.

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 per Professional Regulatory Board of Accountancy Resolution No. 53, Series of 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	2020 and 2019 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

- The Bank intends to retain SGV as its external auditors for the year 2021. The external auditors are appointed annually by the registrant's Board of Directors in its organizational meeting held immediately after the Annual Stockholders' Meeting.
- 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)	
		2020	2019
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 (MTN, bonds).	₱24.50	₱41.77
Tax Fees		-	-
All Other Fees	Seminars and others	0.89	4.61
Total Fees		₱25.39	₱46.38

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 auditor 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 auditor shall be presented by the Controller to the Audit Committee, which shall then evaluate and endorse the appointment of the external auditor to the Board of Directors for approval.

On March 18, 2020, the Board of Directors approved the endorsement of the Audit Committee re-appointing SyCip Gorres Velayo & Co. (SGV) as the external auditors for 2020, and it was ratified by the stockholders during the Annual Stockholders' Meeting on May 28, 2020.

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 committee members, including the chairperson, may also be occasionally rotated.

Metrobank's Audit Committee is composed of the following:

Name of Member	Designation - Audit Committee	Designation - Registrant
Edgar O. Chua	Chairman	Independent Director
Francisco F. Del Rosario, Jr.	Regular Member	Independent Director
Solomon S. Cua	Regular Member	Director
Angelica H. Lavares	Regular Member	Independent Director

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

1. Recommend the appointment or selection, re-appointment and dismissal of the independent external auditor 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 and the recommendation should be approved by the Board and ratified by the stockholders. If the external auditor resigns or communicates 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 auditor, 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 auditor 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. These include (i) review of the adoption of applicable reporting framework as well as the assessment of the accuracy, adequacy, and reliability of accounting records and financial reports; (ii) assessment of the propriety and adequacy of disclosures in the financial statements; (iii) assessment of the adequacy and effectiveness of internal controls and risk management systems; (iv) assessment of the quality of capital in relation to risk exposures; and (v) evaluation of the quality of corporate governance, among others.
3. Set compensation of the external auditor 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.
4. Ensure that the external auditor 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.
5. Assess the extent of cooperation provided by the management during the conduct of external audit.
6. Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to the 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 auditor. The non-audit work, if allowed, should be disclosed in the Annual Report and Annual Corporate Governance Report.
7. Review management representation letters before these are transmitted to the external auditor to ensure that items in the letter are complete and appropriate.
8. Review the disposition of the recommendations in the external auditor's management letter.
9. Review and monitor the overall suitability and effectiveness and conduct of regular performance appraisal of external auditor on an annual basis. These shall involve assessing and monitoring the integrity, independence and objectivity of external auditor, and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements.

10. Continually engage external auditor on matters concerning audit quality and enhancements in audit processes.
11. 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 shall perform review of independent external auditor's 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.
12. Understand and assess the external auditor's opinion regarding the capability of the management and the adequacy of accounting or information systems to comply with the financial and prudential reporting responsibilities.
13. Meet with external auditor every semester or as the need arises.

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 per Professional Regulatory Board of Accountancy Resolution No 53, Series of 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. On January 21, 2021, the BOD of PSBank declared 7.50% regular cash dividend for the fourth quarter of 2020 amounting to ₱320.14 million or ₱0.75 per share, payable on February 22, 2021 to all stockholders of record as of February 5, 2021.
2. On February 17, 2021, the BOD of the Parent Company declared a regular cash dividend of ₱1.00 per share and a special cash dividend of ₱3.00 per share payable on March 18, 2021 to all stockholders of record as of March 5, 2021.

Others

As of December 31, 2020, 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 except that in order to anticipate the impact of COVID-19 pandemic, as required by the expected credit loss model of PFRS 9, the Group increased provisions for credit and impairment losses to ₱40.8 billion for the year ended December 31, 2020.
2. Explanatory comments about the seasonality or cyclicity of operations.
3. Issuances, repurchases and repayments of debt and equity securities except for (a) maturity of the ₱8.0 billion LTNCD and ₱28.0 billion fixed rate bonds of the Bank; (b) issuances of the ₱10.5 billion fixed rate bonds and US\$ 500 million senior unsecured notes of the Bank and the ₱4.65 billion fixed rate bonds of PSBank; (c) redemption of the 2025 Peso Notes by the Bank and (d) maturity of the ₱1.7 billion and ₱895.2 million unsecured notes issued by ORIX Metro on April 29 and October 29, 2020, respectively as discussed in Notes 16, 19, 20 and 21 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 disposal of investment securities at amortized cost and payment of cash dividends by the Bank, as discussed in Notes 8 and 23, respectively, 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 (2020 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 March 17, 2021.

METROPOLITAN BANK & TRUST COMPANY

Registrant

By:

Laarni D. Bernabe

LAARNI D. BERNABE
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me at Makati City, Metro Manila this MAR 17 2021, affiants exhibiting to me her Passports with the following details:

Names	Passport No.	Date/Place of Issue	Valid Until
LAARNI D. BERNABE			

Doc. No. 474 :
Page No. 96 :
Book No. 49 :
Series of 2021

Maria Sofia A. Lopez
ATTY. MARIA SOFIA A. LOPEZ
Notary Public for Makati City
Appointment-No. M-264 until Dec. 31, 2021
10/F Metrobank Plaza, Sen. Gil Puyat Ave., Makati City
Roll No. 38610/5.13.1993/MCLE Comp.No. VI-0009478
PTR No. MKT8530491; 01.04.2021, Makati City
IBP No. 144752; 01.07.2021, Quezon City

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
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
<i>Not Applicable</i>		

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
<i>Not Applicable</i>		

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 _____ day of MAR 16 2021 2021, at Makati City.



FRANCISCO F. DEL ROSARIO, JR.
Affiant

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

MAKATI CITY SUBSCRIBED AND SWORN to before me this _____ day of MAR 16 2021 at
No. _____ & SENIOR ID NO. _____, affiant personally appeared before me and exhibited to me his Tax Identification

Doc. No.: 45
Page No.: 9
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Series of 2021.



ATTY. JAN PATRICK O. MIRAFLORES
Notary Public, City of Makati
Appointment No. M-517 – Until December 31, 2020
Extended until June 30, 2021 per SC resolution dtd. 12.01.2020
10/F, Metrobank Plaza
Sen. Gil Puyat Avenue, Makati City 1200
Roll of Attorneys No. 60380
PTR No. MKT 8530498/01-04-2021/Makati City
IBP No. 144757/01-07-2021/Quezon City
MCLE Certificate No. VI-0021504-01-14-21

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
Amber Kinetics 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	Trustee	Current
College of Saint Benilde	Chairman	Current
De La Salle Bacolod	Chairman	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
National Resilience Council	Co-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
<i>Not Applicable</i>		

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
<i>Not Applicable</i>		

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 _____ day of MAR 16 2021 2021, at Makati City.


EDGAR O. CHUA
 Affiant

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

SUBSCRIBED AND SWORN to before me this _____ day of MAR 16 2021 at MAKATI CITY, affiant personally appeared before me and exhibited to me his Tax Identification No. ██████████, & passport no. ██████████

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 Page No.: 10
 Book No.: 2
 Series of 2021.


 ATTY. JAN PATRICK O. MIRAFLOR
 Notary Public, City of Makati
 Appointment No. M-517 - Until December 31, 2020
 Extended until June 30, 2021 per SC resolution dtd. 12.01.2020
 10/F, Metrobank Plaza
 Sen. Gil Puyat Avenue, Makati City 1200
 Roll of Attorneys No.60380
 PTR No. MKT 8530496/01-04-2021/Makati City
 IBP No. 144757/01-07-2021/Quezon City
 MCLE Certificate No. VI-0021504: 04.14.22

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
<i>Not Applicable</i>		

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
<i>Not Applicable</i>		

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 _____ day of MAR 16 2021, at Makati City.



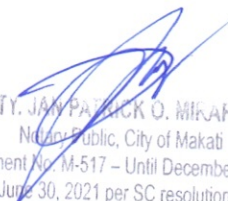
ANGELICA H. LAVARES

Affiant

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

SUBSCRIBED AND SWORN to before me this _____ day of MAR 16 2021 at MAKATI CITY, affiant personally appeared before me and exhibited to me her Tax Identification No. [REDACTED] & NON-PROFESSIONAL DRIVER'S LICENSE NO. [REDACTED]

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ATTY. JAN PATRICK O. MIRAFLORES
Notary Public, City of Makati
Appointment No. M-517 – Until December 31, 2020
Extended until June 30, 2021 per SC resolution dtd. 12.01.2020
10/F, Metrobank Plaza
Sen. Gil Puyat Avenue, Makati City 1200
Roll of Attorneys No. 60380
PTR No. MKT 8530498/01-04-2021/Makati City
IBP No. 144757/01-07-2021/Quezon City
MCLE Certificate No. VI-0021504; 04.14.22

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 and have been its independent director since May 28, 2020.
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	2019– Present
Multico Prime Power Inc	Vice Chairman / Director	1998 – Present
American Chamber of Commerce of the Philippines.	Director Ex-Officio /Treasurer	2001 - 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
Impact Environmental Solutions	Director	2020 – Present
Advancement for Rural Kids	Board Member	2020 - 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
<i>Not Applicable</i>		

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
<i>Not Applicable</i>		

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.

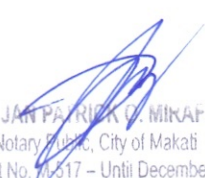
Done, this _____ day MAR 16 2021 2021, at Makati City.


PHILIP G. SOLIVEN
 Affiant

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

SUBSCRIBED AND SWORN to before me this _____ day of MAR 16 2021 at MAKATI CITY, affiant personally appeared before me and exhibited to me his Tax Identification No. _____, & MAN' PUFF (S)IONATZ ORAVET'S LICENSE M. _____

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 Book No.: 1
 Series of 2021.


 ATTY. JAN PA RIEK O. MIRAPLOR
 Notary Public, City of Makati
 Appointment No. 71317 - Until December 31, 2020
 Extended until June 30, 2021 per SC resolution dtd. 12.01.2020
 10/F, Metrobank Plaza
 Sen. Gil Puyat Avenue, Makati City 1200
 Roll of Attorneys No.60380
 PTR No. MKT 8530498/01-04-2021/Makati City
 IRP No. 144757/01-07-2021/Quezon City
 MCE Certificate No. 194021004, 04-14-22

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **MARCELO C. FERNANDO, 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;
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
AIC Group of Companies Holding Corp.	Board Director	2018– Present
AGC Properties	Board Director	2020 - Present
Fuego Y Hielo, Inc.	President and Chairman	2018 – 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
<i>Not Applicable</i>		

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
<i>Not Applicable</i>		

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 _____ day of MAR 16 2021 2021, at Makati City.


MARCELO C. FERNANDO, JR.
Affiant

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

SUBSCRIBED AND SWORN to before me this _____ day of MAR 16 2021 at MAKATI CITY, affiant personally appeared before me and exhibited to me his Tax Identification No. [REDACTED], & UNIFIED MULTI-PURPOSE ID ORN NO. [REDACTED]

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Page No.: 10
Book No.: 2
Series of 2021.


ATTY. JAN PATRICK O. MIRAFLOR
Notary Public, City of Makati
Appointment No. M-517 – Until December 31, 2020
Extended until June 30, 2021 per SC resolution dtd. 12.01.2020
10/F, Metrobank Plaza
Sen. Gil Puyat Avenue, Makati City 1200
Roll of Attorneys No.60380
PTR No. MKT 8530498/01-04-2021/Makati City
IBP No. 144757/01-07-2021/Quezon City
MCLE Certificate No. VI-0021504; 04.14.22

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

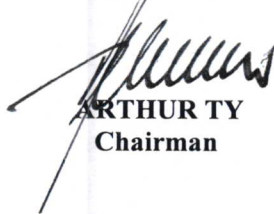
The management of Metropolitan Bank & Trust Company and Subsidiaries (the Group) and of Metropolitan Bank & Trust Company (the Parent Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, 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.

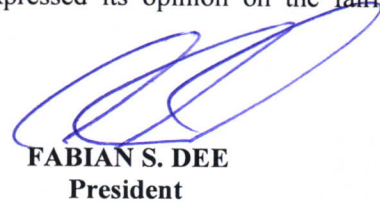
The Board of Directors is responsible for overseeing the financial reporting process.

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

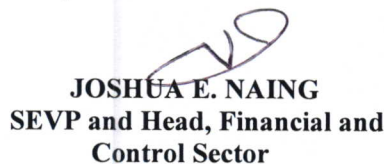
SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has audited the financial statements of the Group and of the Parent Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation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



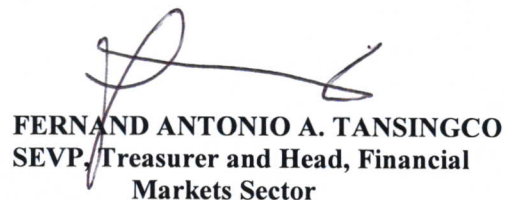
ARTHUR TY
Chairman



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



RENATO K. DE BORJA, JR.
SVP and Controller


Signed this 17th day of February, 2021.

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

SUBSCRIBED AND SWORN to before me at Makati City, Metro Manila this MAR 01 2021, affiants exhibiting to me their respective Passports with the following details:

Names	Passport No.	Date/Place of Issue	Valid Until
ARTHUR TY			
FABIAN S. DEE			
JOSHUA E. NAING			
FERNAND ANTONIO A. TANSINGCO			
RENATO K. DE BORJA, JR.			

Doc. No. 332 ;
Page No. 68 ;
Book No. 49 ;
Series of 2021.


ATTY. MARIA SOFIA A. LOPEZ
Notary Public for Makati City
Appointment No. M-264 until Dec. 31, 2021
10/F Metrobank Plaza, Sen. Gil Puyat Ave., Makati City
Roll No. 38610/5.13.1993/MCLE Comp.No. VI-0009478
PTR No. MKT8530491; 01.04.2021, Makati City
IBP No. 144752; 01.07.2021, Quezon City

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number
2 0 5 7 3

COMPANY NAME
METROPOLITAN BANK & TRUST COMPANY
ANY AND SUBSIDIARIES

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)
Metrobank Plaza, Sen. Gil Puyat
Avenue, Urdaneta Village, Makati
City, Metro Manila

Form Type: A A F S
Department requiring the report
Secondary License Type, If Applicable

COMPANY INFORMATION
Company's Email Address: https://www.metrobank.com.ph
Company's Telephone Number: 8898-8805
Mobile Number: N/A
No. of Stockholders: 2,999
Annual Meeting (Month / Day): 04/28
Fiscal Year (Month / Day): 12/31

CONTACT PERSON INFORMATION
The designated contact person MUST be an Officer of the Corporation
Name of Contact Person: RENATO K. DE BORJA, JR.
Email Address
Telephone Number/s: 8898-8805
Mobile Number

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



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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2020, 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

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 on loans and receivables 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, taking into account extension of payment terms and payment holidays provided as a result of the coronavirus pandemic; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts, and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information, including the impact of the coronavirus pandemic, in calculating ECL.

Allowance for credit losses as of December 31, 2020 for the Group and the Parent Company amounted to ₱55.2 billion and ₱44.4 billion, respectively. Provision for credit losses of the Group and the Parent Company in 2020 amounted to ₱40.8 billion and ₱32.7 billion, respectively.

Refer to Notes 2, 3 and 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, *Financial Instruments* 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, credit risk management policies and practices in place, and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested the Group's and the Parent Company's application of internal credit risk rating system, including the impact of the coronavirus pandemic on the borrowers, 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, and the effects of any financial support and credit enhancements provided by any party; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) checked the 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, including the impact of the coronavirus pandemic; 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 involved our internal specialists in the performance of the above procedures. We reviewed the completeness of the disclosures made in the financial statements.

Accounting for Disposals of Investment Securities under a Hold-to-collect Business Model

In 2020, the Group and the Parent Company disposed investment securities managed under the hold-to-collect (HTC) business model with aggregate carrying amount of ₱113.4 billion and ₱93.9 billion, respectively. The disposals resulted in a gain of ₱8.2 billion for the Group and ₱6.9 billion for the Parent Company. Investment securities held under an HTC business model, which are classified as 'Investment securities at amortized cost', are managed to realize cash flows by collecting contractual payments over the life of the instrument.

The accounting for the disposals is significant to our audit because the amounts involved are material (45.1% and 43.3% of the total investment securities at amortized cost of the Group and the Parent Company, respectively, and 5.7% and 6.1% of the total operating income of the Group and Parent Company, respectively). Moreover, it involves the exercise of significant judgment by management in assessing whether the disposals are consistent with the HTC business model or that they resulted from a change in business model. A change in business model would impact the measurement of the remaining securities in the affected portfolios. Under PFRS 9, a change in business model is expected to be very infrequent as it must be significant to the Group's and the Parent Company's operations and demonstrable to external parties.



Refer to Note 8 of the financial statements for the disclosure on the disposals of investment securities at amortized cost and change in business model.

Audit response

We obtained an understanding of the Group's and the Parent Company's objectives for disposals of investment securities at amortized cost through inquiries with management and review of approved internal documentations, including governance over the disposals. We evaluated management's assessment of the impact of the disposals in reference to the Group's and the Parent Company's business models and the provisions of the relevant accounting standards and regulatory issuances. For disposals resulting from change in business model of the Parent Company, we reviewed the new business model documentation to check whether the new policies and procedures for managing the investment securities reflect the change in the objective of the business model. We also reviewed the calculation of the gains on the disposals and the measurement of the remaining securities in the affected portfolios. We reviewed the reclassification adjustment made by the Parent Company based on the requirements of PFRS 9.

We reviewed the disclosures related to the disposals and change in business model based on the requirements of PFRS 7, *Financial Instruments: Disclosures*, PFRS 9 and Philippine Accounting Standard (PAS 1), *Presentation of Financial Statements*.

Realizability of Deferred Tax Assets

As of December 31, 2020, the deferred tax assets of the Group and the Parent Company amounted to ₱14.0 billion and ₱11.4 billion, respectively. The recognition of deferred tax assets is significant to our audit because it requires significant judgment and is based on assumptions such as availability of future taxable income and the timing of the reversal of the temporary differences that are affected by expected future market or economic conditions and the expected performance of the Group and the Parent Company. The estimation uncertainty on the Group's and Parent Company's expected performance has increased as a result of the uncertainties brought about by the coronavirus pandemic.

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

Audit Response

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



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, 2020, the Group has an investment in associate amounting to ₱1.9 billion whose fair value has declined significantly from acquisition cost. The Group performed impairment testing by calculating both the fair value less costs to sell (FVLCTS) and value-in-use (VIU) to determine the higher amount that should be used as the recoverable amount. 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 and the impact of the coronavirus pandemic. 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, 2020, 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) FVLCTS. The annual impairment test is significant to our audit because the determination of the CGU's FVLCTS requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic. 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 and adjusted net asset valuation (NAV) method. 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 relating 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 and adjusted NAV method 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 comparing the discount rates used against prevailing interest rates for similar instruments, taking into consideration the impact associated with the coronavirus pandemic. 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, 2020, 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, 2020 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.

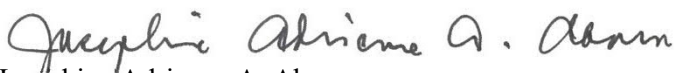
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 and 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 BSP Circular No. 1074 in Note 37 and Revenue Regulations No. 15-2010 in Note 38 to the financial statements is presented for purposes of filing with the BSP and Bureau of Internal Revenue, respectively, 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. 8534208, January 4, 2021, Makati City

February 17, 2021



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

	Consolidated		Parent Company	
	December 31			
	2020	2019	2020	2019
ASSETS				
Cash and Other Cash Items	₱38,469	₱32,956	₱35,606	₱30,659
Due from Bangko Sentral ng Pilipinas (BSP) (Notes 4 and 16)	304,906	219,994	262,188	195,770
Due from Other Banks (Note 4)	38,233	54,767	22,742	38,698
Interbank Loans Receivable and Securities Purchased Under Resale Agreements (SPURA) (Notes 4, 7 and 26)	79,394	72,174	57,205	56,152
Investment Securities at Fair Value Through Profit or Loss (FVTPL) (Note 8)	77,551	61,867	67,956	49,550
Fair Value Through Other Comprehensive Income (FVOCI) (Notes 4 and 8)	569,445	202,520	542,666	188,676
Amortized Cost (Notes 4 and 8)	23,293	251,628	7,909	216,644
Loans and Receivables (Notes 4 and 9)	1,252,929	1,483,568	1,048,742	1,177,101
Property and Equipment (Note 10)	24,617	25,700	18,429	17,857
Investments in Subsidiaries (Note 11)	–	–	67,181	95,739
Investments in Associates and a Joint Venture (Note 11)	6,248	6,591	565	542
Goodwill (Note 11)	5,199	5,200	–	–
Investment Properties (Note 12)	7,667	7,762	3,369	3,291
Deferred Tax Assets (Note 28)	14,028	10,512	11,394	6,918
Other Assets (Note 14)	13,184	15,574	8,047	9,838
	₱2,455,163	₱2,450,813	₱2,153,999	₱2,087,435
LIABILITIES AND EQUITY				
LIABILITIES				
Deposit Liabilities (Notes 16 and 31)				
Demand	₱515,378	₱411,873	₱467,545	₱372,303
Savings	795,979	665,634	755,713	630,946
Time	450,103	592,897	332,323	461,713
Long-Term Negotiable Certificates	35,755	43,740	27,330	35,330
	1,797,215	1,714,144	1,582,911	1,500,292
Bills Payable and Securities Sold Under Repurchase Agreements (SSURA) (Notes 17 and 31)	139,614	238,281	108,651	139,072
Derivative Liabilities (Note 8)	13,465	7,427	11,813	5,994
Manager's Checks and Demand Drafts Outstanding	6,024	6,806	5,493	5,508
Income Taxes Payable	2,711	4,188	1,992	3,259
Accrued Interest and Other Expenses (Note 18)	9,149	10,499	6,432	6,654
Bonds Payable (Notes 19 and 31)	91,397	80,486	76,355	70,110
Subordinated Debts (Note 20)	1,167	7,660	1,167	6,494
Non-equity Non-controlling Interest (Note 21)	8,315	6,553	–	–
Other Liabilities (Note 21)	52,931	56,278	34,296	30,060
	2,121,988	2,132,322	1,829,110	1,767,443

(Forward)



	Consolidated		Parent Company	
	December 31			
	2020	2019	2020	2019
EQUITY				
Equity Attributable to Equity Holders of the Parent Company				
Common stock (Note 23)	₱89,948	₱89,948	₱89,948	₱89,948
Capital paid in excess of par value (Note 23)	85,252	85,252	85,252	85,252
Treasury stock (Notes 23 and 31)	(65)	(72)	(65)	(72)
Surplus reserves (Note 24)	2,260	2,098	2,260	2,098
Surplus (Note 23)	153,282	144,154	153,282	144,154
Net unrealized gain on investment securities at FVOCI (Note 8)	7,611	2,629	7,611	2,629
Remeasurement losses on retirement plans (Notes 11 and 27)	(4,778)	(5,531)	(4,778)	(5,531)
Equity in other comprehensive income (losses) of investees (Note 11)	(22)	345	(22)	345
Translation adjustment and others (Note 11)	(9,284)	(9,269)	(8,599)	1,169
	324,204	309,554	324,889	319,992
Non-controlling Interest (Note 11)	8,971	8,937	–	–
	333,175	318,491	324,889	319,992
	₱2,455,163	₱2,450,813	₱2,153,999	₱2,087,435

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					
	2020	2019	2018	2020	2019	2018
INTEREST INCOME ON						
Loans and receivables (Notes 9 and 31)	₱85,690	₱95,847	₱79,659	₱64,281	₱59,603	₱46,860
Investment securities at FVOCI and at amortized cost (Note 8)	17,093	16,573	14,610	15,285	13,778	11,592
Investment securities at FVTPL (Note 8)	1,958	1,936	1,170	1,754	1,695	1,006
Interbank loans receivable and securities purchased under resale agreements (SPURA) (Notes 7 and 31)	876	941	1,092	406	468	441
Deposits with banks and others	2,170	886	655	1,561	689	422
	107,787	116,183	97,186	83,287	76,233	60,321
INTEREST AND FINANCE CHARGES						
Deposit liabilities (Notes 16 and 31)	11,326	23,407	18,968	7,724	17,293	13,447
Bills payable and securities sold under repurchase agreements, bonds payable, subordinated debts and others (Notes 13, 17, 19, 20, 21 and 31)	10,354	15,779	9,396	7,445	9,019	4,546
	21,680	39,186	28,364	15,169	26,312	17,993
NET INTEREST INCOME	86,107	76,997	68,822	68,118	49,921	42,328
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES (Notes 3 and 15)	40,760	10,078	7,770	32,745	1,644	807
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	45,347	66,919	61,052	35,373	48,277	41,521
OTHER OPERATING INCOME						
Service charges, fees and commissions (Notes 25 and 31)	11,703	14,266	12,695	8,991	5,145	4,954
Gain on disposal of investment securities at amortized cost (Note 8)	8,184	150	–	6,891	–	–
Trading and securities gain - net (Notes 8, 21 and 31)	6,559	5,322	2,541	6,217	4,352	3,041
Foreign exchange gain (loss) - net (Note 31)	4,409	3,798	210	4,320	3,521	(66)
Leasing (Notes 12, 13 and 31)	2,007	2,122	2,252	200	210	224
Income from trust operations (Notes 24 and 31)	1,444	1,241	1,290	1,401	1,204	1,259
Dividends (Note 8)	139	172	141	28	29	23
Profit from assets sold (Notes 10, 12, 14 and 31)	15	585	1,371	106	210	623
Miscellaneous (Note 25)	669	1,398	2,410	734	83	401
	35,129	29,054	22,910	28,888	14,754	10,459
OTHER OPERATING EXPENSES						
Compensation and fringe benefits (Notes 27 and 31)	24,890	23,706	22,368	18,795	16,023	15,115
Taxes and licenses (Note 28)	9,925	10,219	8,776	7,878	6,466	5,253
Depreciation and amortization (Notes 10, 12 and 14)	5,545	5,538	4,084	2,965	2,568	1,690
Occupancy and equipment-related costs (Note 13)	2,080	1,867	3,193	1,500	1,162	1,824
Miscellaneous (Note 25)	17,680	16,576	15,235	14,056	11,086	9,573
	60,120	57,906	53,656	45,194	37,305	33,455
INCOME BEFORE SHARE IN NET INCOME OF SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE	20,356	38,067	30,306	19,067	25,726	18,525
SHARE IN NET INCOME OF SUBSIDIARIES, ASSOCIATES AND A JOINT VENTURE (Note 11)	664	868	874	1,674	8,938	7,967
INCOME BEFORE INCOME TAX	21,020	38,935	31,180	20,741	34,664	26,492
PROVISION FOR INCOME TAX (Note 28)	7,046	10,061	7,745	6,910	6,609	4,484
NET INCOME	₱13,974	₱28,874	₱23,435	₱13,831	₱28,055	₱22,008
Attributable to:						
Equity holders of the Parent Company (Note 32)	₱13,831	₱28,055	₱22,008			
Non-controlling interest (Note 11)	143	819	1,427			
	₱13,974	₱28,874	₱23,435			
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 32)	₱3.08	₱6.24	₱5.16*			

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

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					
	2020	2019	2018	2020	2019	2018
Net Income	₱13,974	₱28,874	₱23,435	₱13,831	₱28,055	₱22,008
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	(94)	(414)	(351)	(93)	(410)	(347)
Change in remeasurement gain (loss) on retirement plans (Notes 11 and 27)	794	(2,038)	498	753	(1,940)	434
	700	(2,452)	147	660	(2,350)	87
Items that may be reclassified to profit or loss:						
Change in net unrealized gain (loss) on investment in debt securities at FVOCI (Note 8)	5,038	6,142	(2,443)	5,031	6,052	(2,324)
Change in equity in other comprehensive income (loss) of investees (Note 11)	(370)	375	(50)	(367)	372	(49)
Translation adjustment and others (Note 11)	(23)	(399)	(309)	(15)	(915)	(57)
	4,645	6,118	(2,802)	4,649	5,509	(2,430)
Total Comprehensive Income for the Year	₱19,319	₱32,540	₱20,780	₱19,140	₱31,214	₱19,665
Attributable to:						
Equity holders of the Parent Company	₱19,140	₱31,214	₱19,665			
Non-controlling interest	179	1,326	1,115			
	₱19,319	₱32,540	₱20,780			

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 24)	Surplus (Note 23)	Net Unrealized Gain (Loss) on Investment Securities at FVOCI (Note 8)	Remeasurement Losses on Retirement Plans (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, 2020	₱89,948	₱85,252	(₱72)	₱2,098	₱144,154	₱2,629	(₱5,531)	₱345	(₱9,269)	₱309,554	₱-	₱8,937	₱318,491
Total comprehensive income (loss) for the year	-	-	-	-	13,831	4,938	753	(367)	(15)	19,140	-	179	19,319
Transfer to surplus reserves	-	-	-	162	(162)	-	-	-	-	-	-	-	-
Cash dividend (Note 23)	-	-	-	-	(4,497)	-	-	-	-	(4,497)	-	(145)	(4,642)
Realized gain (loss) on sale of equity securities at FVOCI	-	-	-	-	(44)	44	-	-	-	-	-	-	-
Acquisition of Parent Company shares held by mutual fund subsidiary	-	-	(22)	-	-	-	-	-	-	(22)	-	-	(22)
Disposal of Parent Company shares held by mutual fund subsidiary	-	-	29	-	-	-	-	-	-	29	-	-	29
Balance as at December 31, 2020	₱89,948	₱85,252	(₱65)	₱2,260	₱153,282	₱7,611	(₱4,778)	(₱22)	(₱9,284)	₱324,204	₱-	₱8,971	₱333,175
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 (Note 23)	-	-	-	-	(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 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 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 (Note 23)	-	-	-	-	(3,180)	-	-	-	-	(3,180)	-	(520)	(3,700)
Realized gain (loss) on sale of equity securities at FVOCI	-	-	-	-	(122)	122	-	-	-	-	-	-	-
Parent Company share 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



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 (Note 8)	Remeasurement Losses on Retirement Plans (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, 2020	₱89,948	₱85,252	(₱72)	₱2,098	₱144,154	₱2,629	(₱5,531)	₱345	₱1,169	₱319,992
Total comprehensive income (loss) for the year	-	-	-	-	13,831	4,938	753	(367)	(15)	19,140
Transfer to surplus reserves	-	-	-	162	(162)	-	-	-	-	-
Cash dividend (Note 23)	-	-	-	-	(4,497)	-	-	-	-	(4,497)
Share in realized gain (loss) on sale of equity securities at FVOCI	-	-	-	-	(44)	44	-	-	-	-
Acquisition of Parent Company shares held by mutual fund subsidiary	-	-	(22)	-	-	-	-	-	-	(22)
Disposal of Parent Company shares held by mutual fund subsidiary	-	-	29	-	-	-	-	-	-	29
Impact of merger (Note 11)	-	-	-	-	-	-	-	-	(9,753)	(9,753)
Balance as at December 31, 2020	₱89,948	₱85,252	(₱65)	₱2,260	₱153,282	₱7,611	(₱4,778)	(₱22)	(₱8,599)	₱324,889
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 (Note 23)	-	-	-	-	(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 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 (Note 23)	-	-	-	-	(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

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					
	2020	2019	2018	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES						
Income before income tax	₱21,020	₱38,935	₱31,180	₱20,741	₱34,664	₱26,492
Adjustments for:						
Provision for credit and impairment losses (Note 15)	40,760	10,078	7,770	32,745	1,644	807
Trading and securities loss (gain) on investment securities at FVOCI (Note 8)	(8,307)	(4,403)	115	(8,007)	(3,788)	24
Gain on disposal of investment securities at amortized cost (Note 8)	(8,184)	(150)	–	(6,891)	–	–
Depreciation and amortization (Notes 10, 12 and 14)	4,865	4,906	3,572	2,467	2,327	1,559
Unrealized market valuation loss (gain) on financial assets and liabilities at FVTPL	2,275	1,395	(3,499)	2,323	1,612	(3,494)
Amortization of software costs (Note 14)	680	632	512	498	241	131
Share in net income of subsidiaries, associates and a joint venture (Note 11)	(664)	(868)	(874)	(1,674)	(8,938)	(7,967)
Dividends (Note 8)	(139)	(172)	(141)	(28)	(29)	(23)
Gain on initial recognition of investment properties and chattel properties acquired in foreclosure (Note 25)	(127)	(487)	(638)	(15)	(33)	(23)
Amortization of discount on subordinated debts, bonds payable and lease liability (Notes 19 and 20)	49	605	45	33	342	34
Profit from assets sold (Notes 10 and 12)	(15)	(585)	(1,371)	(106)	(210)	(623)
Decrease (increase) in:						
Investment securities at FVTPL	(11,921)	(22,009)	5,735	(15,217)	(21,184)	3,617
Loans and receivables	189,422	(107,137)	(138,128)	170,250	(63,413)	(117,786)
Other assets	1,489	293	(5,785)	2,208	(1,390)	(4,737)
Increase (decrease) in:						
Deposit liabilities	83,071	157,391	28,791	83,179	174,301	12,044
Bills payable - deposit substitutes	(53,987)	7,972	(14,952)	–	–	–
Manager's checks and demand drafts outstanding	(782)	(759)	(489)	(15)	(442)	110
Accrued interest and other expenses	(1,350)	880	2,646	(1,683)	1,029	1,720
Other liabilities	(550)	6,624	(8,732)	(1,617)	4,034	(3,187)
Non-equity non-controlling interest	1,762	(194)	(1,255)	–	–	–
Net cash provided by (used in) operations	259,367	92,947	(95,498)	279,191	120,767	(91,302)
Dividends received (Note 8)	139	172	141	28	29	23
Income taxes paid	(13,201)	(8,715)	(8,489)	(12,198)	(5,097)	(4,886)
Net cash provided by (used in) operating activities	246,305	84,404	(103,846)	267,021	115,699	(96,165)
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisitions of:						
Investment securities at FVOCI (Note 4)	(2,098,769)	(1,286,010)	(786,157)	(2,061,832)	(1,267,741)	(774,480)
Property and equipment (Note 10)	(2,427)	(3,722)	(2,889)	(1,641)	(1,999)	(1,473)
Investment securities at amortized cost (Note 4)	–	(4,488)	(7,017)	–	(4,333)	(5,037)
Investments in subsidiaries and associates (Note 11)	–	(9)	–	–	(7,839)	(15,011)
Software (Note 14)	–	–	(636)	–	–	(233)
Proceeds from sale of:						
Investment securities at FVOCI (Notes 4 and 11)	1,846,610	1,203,883	764,214	1,822,062	1,180,411	759,803
Investment properties (Note 12)	898	1,475	1,896	242	553	626
Property and equipment (Note 10)	151	955	585	251	76	278
Proceeds from:						
Disposal of investment securities at amortized cost (Note 8)	121,617	16,686	–	100,747	–	–
Maturity of investment securities at amortized cost	15,164	920	4,077	15,000	469	30
Decrease (increase) in interbank loans receivable and SPURA (Note 26)	(27,873)	6,489	1,388	(25,794)	407	5,984
Cash dividends from investees (Note 11)	637	169	462	1,103	1,073	2,448
Impact of merger (Note 11)	–	–	–	6,485	–	–
Return of investment from an associate (Note 11)	–	–	180	–	–	180
Net cash used in investing activities	(143,992)	(63,652)	(23,897)	(143,377)	(98,923)	(26,885)

(Forward)



	Consolidated			Parent Company		
	Years Ended December 31					
	2020	2019	2018	2020	2019	2018
CASH FLOWS FROM FINANCING						
ACTIVITIES (Note 26)						
Settlements of bills payable	(₱1,943,290)	(₱4,721,604)	(₱4,472,284)	(₱1,906,626)	(₱3,574,659)	(₱3,445,236)
Availments of bills payable and SSURA	1,898,610	4,692,306	4,519,008	1,819,205	3,562,652	3,489,833
Proceeds from issuance of:						
Bonds payable (Note 19)	38,869	52,499	27,826	34,219	42,135	27,826
Stock rights (Note 23)	-	-	59,110	-	-	59,110
Notes payable (Note 21)	-	-	2,600	-	-	-
Repayments of:						
Bonds payable (Note 19)	(28,000)	(3,000)	-	(28,000)	-	-
Subordinated debts (Note 20)	(6,500)	(19,000)	-	(6,500)	(16,000)	-
Notes payable (Note 21)	(2,592)	-	-	-	-	-
Cash dividends paid (Note 23)	(4,642)	(4,113)	(3,700)	(4,497)	(3,980)	(3,180)
Payment of principal portion of lease liabilities (Note 13)	(1,409)	(1,213)	-	(773)	(748)	-
Proceeds from disposal of Parent Company shares by mutual fund subsidiaries (Note 31)	29	-	10	-	-	-
Acquisition of Parent Company shares by a mutual fund subsidiary (Note 23)	(22)	(5)	(31)	-	-	-
Net cash provided by (used in) financing activities	(48,947)	(4,130)	132,539	(92,972)	9,400	128,353
NET INCREASE IN CASH AND						
CASH EQUIVALENTS	53,366	16,622	4,796	30,672	26,176	5,303
CASH AND CASH EQUIVALENTS						
AT BEGINNING 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
CASH AND CASH EQUIVALENTS						
AT END OF YEAR						
Cash and other cash items	38,469	32,956	33,091	35,606	30,659	29,280
Due from BSP	304,906	219,994	240,134	262,188	195,770	206,289
Due from other banks	38,357	54,772	45,808	22,742	38,698	35,218
Interbank loans receivable and SPURA (Note 26)	46,669	67,313	39,380	29,841	54,578	22,742
	₱428,401	₱375,035	₱358,413	₱350,377	₱319,705	₱293,529
OPERATIONAL CASH FLOWS FROM INTEREST						
	Consolidated			Parent Company		
	Years Ended December 31					
	2020	2019	2018	2020	2019	2018
Interest paid	₱23,813	₱39,558	₱25,910	₱16,546	₱26,207	₱17,452
Interest received	107,165	113,745	95,315	85,255	73,717	61,129

See accompanying Notes to Financial Statements.



METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Metropolitan Bank & Trust Company (the Parent Company) is a universal bank incorporated in the Philippines on April 6, 1962. The Securities and Exchange Commission (SEC) approved the renewal 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 FCDCU is Philippine Peso (PHP) and United States Dollar (USD), respectively. For financial reporting purposes, FCDCU 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 2020 and 2019 (Note 11):

Subsidiary	Principal Place of Business and Country of Incorporation	Effective Percentage of Ownership	Functional Currency
Financial Markets:			
Domestic:			
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:			
Metrobank Card Corporation (A Finance Company and General Insurance Agency) (MCC)*	Philippines	100.00	PHP
Philbancor Venture Capital Corporation (PVCC)**	Philippines	60.00	PHP
MBTC Technology, Inc. (MTI)***	Philippines	100.00	PHP

* Effective January 3, 2020, MCC was merged into the Parent Company (Note 11)

** In process of dissolution

*** In process of liquidation

**** Fully liquidated in January 2021

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 'Surplus'; (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 37.15% and 36.65% interest in the Parent Company as of December 31, 2020 and 2019, 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 - net' in the consolidated statement of income.

Legal Merger between Parent Company and Subsidiary

In the parent company financial statements, the legal merger between the Parent Company and its subsidiary, with the Parent Company as the surviving entity, is accounted for as follows:

- The acquired assets and assumed liabilities are recognized at the carrying amounts in the consolidated financial statements as of the date of the legal merger;
- The difference between the carrying amount of the net assets of the subsidiary and the carrying amount of the investment in the merged subsidiary before the legal merger is recognized under "Translation adjustment and others" account in the equity section of the parent company statement of financial position; and
- The comparative financial information in the parent company financial statements for period prior to the legal merger is not restated. The financial position and results of operations of the



merged subsidiary are reflected in the parent company financial statements only from the date of the legal merger.

The legal merger has no impact in the consolidated financial statements.

Changes in Accounting Policies and Disclosures

Except for these new and amended standards which were adopted as of January 1, 2020, the accounting policies adopted are consistent with those of previous financial year.

The adoption of the following amendments did not have a significant impact on the consolidated financial statements of the Group:

- Conceptual Framework for Financial Reporting issued on March 29, 2018
- Amendments to PFRS 3, *Business Combinations - Definition of a Business*
- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*
- Amendments to PFRS 16, *Leases, COVID-19-related Rent Concessions*

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 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 closing rate prevailing at the statement of financial position date, and their income and expenses are translated at BAP weighted average rate. Exchange differences arising on translation are taken to the statement of comprehensive income under 'Translation adjustment and others'. Upon disposal of a foreign entity or when the Parent Company ceases to have control over the subsidiaries or upon actual remittance of FCDU profits to RBU, the deferred cumulative amount recognized in the statement of comprehensive income is recognized in the statement of income.

Fair Value Measurement

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



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

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

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

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

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

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

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

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

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

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



Financial Instruments - Initial Recognition 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 from banks and customers and loans and receivables 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 its classification process, the Group assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test (SPPI test). For the purpose of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium or discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI. In such cases, the financial asset is required to be measured at FVTPL.



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 gain (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. 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.

The Group derecognizes a financial asset such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCL.

When assessing whether or not to derecognize a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded. The Group considers a modification substantial based on qualitative factors.

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.

The Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of or greater than ten percent.

Similar with financial assets, when the modification of a financial liability is not considered substantial, the Group records a modification gain or loss based on the change in cash flows discounted at the original EIR.

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 (i.e. the first day of the next quarterly reporting period following the change in business model) and does not restate any previously recognized gains, losses or interest.

Impairment of Financial Assets

The adoption of PFRS 9 has changed the Group's loss impairment method on financial assets by replacing the previous 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, 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.

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. For the credit card business, which was merged with the Parent Company in 2020, EAD is modelled based on historical data on card limit utilization.

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 Parent Company offers credit card facilities (previously under MCC), 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 ECL is calculated 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. The contractual interest rate is used as discounting factor since the Parent Company 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 Parent 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

In 2020, the Parent Company expanded its set of macroeconomic overlays to better capture the characteristics of specific financial asset classes (e.g. mortgage and auto loan exposures) and industry clusters (e.g. essential industries, secondary needs). The following economic inputs were determined to be statistically significant in measuring ECL:

- GDP Growth
- Inflation rate
- Unemployment rate
- Minimum wage
- USDPHP exchange rate
- Unified R2-BV ALWTI Crude Oil Price
- Consumer confidence index

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 'Net unrealized gain (loss) on investment securities at FVOCI' as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to profit or loss upon derecognition of these financial assets.



Restructured Loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews and monitors restructured loans until derecognition to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. The difference between the recorded value of the original loan and the present value of the restructured cash flows, discounted at the original EIR, is recognized in 'Provision for credit and impairment losses' in the statement of income. When the loan has been restructured but not derecognized, the Group also reassesses whether there has been a SICR and considers whether the assets should be classified as Stage 3. If the restructuring terms are substantially different, the loan is derecognized and a new 'asset' is recognized at fair value using the revised EIR.

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

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.

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.



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 Parent Company’s credit card business (under MCC prior to merger - see Note 11), 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
Discounts earned	Charges arising from credit availments by the Parent Company’s and other credit companies’ cardholders when the Parent Company 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 Parent Company’s cardholders and other credit companies’ cardholders when the Parent Company 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.
Awards revenue	The Parent Company operates a loyalty points program, which allows customers to accumulate points when they purchase from member establishments using the issued card of the Parent Company. The points accumulate and do not expire.	The Parent Company 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.

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.

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.

Gain on disposal of investment securities at amortized cost

Results arising from gains and losses from disposal of investment securities at amortized cost.

Trading and securities gain - 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 debt securities at FVOCI.

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 gain on investment securities at FVOCI, 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.

Leases

Group as lessee

Policies applicable beginning January 1, 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 (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.



Policies applicable prior to January 1, 2019

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 'Occupancy 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.

Retirement Cost

The Group has a non-contributory defined benefit retirement plan except for FMIIC and its subsidiary which follow the defined contribution retirement benefit plan and the Mandatory Provident Fund Scheme (MPFS). The retirement cost of the Parent Company and most of its subsidiaries is determined using the projected unit credit method. Under this method, the current



service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current year. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (DBO) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries. Net interest on the net defined benefit liability or asset is the change during the year in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss. Retirement expense is presented under 'Compensation and fringe benefits' in the statement of income. Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the DBO, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a DBO is recognized as a separate asset at fair value when and only when reimbursement is virtually certain. Payments to the defined contribution retirement benefit plans and the MPFS are recognized as expenses when employees have rendered service entitling them to the contributions.

Equity

When the shares are sold at a premium, the difference between the proceeds and par value is credited to 'Capital paid in excess of par value', net of direct costs incurred related to the equity issuance. If 'Capital paid in excess of par value' is not sufficient, the excess is charged against surplus. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of stocks issued.

Surplus represents accumulated earnings of the Group less dividends declared.



Own equity instruments which are reacquired or Parent Company's shares acquired by its subsidiaries (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in 'Capital paid in excess of par value'. Voting rights related to treasury stocks are nullified and no dividends are allocated. When the stocks are retired, the Common stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to capital paid in excess of par value at the time the stocks were issued and to surplus for the remaining balance.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as 'Interest expense'.

Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

Income Taxes

Current taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxing authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date. 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, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.



Effective beginning on or after January 1, 2022

Amendments to PFRS 3, Reference to the Conceptual Framework

The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. It also clarified that contingent assets do not qualify for recognition at the acquisition date. The Group applies these amendments prospectively for annual reporting periods beginning on or after January 1, 2022.

Amendments to PAS 16, Plant and Equipment: Proceeds before Intended Use

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment are effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Amendments to PAS 37, Onerous Contract – Costs of Fulfilling a Contract

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Annual Improvements to PFRSs 2018-2020 Cycle

Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter

The amendments permit a subsidiary, joint venture or associate that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted

Amendments to PFRS 9, Financial Instruments, Fees in the ‘10 per cent’ test for derecognition financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.



Amendments to PAS 41, Agriculture, Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

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, 2023. Early application is permitted but only if the entity also applies PFRS 9 and PFRS 15.

Amendments to PAS 1, Classification of Liabilities as Current and Non-Current

The amendments clarify the following to specify the requirements for classifying liabilities as current or non-current:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

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. 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 investor's 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

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:

- How the 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.

In 2020, the Parent Company disposed investment securities at amortized cost and assessed that this resulted from a change in business model. PSBank also disposed investment securities at amortized cost and assessed that the disposal was not inconsistent with the hold-to-collect (HTC) business model (see Note 8).

In 2019, FMIC disposed all of its investment securities at amortized cost and assessed that this resulted from unanticipated market changes that are significant to its operations (see Note 8).

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, Inc. (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

Operating leases

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.

Finance leases

The Group has entered into leases on its transportation and office equipment portfolio. The Group has determined that it has transferred all the significant risks and rewards of ownership of the properties to the lessees, that at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the lease asset.

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 and 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 these proceedings (Note 30).

Estimates

a. Credit losses on financial assets

The Group reviews its debt financial assets subject to ECL at least 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, as in the case in 2020 when quarterly reviews and ECL adjustments were made in response to the changing credit environment brought about by the COVID-19 pandemic. 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 included those accounts "Watchlisted" due to financial and repayment concerns, which were 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. In 2020, exposures that were granted payment reprieve strictly as provided for by laws and relevant regulations were retained under Stage 1, while exposures that were granted extended reprieve, provided not impaired or not non-performing under relevant rules, were included under Stage 2. The Parent Company likewise performed quarterly reviews of its credit exposures to determine the occurrence of SICR notwithstanding said reprieves. Exposures belonging to sectors widely determined to be most at-risk and non-essential (e.g., tourism, entertainment and leisure, hotels and restaurants, airlines), and projected to experience significant revenue and liquidity strain in the event of prolonged economic inactivity, were also included under Stage 2.
- 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). In 2020, the Company further recalibrated its PD and overlay models following the conclusion of validation of the same by an independent external party.
- 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 macroeconomic 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, 2020 and 2019 are disclosed in Note 4, while the related allowances for expected credit losses are disclosed in Note 15. In 2020 and 2019, provision for credit losses on these financial assets amounted to ₱40.8 billion and ₱9.6 billion, respectively, for the Group and ₱32.7 billion and ₱1.6 billion, respectively, for the Parent Company (Note 15). With the merger of MCC into the Parent Company in 2020 (Note 11), the Parent Company's provision for credit losses in 2020 includes the provision for credit losses on credit card receivables .

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 Group and the Parent Company have considered the impact of the COVID-19 pandemic on future taxable income and on the recognition of deferred tax assets. 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 the recoverable amount of the asset. As of December 31, 2020 and 2019, there has been a significant and prolonged decline in the fair value of an associate. In 2019, the VIU was used as the recoverable amount while in 2020, it was based on FVLCTS as it was higher than the VIU. The FVLCTS was based on the quoted price of the shares less expected selling costs. The VIU calculation is most sensitive to the following assumptions: (a) production volume; (b) price; (c) exchange rates; (d) capital expenditures and (e) long-term growth rates. In 2020, the Group considered the impact of the COVID-19 pandemic in determining the VIU. Based on the Group's impairment testing as of December 31, 2020 and 2019, allowance for impairment loss on investment on this associate amounted to ₱439.2 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 10, 11, 12 and 14, respectively.

Goodwill

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

The fair value of the CGU is determined using the 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 and adjusted NAV 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 investee company. The FVLCTS calculation of the CGU is most sensitive to the P/E ratios of listed comparable companies of the investee company. Based on the sensitivity analysis performed, a one percent (1%) reduction in the P/E ratio used will result in impairment of the goodwill. The Group considered the impact of the COVID-19 pandemic in determining the recoverable amount. As of December 31, 2020 and 2019, 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.

On March 24, 2020, Republic Act No. 11469 or the "Bayanihan to Heal as One Act" (Bayanihan 1) was enacted declaring a state of national emergency over the entire country to control the spread of the Coronavirus Disease 2019 (COVID-19). Among the provisions of Bayanihan 1 is the implementation of a 30-day grace period for all loans with principal and/or interest falling due within the period of the Enhanced Community Quarantine without incurring interest on interest, on penalties, fees and other charges. Further, on September 11, 2020, Republic Act No. 11494 or the "Bayanihan to Recover as One Act" (Bayanihan 2) was enacted and part of the provisions of the Bayanihan 2 is the implementation of a one-time 60-day grace period to be granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interest, penalties, fees and other charges, thereby extending the maturity of said loans. In addition, Bayanihan 2 allows loans to be settled on a staggered basis without interest on interests, penalties, fees or other charges until December 31, 2020 or as may be agreed upon by both parties.

The impact of loan modifications as a result of the Bayanihan 1 and Bayanihan 2 Acts amounted to a loss of ₱1.7 billion for the Group and ₱1.2 billion for the Parent Company. For the year ended December 31, 2020, the net impact of the loan modifications (i.e., after subsequent accretion of the modified loans) amounted to a loss of ₱461.3 million, for the Group and nil for the Parent Company.



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							
	2020				2019			
	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	₱18,614	₱18,614	₱18,614	₱-	₱401	₱401	₱401	₱-
Loans and receivables - net								
Receivables from customers								
Commercial loans	269,534	827,714	239,564	29,970	341,616	856,065	299,588	42,028
Auto loans	95,625	161,750	92,087	3,538	116,069	202,470	115,636	433
Residential mortgage loans	103,367	188,025	98,305	5,062	109,093	207,864	93,723	15,370
Trade loans	34,314	34,216	33,440	874	61,260	59,907	59,785	1,475
Others	268	300	262	6	796	738	702	94
	503,108	1,212,005	463,658	39,450	628,834	1,327,044	569,434	59,400
Accrued interest receivable	6,386	5,540	5,540	846	3,507	3,370	3,370	137
Sales contract receivable	79	272	76	3	142	414	100	42
	509,573	1,217,817	469,274	40,299	632,483	1,330,828	572,904	59,579
Total	₱528,187	₱1,236,431	₱487,888	₱40,299	₱632,884	₱1,331,229	₱573,305	₱59,579

	Parent Company							
	2020				2019			
	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	₱15,819	₱15,819	₱15,819	₱-	₱-	₱-	₱-	₱-
Loans and receivables - net								
Receivables from customers								
Commercial loans	249,523	794,103	227,841	21,682	296,577	806,784	264,137	32,440
Auto loans	20,543	56,052	20,213	330	23,674	63,917	23,330	344
Residential mortgage loans	53,810	113,501	53,600	210	56,977	114,374	56,780	197
Trade loans	34,314	34,216	33,440	874	61,260	59,907	59,785	1,475
Others	268	300	262	6	796	738	703	93
	358,458	998,172	335,356	23,102	439,284	1,045,720	404,735	34,549
Accrued interest receivable	1,787	1,776	1,776	11	1,659	1,656	1,656	3
Sales contract receivable	54	189	54	-	100	187	100	-
	360,299	1,000,137	337,186	23,113	441,043	1,047,563	406,491	34,552
Total	₱376,118	₱1,015,956	₱353,005	₱23,113	₱441,043	₱1,047,563	₱406,491	₱34,552

The maximum exposure to credit risks for the other financial assets is limited to their carrying values as of December 31, 2020 and 2019.

Collaterals on loans and receivables includes real estate and chattel mortgages, guarantees, and other registered securities over assets. 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, 2020 and 2019. 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		Net Exposure
				Financial Instruments	Fair Value of Financial Collateral	
Financial assets recognized by type						
Consolidated						
2020						
Derivative assets	₱220,808	₱208,971	₱11,837	₱1,487	₱-	₱10,350
SPURA	26,653	-	26,653	-	26,653	-
	₱247,461	₱208,971	₱38,490	₱1,487	₱26,653	₱10,350
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
Parent Company						
2020						
Derivative assets	₱220,795	₱208,971	₱11,824	₱1,474	₱-	₱10,350
SPURA	15,819	-	15,819	-	15,819	-
	₱236,614	₱208,971	₱27,643	₱1,474	₱15,819	₱10,350
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
Financial liabilities recognized by type						
Consolidated						
2020						
Derivative liabilities	₱239,694	₱226,244	₱13,450	₱3,121	₱-	₱10,329
SSURA	93,059	-	93,059	-	93,059	-
	₱332,753	₱226,244	₱106,509	₱3,121	₱93,059	₱10,329
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
Parent Company						
2020						
Derivative liabilities	₱227,226	₱215,423	₱11,803	₱1,474	₱-	₱10,329
SSURA	93,059	-	93,059	-	93,059	-
	₱320,285	₱215,423	₱104,862	₱1,474	₱93,059	₱10,329
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

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				Total
	Loans and Receivables*	Loans and Advances to Banks**	Investment Securities***	Others****	
2020					
Concentration by Industry					
Financial and insurance activities	₱142,620	₱422,671	₱87,277	₱12,427	₱664,995
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	247,398	-	-	206,006	453,404
Real estate activities	226,455	-	255	592	227,302
Wholesale and retail trade, repair of motor vehicles, motorcycles	176,730	-	150	23,460	200,340
Manufacturing	170,635	-	1,101	22,662	194,398
Transportation and storage, information and communication	100,883	-	-	2,167	103,050
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	94,714	-	1,901	791	97,406
Construction	47,397	-	-	15,362	62,759
Accommodation and food service activities	29,705	-	-	26	29,731
Agricultural, forestry and fishing	28,182	-	-	280	28,462
Others*****	43,453	-	500,376	12,997	556,826
	1,308,172	422,671	591,060	296,770	2,618,673
Less allowance for credit losses	55,243	138	22	9,678	65,081
	₱1,252,929	₱422,533	₱591,038	₱287,092	₱2,553,592
Concentration by Location					
Philippines	₱1,250,718	₱332,031	₱510,114	₱272,474	₱2,365,337
Asia	57,256	62,458	63,070	24,144	206,928
Europe	50	21,761	7,065	-	28,876
USA	134	4,488	9,861	151	14,634
Others	14	1,933	950	1	2,898
	1,308,172	422,671	591,060	296,770	2,618,673
Less allowance for credit losses	55,243	138	22	9,678	65,081
	₱1,252,929	₱422,533	₱591,038	₱287,092	₱2,553,592
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
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



	Parent Company				Total
	Loans and Receivables*	Loans and Advances to Banks**	Investment Securities***	Others****	
2020					
Concentration by Industry					
Financial and insurance activities	₱140,606	₱342,140	₱55,867	₱12,204	₱550,817
Activities of households as employers and undifferentiated goods and services and producing activities of households for own use	159,696	-	-	206,006	365,702
Manufacturing	164,804	-	1,006	22,662	188,472
Wholesale and retail trade, repair of motor vehicles, motorcycles	162,513	-	150	23,460	186,123
Real estate activities	179,030	-	-	558	179,588
Transportation and storage, information and communication	89,498	-	-	2,167	91,665
Electricity, gas, steam and air-conditioning supply and water supply, sewerage, waste management and remediation activities	87,868	-	1,711	791	90,370
Construction	37,585	-	-	15,340	52,925
Accommodation and food service activities	29,322	-	-	26	29,348
Agricultural, forestry and fishing	25,050	-	-	280	25,330
Others*****	17,204	-	491,331	629	509,164
	1,093,176	342,140	550,065	284,123	2,269,504
Less allowance for credit losses	44,434	5	-	9,678	54,117
	₱1,048,742	₱342,135	₱550,065	₱274,445	₱2,215,387
Concentration by Location					
Philippines	₱1,074,007	₱279,718	₱484,802	₱271,256	₱2,109,783
Asia	18,984	34,520	47,392	12,717	113,613
Europe	45	21,739	7,065	-	28,849
USA	134	4,314	9,861	150	14,459
Others	6	1,849	945	-	2,800
	1,093,176	342,140	550,065	284,123	2,269,504
Less allowance for credit losses	44,434	5	-	9,678	54,117
	₱1,048,742	₱342,135	₱550,065	₱274,445	₱2,215,387
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
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

* Excludes statutory receivables in 2019 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.

Substandard Grade

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.

Impaired

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, gross of allowance for credit losses, as of December 31, 2020 and 2019. All loans and advances to banks are classified as Stage 1 in 2020 and 2019.

	Consolidated		Parent Company	
	2020	2019	2020	2019
Due from BSP				
High grade	₱304,906	₱219,994	₱262,188	₱195,770
Due from other banks				
High grade	36,830	53,472	22,110	38,671
Standard grade	715	941	607	–
Unrated	812	359	25	27
	38,357	54,772	22,742	38,698
Interbank loans receivable and SPURA				
High grade	75,829	71,646	53,632	55,624
Unrated	3,579	529	3,578	529
	79,408	72,175	57,210	56,153
Total loans and advances to banks				
High grade	417,565	345,112	337,930	290,065
Standard grade	715	941	607	–
Unrated	4,391	888	3,603	556
	₱422,671	₱346,941	₱342,140	₱290,621

As of December 31, 2020 and 2019, availments of interbank loans and SPURA amounted to ₱79.4 billion and ₱72.2 billion, respectively, for the Group and ₱57.2 billion and ₱56.2 billion, respectively, for the Parent Company while maturities of interbank loans and SPURA amounted to ₱72.2 billion and ₱50.7 billion, respectively, for the Group and ₱56.2 billion and ₱24.7 billion, respectively, for the Parent Company. As of December 31, 2020 and 2019, net increase/(decrease) in due from BSP amounted to ₱84.9 billion and (₱20.1 billion), respectively, for the Group, and ₱66.4 billion and (₱10.5 billion), respectively, for the Parent Company and net increase/(decrease) in due from other banks amounted to (₱16.4 billion) and ₱9.0 billion, respectively, for the Group, and (₱16.0 billion) and ₱3.5 billion, respectively, for the Parent Company.

The following tables show the credit quality of investment securities, gross of allowance for credit losses, as of December 31, 2020 and 2019.

	Consolidated		Total
	Stage 1	Stage 3	
2020			
Debt securities at FVOCI			
Private			
High grade	₱33,739	₱–	₱33,739
Standard grade	2,956	–	2,956
Unrated	248	–	248
	36,943	–	36,943
Treasury bills			
High grade	81,497	–	81,497
Treasury notes and bonds			
High grade	342,355	–	342,355
Government			
High grade	76,900	–	76,900
Standard grade	1	–	1
	76,901	–	76,901
BSP			
High grade	30,049	–	30,049
Total debt securities at FVOCI			
High grade	564,540	–	564,540
Standard grade	2,957	–	2,957
Unrated	248	–	248
	567,745	–	567,745



	Consolidated		
	Stage 1	Stage 3	Total
Investment securities at amortized cost			
Private			
High grade	P3,219	P-	P3,219
Standard grade	400	-	400
Unrated	6	-	6
	3,625	-	3,625
Treasury bills			
High grade	294	-	294
Treasury notes and bonds			
High grade	243	-	243
Government			
High grade	19,036	-	19,036
Standard grade	117	-	117
	19,153	-	19,153
Total investment securities at amortized cost			
High grade	22,792	-	22,792
Standard grade	517	-	517
Unrated	6	-	6
	23,315	-	23,315
Total debt investment securities			
High grade	587,332	-	587,332
Standard grade	3,474	-	3,474
Unrated	254	-	254
	P591,060	P-	P591,060
2019			
Debt securities at FVOCI			
Private			
High grade	P32,793	P-	P32,793
Standard grade	3,163	-	3,163
Unrated	243	-	243
	36,199	-	36,199
Treasury notes and bonds			
High grade	111,791	-	111,791
Government			
High grade	52,841	-	52,841
Sub-standard grade	-	29	29
	52,841	29	52,870
Total debt securities at FVOCI			
High grade	197,425	-	197,425
Standard grade	3,163	-	3,163
Sub-standard grade	-	29	29
Unrated	243	-	243
	200,831	29	200,860
Investment securities at amortized cost			
Private			
High grade	331	-	331
Standard grade	3,543	-	3,543
Unrated	6	-	6
	3,880	-	3,880
Treasury notes and bonds			
High grade	227,442	-	227,442
Government			
High grade	20,110	-	20,110
Standard grade	122	-	122
	20,232	-	20,232
Treasury bills			
High grade	100	-	100
Total investment securities at amortized cost			
High grade	247,983	-	247,983
Standard grade	3,665	-	3,665
Unrated	6	-	6
	251,654	-	251,654
Total debt investment securities			
High grade	445,408	-	445,408
Standard grade	6,828	-	6,828
Substandard grade	-	29	29
Unrated	249	-	249
	P452,485	P29	P452,514



	Parent Company		Total
	Stage 1	Stage 3	
2020			
Debt securities at FVOCI			
Private			
High grade	₱18,789	₱-	₱18,789
Unrated	248	-	248
	19,037	-	19,037
Treasury notes and bonds			
High grade	339,258	-	339,258
Government			
High grade	72,315	-	72,315
Treasury bills			
High grade	81,497	-	81,497
BSP			
High grade	30,049	-	30,049
Total debt securities at FVOCI			
High grade	541,908	-	541,908
Unrated	248	-	248
	542,156	-	542,156
Investment securities at amortized cost			
Government			
High grade	7,909	-	7,909
Total debt investment securities			
High grade	549,817	-	549,817
Unrated	248	-	248
	₱550,065	₱-	₱550,065
2019			
Debt securities at FVOCI			
Private			
High grade	₱25,827	₱-	₱25,827
Standard grade	254	-	254
Unrated	243	-	243
	26,324	-	26,324
Treasury notes and bonds			
High grade	109,203	-	109,203
Government			
High grade	52,620	-	52,620
Sub-standard grade	-	29	29
	52,620	29	52,649
Total debt securities at FVOCI			
High grade	187,650	-	187,650
Standard grade	254	-	254
Sub-standard grade	-	29	29
Unrated	243	-	243
	188,147	29	188,176
Investment securities at amortized cost			
Treasury notes and bonds			
High grade	208,514	-	208,514
Government			
High grade	8,130	-	8,130
Total investment securities at amortized cost			
High grade	216,644	-	216,644
Total debt investment securities			
High grade	404,294	-	404,294
Standard grade	254	-	254
Sub-standard grade	-	29	29
Unrated	243	-	243
	₱404,791	₱29	₱404,820

As of December 31, 2020 and 2019, purchases of investment in debt securities at FVOCI amounted to ₱2.1 trillion and ₱1.3 trillion, respectively, for the Group and the Parent Company while proceeds from disposals/maturities amounted to ₱1.8 trillion and ₱1.2 trillion, respectively, for the Group and Parent Company. Other movements, which include reclassification from investment securities at amortized cost (see Note 8), amortization of premiums/discounts, mark-to-market and foreign exchange revaluations, resulted in an increase in carrying value of debt securities at FVOCI as of December 31, 2020 and 2019 amounting to ₱114.8 billion and ₱8.6 billion, respectively, for the Group and an increase in carrying value of ₱90.2 billion and ₱9.2 billion, respectively, for the Parent Company.



As of December 31, 2020 and 2019, purchases of investment securities at amortized cost amounted to nil and ₱4.5 billion, respectively, for the Group and nil and ₱4.3 billion, respectively, for the Parent Company while proceeds from maturities and disposals amounted to ₱136.8 billion and ₱17.6 billion, respectively, for the Group and ₱115.7 billion and ₱468.8 million, respectively, for the Parent Company. Other movements, which include reclassification to investment securities at FVOCI (Note 8), amortization of premiums/discounts, mark-to-market and foreign exchange revaluations, resulted in a decrease in carrying value of investment securities at amortized cost as of December 31, 2020 and 2019 amounting to ₱99.7 billion and ₱651.2 million, respectively, for the Group and a decrease in carrying value of ₱99.9 billion and ₱0.1 billion, respectively, for the Parent Company.

The credit quality of receivables from customers, net of unearned discount and capitalized interest, as of December 31, 2020 and 2019 follow:

	Consolidated			Total
	Stage 1	Stage 2	Stage 3	
2020				
Commercial loans				
High grade	₱230,890	₱2,294	₱-	₱233,184
Standard grade	376,173	27,274	-	403,447
Sub-standard grade	169,468	108,553	-	278,021
Non-performing individually impaired	-	-	14,492	14,492
	776,531	138,121	14,492	929,144
Auto loans				
High grade	59,355	17,734	-	77,089
Standard grade	9,057	3,729	-	12,786
Sub-standard grade	2,583	1,787	-	4,370
Non-performing individually impaired	-	-	5,767	5,767
	70,995	23,250	5,767	100,012
Residential mortgage loans				
High grade	38,585	13,791	-	52,376
Standard grade	20,545	10,990	-	31,535
Sub-standard grade	10,623	7,584	-	18,207
Non-performing individually impaired	-	-	3,688	3,688
	69,753	32,365	3,688	105,806
Trade loans				
High grade	4,687	-	-	4,687
Standard grade	19,659	1,971	-	21,630
Sub-standard grade	6,183	4,192	-	10,375
Non-performing individually impaired	-	-	376	376
	30,529	6,163	376	37,068
Credit card				
Standard grade	75,539	-	-	75,539
Sub-standard grade	-	921	-	921
Non-performing individually impaired	-	-	5,273	5,273
	75,539	921	5,273	81,733
Other loans				
High grade	11,709	1,154	-	12,863
Standard grade	11,037	263	-	11,300
Sub-standard grade	8	1,856	-	1,864
Unrated	9	-	-	9
Non-performing individually impaired	-	-	2,506	2,506
	22,763	3,273	2,506	28,542
Total receivables from customers				
High grade	345,226	34,973	-	380,199
Standard grade	512,010	44,227	-	556,237
Sub-standard grade	188,865	124,893	-	313,758
Unrated	9	-	-	9
Non-performing individually impaired	-	-	32,102	32,102
	₱1,046,110	₱204,093	₱32,102	₱1,282,305
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

(Forward)



	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Unrated	₱93	₱-	₱-	₱93
Non-performing individually impaired	-	-	10,652	10,652
	913,862	136,107	10,652	1,060,621
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

	Parent Company				
	Stage 1	Stage 2	Stage 3	POCI	Total
2020					
Commercial loans					
High grade	₱187,014	₱-	₱-	₱-	₱187,014
Standard grade	368,056	26,699	-	-	394,755
Sub-standard grade	169,374	107,305	-	-	276,679
Non-performing individually impaired	-	-	9,344	3,013	12,357
	724,444	134,004	9,344	3,013	870,805
Auto loans					
High grade	8,129	-	-	-	8,129
Standard grade	8,625	1,330	-	-	9,955
Sub-standard grade	2,583	652	-	-	3,235
Non-performing individually impaired	-	-	193	-	193
	19,337	1,982	193	-	21,512
Residential mortgage loans					
High grade	7,562	-	-	-	7,562
Standard grade	20,544	8,767	-	-	29,311
Sub-standard grade	10,623	7,223	-	-	17,846
Non-performing individually impaired	-	-	672	-	672
	38,729	15,990	672	-	55,391
Trade loans					
High grade	3,795	-	-	-	3,795
Standard grade	19,659	1,971	-	-	21,630
Sub-standard grade	6,182	4,192	-	-	10,374
Non-performing individually impaired	-	-	376	-	376
	29,636	6,163	376	-	36,175



	Parent Company				Total
	Stage 1	Stage 2	Stage 3	POCI	
Credit card					
Standard grade	₱75,539	₱–	₱–	₱–	₱75,539
Sub-standard grade	–	921	–	–	921
Non-performing individually impaired	–	–	5,273	–	5,273
	75,539	921	5,273	–	81,733
Other loans					
High grade	11,024	–	–	–	11,024
Standard grade	503	–	–	–	503
Non-performing individually impaired	–	–	41	–	41
	11,527	–	41	–	11,568
Total receivables from customers					
High grade	217,524	–	–	–	217,524
Standard grade	492,926	38,767	–	–	531,693
Sub-standard grade	188,762	120,293	–	–	309,055
Non-performing individually impaired	–	–	15,899	3,013	18,912
	₱899,212	₱159,060	₱15,899	₱3,013	₱1,077,184
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
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

Movements during 2020 and 2019 for receivables from customers follows:

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
2020				
Commercial loans				
Balance at January 1, 2020	₱913,862	₱136,107	₱10,652	₱1,060,621
New assets originated	329,947	–	–	329,947
Assets derecognized or repaid	(402,535)	(54,982)	(1,646)	(459,163)
Amounts written-off	–	–	(73)	(73)
Transfers to/(from) Stage 1	(62,621)	–	–	(62,621)
Transfers to/(from) Stage 2	–	56,996	–	56,996
Transfers to/(from) Stage 3	–	–	5,625	5,625
Others	(2,122)	–	(66)	(2,188)
Balance at December 31, 2020	776,531	138,121	14,492	929,144



	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Auto loans				
Balance at January 1, 2020	₱103,377	₱11,671	₱3,360	₱118,408
New assets originated	32,459	-	-	32,459
Assets derecognized or repaid	(38,516)	(9,936)	(1,383)	(49,835)
Amounts written-off	-	-	(746)	(746)
Transfers to/(from) Stage 1	(26,137)	-	-	(26,137)
Transfers to/(from) Stage 2	-	21,584	-	21,584
Transfers to/(from) Stage 3	-	-	4,553	4,553
Others	(188)	(69)	(17)	(274)
Balance at December 31, 2020	70,995	23,250	5,767	100,012
Residential mortgage loans				
Balance at January 1, 2020	97,575	10,073	2,351	109,999
New assets originated	12,067	-	-	12,067
Assets derecognized or repaid	(12,229)	(3,418)	(376)	(16,023)
Amounts written-off	-	-	(84)	(84)
Transfers to/(from) Stage 1	(27,565)	-	-	(27,565)
Transfers to/(from) Stage 2	-	25,762	-	25,762
Transfers to/(from) Stage 3	-	-	1,804	1,804
Others	(95)	(52)	(7)	(154)
Balance at December 31, 2020	69,753	32,365	3,688	105,806
Trade loans				
Balance at January 1, 2020	61,096	2,159	105	63,360
New assets originated	35,992	-	-	35,992
Assets derecognized or repaid	(59,979)	(2,313)	-	(62,292)
Transfers to/(from) Stage 1	(6,589)	-	-	(6,589)
Transfers to/(from) Stage 2	-	6,317	-	6,317
Transfers to/(from) Stage 3	-	-	272	272
Others	9	-	(1)	8
Balance at December 31, 2020	30,529	6,163	376	37,068
Credit card				
Balance at January 1, 2020	83,481	2,040	1,509	87,030
New assets originated	8,687	-	-	8,687
Assets derecognized or repaid	(702)	(4,686)	(123)	(5,511)
Amounts written-off	-	-	(8,473)	(8,473)
Transfers to/(from) Stage 1	(15,927)	-	-	(15,927)
Transfers to/(from) Stage 2	-	3,567	-	3,567
Transfers to/(from) Stage 3	-	-	12,360	12,360
Balance at December 31, 2020	75,539	921	5,273	81,733
Other loans				
Balance at January 1, 2020	36,505	3,070	1,494	41,069
New assets originated	12,206	-	-	12,206
Assets derecognized or repaid	(22,250)	(1,857)	(311)	(24,418)
Amounts written-off	-	-	(315)	(315)
Transfers to/(from) Stage 1	(3,698)	-	-	(3,698)
Transfers to/(from) Stage 2	-	2,060	-	2,060
Transfers to/(from) Stage 3	-	-	1,638	1,638
Balance at December 31, 2020	22,763	3,273	2,506	28,542
Total receivables from customers				
Balance at January 1, 2020	1,295,896	165,120	19,471	1,480,487
New assets originated	431,358	-	-	431,358
Assets derecognized or repaid	(536,211)	(77,192)	(3,839)	(617,242)
Amounts written-off	-	-	(9,691)	(9,691)
Transfers to/(from) Stage 1	(142,537)	-	-	(142,537)
Transfers to/(from) Stage 2	-	116,286	-	116,286
Transfers to/(from) Stage 3	-	-	26,252	26,252
Others	(2,396)	(121)	(91)	(2,608)
Balance at December 31, 2020	₱1,046,110	₱204,093	₱32,102	₱1,282,305
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



	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

	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
2020					
Commercial loans					
Balance at January 1, 2020	₱867,733	₱134,672	₱6,753	₱2,992	₱1,012,150
New assets originated	316,641	-	-	-	316,641
Assets derecognized or repaid	(400,065)	(53,799)	(1,549)	-	(455,413)
Accounts written off	-	-	(1)	-	(1)
Transfers to/(from) Stage 1	(57,360)	-	-	-	(57,360)
Transfers to/(from) Stage 2	-	53,131	-	-	53,131
Transfers to/(from) Stage 3	-	-	4,229	-	4,229
Others	(2,505)	-	(88)	21	(2,572)
Balance at December 31, 2020	724,444	134,004	9,344	3,013	870,805



	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
Auto loans					
Balance at January 1, 2020	₱23,978	₱62	₱142	₱-	₱24,182
New assets originated	7,351	-	-	-	7,351
Assets derecognized or repaid	(9,023)	(977)	(21)	-	(10,021)
Transfers to/(from) Stage 1	(2,969)	-	-	-	(2,969)
Transfers to/(from) Stage 2	-	2,897	-	-	2,897
Transfers to/(from) Stage 3	-	-	72	-	72
Balance at December 31, 2020	19,337	1,982	193	-	21,512
Residential mortgage loans					
Balance at January 1, 2020	56,525	517	478	-	57,520
New assets originated	7,911	-	-	-	7,911
Assets derecognized or repaid	(7,829)	(2,076)	(135)	-	(10,040)
Transfers to/(from) Stage 1	(17,878)	-	-	-	(17,878)
Transfers to/(from) Stage 2	-	17,549	-	-	17,549
Transfers to/(from) Stage 3	-	-	329	-	329
Balance at December 31, 2020	38,729	15,990	672	-	55,391
Trade loans					
Balance at January 1, 2020	60,390	2,159	105	-	62,654
New assets originated	35,813	-	-	-	35,813
Assets derecognized or repaid	(59,979)	(2,312)	-	-	(62,291)
Transfers to/(from) Stage 1	(6,588)	-	-	-	(6,588)
Transfers to/(from) Stage 2	-	6,316	-	-	6,316
Transfers to/(from) Stage 3	-	-	272	-	272
Others	-	-	(1)	-	(1)
Balance at December 31, 2020	29,636	6,163	376	-	36,175
Credit card					
Balance at January 1, 2020	-	-	-	-	-
Impact of merger (Note 11)	83,481	2,040	1,509	-	87,030
New assets originated	8,687	-	-	-	8,687
Assets derecognized or repaid	(702)	(4,686)	(123)	-	(5,511)
Amounts written-off	-	-	(8,473)	-	(8,473)
Transfers to/(from) Stage 1	(15,927)	-	-	-	(15,927)
Transfers to/(from) Stage 2	-	3,567	-	-	3,567
Transfers to/(from) Stage 3	-	-	12,360	-	12,360
Balance at December 31, 2020	75,539	921	5,273	-	81,733
Other loans					
Balance at January 1, 2020	14,502	-	40	-	14,542
New assets originated	7,829	-	-	-	7,829
Assets derecognized or repaid	(10,803)	-	-	-	(10,803)
Transfers to/(from) Stage 1	(1)	-	-	-	(1)
Transfers to/(from) Stage 3	-	-	1	-	1
Balance at December 31, 2020	11,527	-	41	-	11,568
Total receivables from customers					
Balance at January 1, 2020	1,023,128	137,410	7,518	2,992	1,171,048
Impact of merger (Note 11)	83,481	2,040	1,509	-	87,030
New assets originated	384,232	-	-	-	384,232
Assets derecognized or repaid	(488,401)	(63,850)	(1,828)	-	(554,079)
Amounts written-off	-	-	(8,474)	-	(8,474)
Transfers to/(from) Stage 1	(100,723)	-	-	-	(100,723)
Transfers to/(from) Stage 2	-	83,460	-	-	83,460
Transfers to/(from) Stage 3	-	-	17,263	-	17,263
Others	(2,505)	-	(89)	21	(2,573)
Balance at December 31, 2020	₱899,212	₱159,060	₱15,899	₱3,013	₱1,077,184
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



	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

The credit quality of other receivables, gross of allowance for credit losses, as of December 31, 2020 and 2019 follows:

	Consolidated			Total
	Stage 1	Stage 2	Stage 3	
2020				
Unquoted debt securities				
Standard grade	₱65	₱-	₱-	₱65
Non-performing individually impaired	-	-	386	386
	65	-	386	451
Accrued interest receivable				
High grade	7,837	1,064	-	8,901
Standard grade	1,499	249	-	1,748
Sub-standard grade	797	854	-	1,651
Unrated	13	-	-	13
Non-performing individually impaired	-	-	1,414	1,414
	10,146	2,167	1,414	13,727
Sales contract receivables				
High grade	4	-	-	4
Unrated	54	-	-	54
Non-performing individually impaired	-	-	24	24
	58	-	24	82



	Consolidated			Total
	Stage 1	Stage 2	Stage 3	
Other receivables				
Standard grade	₱-	₱296	₱-	₱296
Unrated	31	-	-	31
Non-performing individually impaired	-	-	2	2
	31	296	2	329
Total other receivables				
High grade	7,841	1,064	-	8,905
Standard grade	1,564	545	-	2,109
Sub-standard grade	797	854	-	1,651
Unrated	98	-	-	98
Non-performing individually impaired	-	-	1,826	1,826
	₱10,300	₱2,463	₱1,826	₱14,589
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

	Parent Company			Total
	Stage 1	Stage 2	Stage 3	
2020				
Unquoted debt securities				
Non-performing individually impaired	₱-	₱-	₱386	₱386
Accrued interest receivable				
High grade	4,993	-	-	4,993
Standard grade	1,468	81	-	1,549
Sub-standard grade	796	765	-	1,561
Unrated	11	-	-	11
Non-performing individually impaired	-	-	421	421
	7,268	846	421	8,535
Sales contract receivables				
Unrated	54	-	-	54
Non-performing individually impaired	-	-	2	2
	54	-	2	56
Other receivables				
Unrated	9	-	-	9
Non-performing individually impaired	-	-	2	2
	9	-	2	11
Total other receivables				
High grade	4,993	-	-	4,993
Standard grade	1,468	81	-	1,549
Sub-standard grade	796	765	-	1,561
Unrated	74	-	-	74
Non-performing individually impaired	-	-	811	811
	₱7,331	₱846	₱811	₱8,988



	Parent Company			Total
	Stage 1	Stage 2	Stage 3	
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

Movements during 2020 and 2019 for other receivables follow:

	Consolidated			Total
	Stage 1	Stage 2	Stage 3	
2020				
Balance at January 1, 2020	₱12,300	₱1,032	₱1,265	₱14,597
New assets originated	11,574	-	-	11,574
Assets derecognized or repaid	(10,677)	(532)	(373)	(11,582)
Transfers to/(from) Stage 1	(2,897)	-	-	(2,897)
Transfers to/(from) Stage 2	-	1,963	-	1,963
Transfers to/(from) Stage 3	-	-	934	934
Balance at December 31, 2020	₱10,300	₱2,463	₱1,826	₱14,589
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

	Parent Company			Total
	Stage 1	Stage 2	Stage 3	
2020				
Balance at January 1, 2020	₱9,473	₱746	₱784	₱11,003
New assets originated	5,575	-	-	5,575
Assets derecognized or repaid	(7,321)	(243)	(26)	(7,590)
Transfers to/(from) Stage 1	(396)	-	-	(396)
Transfers to/(from) Stage 2	-	343	-	343
Transfers to/(from) Stage 3	-	-	53	53
Balance at December 31, 2020	₱7,331	₱846	₱811	₱8,988



	Parent Company			Total
	Stage 1	Stage 2	Stage 3	
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

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, 2020 and 2019 follows:

Age of accounts receivables	Consolidated		Parent Company	
	2020	2019	2020	2019
Up to 1 month	₱6,992	₱5,775	₱3,396	₱2,191
> 1 to 2 months	114	76	34	41
> 2 to 3 months	28	36	16	26
More than 3 months	4,144	3,579	3,558	3,473
Total gross carrying amount	₱11,278	₱9,466	₱7,004	₱5,731

The maximum exposure and credit quality of loan commitments and financial guarantees as of December 31, 2020 and 2019 follows:

	Consolidated			Total
	Stage 1	Stage 2	Stage 3	
2020				
High grade	₱11,389	₱–	₱–	₱11,389
Standard grade	201,587	1,790	–	203,377
Substandard grade	–	–	2,480	2,480
Unrated	66,062	2,401	16	68,479
	₱279,038	₱4,191	₱2,496	₱285,725
2019				
Standard grade	₱210,260	₱–	₱–	₱210,260
Unrated	62,768	1,460	–	64,228
	₱273,028	₱1,460	₱–	₱274,488

	Parent Company			Total
	Stage 1	Stage 2	Stage 3	
2020				
Standard grade	₱201,545	₱1,790	₱–	₱203,335
Substandard grade	–	–	2,480	2,480
Unrated	66,062	2,401	16	68,479
	₱267,607	₱4,191	₱2,496	₱274,294
2019				
Unrated	₱62,768	₱1,460	₱–	₱64,228

Movements during 2020 and 2019 for loan commitments and financial guarantees follow:

	Consolidated			Total
	Stage 1	Stage 2	Stage 3	
2020				
Balance at January 1, 2020	₱273,028	₱1,460	₱–	₱274,488
New assets originated or purchased	46,625	–	–	46,625
Assets derecognized or repaid	(29,274)	(3,633)	(2,481)	(35,388)
Transfers to/(from) Stage 1	(11,341)	–	–	(11,341)
Transfers to/(from) Stage 2	–	6,364	–	6,364
Transfers to/(from) Stage 3	–	–	4,977	4,977
Balance at December 31, 2020	₱279,038	₱4,191	₱2,496	₱285,725
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)

(Forward)



	Consolidated			
	Stage 1	Stage 2	Stage 3	Total
Transfers to/(from) Stage 1	(P1,627)	P-	P-	(P1,627)
Transfers to/(from) Stage 2	-	1,627	-	1,627
Balance at December 31, 2019	P273,028	P1,460	P-	P274,488

	Parent Company			
	Stage 1	Stage 2	Stage 3	Total
2020				
Balance at January 1, 2020	P62,768	P1,460	P-	P64,228
Impact of merger	209,766	-	-	209,766
New assets originated or purchased	35,194	-	-	35,194
Assets derecognized or repaid	(28,780)	(3,633)	(2,481)	(34,894)
Transfers to/(from) Stage 1	(11,341)	-	-	(11,341)
Transfers to/(from) Stage 2	-	6,364	-	6,364
Transfers to/(from) Stage 3	-	-	4,977	4,977
Balance at December 31, 2020	P267,607	P4,191	P2,496	P274,294
2019				
Balance at January 1, 2019	P69,513	P84	P-	P69,597
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	P62,768	P1,460	P-	P64,228

Breakdown of restructured receivables from customers by class are shown below:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Commercial loans	P4,346	P2,048	P3,614	P2,044
Residential mortgage loans	59	95	7	11
Auto loans	7	16	-	-
Others	174	276	-	-
	P4,586	P2,435	P3,621	P2,055

As of December 31, 2020 and 2019, 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					Total
	Number of days past due					
	Within 30 days	31-60 days	61-90 days	91-180 days	Over 180 days	
2020						
Auto loans	P890	P287	P189	P1,161	P3,255	P5,782
Residential mortgage loans	704	220	104	572	2,139	3,739
Credit card	-	974	922	5,273	-	7,169
	P1,594	P1,481	P1,215	P7,006	P5,394	P16,690
2019						
Auto loans	P419	P165	P330	P1,392	P1,132	P3,438
Residential mortgage loans	807	328	187	422	1,035	2,779
Credit card	-	1,175	865	1,509	-	3,549
	P1,226	P1,668	P1,382	P3,323	P2,167	P9,766

	Parent Company					Total
	Number of days past due					
	Within 30 days	31-60 days	61-90 days	91-180 days	Over 180 days	
2020						
Auto loans	P2	P2	P2	P4	P181	P191
Residential mortgage loans	27	22	18	43	607	717
Credit card	-	974	922	5,273	-	7,169
	P29	P998	P942	P5,320	P788	P8,077
2019						
Auto loans	P61	P20	P8	P11	P121	P221
Residential mortgage loans	322	84	39	105	357	907
	P383	P104	P47	P116	P478	P1,128



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						Total
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	
2020							
Financial Assets							
Cash and other cash items	₱38,469	₱-	₱-	₱-	₱-	₱-	₱38,469
Due from BSP	304,906	-	-	-	-	-	304,906
Due from other banks	32,858	2,926	2,491	73	15	-	38,363
Interbank loans receivable and SPURA	8,040	37,348	19,961	7,636	6,502	-	79,487
Investment securities at FVTPL							
FVTPL investments	6,416	56	54,947	247	376	2,290	64,332
Derivative assets							
Trading:							
Receive	-	55,125	38,586	17,521	22,010	87,816	221,058
Pay	-	(54,325)	(37,826)	(17,026)	(20,678)	(79,260)	(209,115)
	-	800	760	495	1,332	8,556	11,943
Investment securities at FVOCI	-	45,802	8,572	25,666	84,796	432,711	597,547
Investment securities at amortized cost	-	55	3,033	164	344	24,093	27,689
Loans and receivables							
Receivables from customers	76,042	207,770	177,373	70,980	92,321	876,411	1,500,897
Unquoted debt securities	-	-	-	-	-	435	435
Accrued interest receivable	11,667	528	196	696	450	190	13,727
Accounts receivable	10,130	533	85	9	28	493	11,278
Sales contract receivable	10	3	12	22	4	35	86
Other receivables	9	320	-	-	-	-	329
Other assets							
Returned checks and other cash items	250	-	-	-	-	-	250
Residual values of leased assets	103	40	51	65	143	528	930
Miscellaneous	56	4	3	4	6	175	248
	₱488,956	₱296,185	₱267,484	₱106,057	₱186,317	₱1,345,917	₱2,690,916
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱515,378	₱-	₱-	₱-	₱-	₱-	₱515,378
Savings	795,979	-	-	-	-	-	795,979
Time	2	285,744	105,265	27,748	16,987	16,174	451,920
LTNCD	-	13	103	295	6,840	32,596	39,847
	1,311,359	285,757	105,368	28,043	23,827	48,770	1,803,124
Bills payable and SSURA	-	73,338	34,887	3,403	15,600	13,531	140,759
Manager's checks and demand drafts outstanding	6,024	-	-	-	-	-	6,024
Accrued interest payable	39	704	692	66	161	72	1,734
Accrued other expenses	3,843	1,623	256	-	165	-	5,887
Bonds payable	-	22	215	763	33,777	63,575	98,352
Subordinated debts	-	-	19	19	37	1,319	1,394
Non-equity non-controlling interest	8,315	-	-	-	-	-	8,315
Other liabilities							
Bills purchased - contra	10,994	-	-	-	-	-	10,994
Accounts payable	7,629	10,319	-	2,073	-	6	20,027
Marginal deposits	-	-	5,600	-	-	-	5,600
Outstanding acceptances	-	405	468	289	166	-	1,328
Deposits on lease contracts	12	214	118	101	236	777	1,458
Dividends payable	-	90	-	-	-	-	90
Lease liability	27	87	188	276	493	2,851	3,922
Miscellaneous	181	-	-	-	-	-	181
	1,348,423	372,559	147,811	35,033	74,462	130,901	2,109,189
Derivative liabilities*							
Trading:							
Pay	-	76,203	30,594	13,130	13,537	95,048	228,512
Receive	-	(74,804)	(30,218)	(12,872)	(12,769)	(84,933)	(215,596)
	-	1,399	376	258	768	10,115	12,916
Loan commitments and financial guarantees	212,711	6,907	20,983	8,531	26,218	10,375	285,725
	₱1,561,134	₱380,865	₱169,170	₱43,822	₱101,448	₱151,391	₱2,407,830



	Consolidated						Total
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	
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
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱411,873	₱-	₱-	₱-	₱-	₱-	₱411,873
Savings	665,634	-	-	-	-	-	665,634
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	p6,806	-	-	-	-	-	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



	Parent Company						Total
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	
2020							
Financial Assets							
Cash and other cash items	₱35,606	₱-	₱-	₱-	₱-	₱-	₱35,606
Due from BSP	262,188	-	-	-	-	-	262,188
Due from other banks	17,365	2,892	2,491	-	-	-	22,748
Interbank loans receivable and SPURA	-	30,046	14,679	6,061	6,502	-	57,288
Investment securities at FVTPL							
FVTPL investments	-	-	54,689	-	-	43	54,732
Derivative assets							
Trading:							
Receive	-	55,124	38,586	17,521	22,005	87,805	221,041
Pay	-	(54,325)	(37,826)	(17,027)	(20,677)	(79,260)	(209,115)
	-	799	760	494	1,328	8,545	11,926
Investment securities at FVOCI	-	34,441	5,884	24,898	83,149	422,227	570,599
Investment securities at amortized cost	-	-	2,902	-	82	5,569	8,553
Loans and receivables							
Receivables from customers	65,906	202,697	166,484	57,835	55,240	665,268	1,213,430
Unquoted debt securities	-	-	-	-	-	370	370
Accrued interest receivable	8,535	-	-	-	-	-	8,535
Accounts receivable	7,004	-	-	-	-	-	7,004
Sales contract receivable	6	1	12	22	3	15	59
Other receivables	11	-	-	-	-	-	11
Other assets							
Returned checks and other cash items	239	-	-	-	-	-	239
	₱396,860	₱270,876	₱247,901	₱89,310	₱146,304	₱1,102,037	₱2,253,288
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	₱467,545	₱-	₱-	₱-	₱-	₱-	₱467,545
Savings	755,713	-	-	-	-	-	755,713
Time	-	217,790	82,984	21,569	9,575	566	332,484
LTNCD	-	13	103	295	6,840	23,176	30,427
	1,223,258	217,803	83,087	21,864	16,415	23,742	1,586,169
Bills payable and SSURA	-	65,195	30,371	375	8,555	4,451	108,947
Manager's checks and demand drafts outstanding	5,493	-	-	-	-	-	5,493
Accrued interest payable	33	444	390	73	59	72	1,071
Accrued other expenses	3,834	-	-	-	-	-	3,834
Bonds payable	-	22	215	763	22,971	58,486	82,457
Subordinated debts	-	-	19	19	37	1,319	1,394
Other liabilities							
Bills purchased - contra	10,990	-	-	-	-	-	10,990
Accounts payable	1,838	9,153	-	-	-	-	10,991
Outstanding acceptances	-	405	468	289	166	-	1,328
Marginal deposits	-	-	398	-	-	-	398
Lease liability	19	52	101	143	263	1,670	2,248
	1,245,465	293,074	115,049	23,526	48,466	89,740	1,815,320
Derivative liabilities*							
Trading:							
Pay	-	76,203	30,594	13,130	13,537	95,048	228,512
Receive	-	(74,804)	(30,218)	(12,872)	(12,769)	(84,933)	(215,596)
	-	1,399	376	258	768	10,115	12,916
Loan commitments and financial guarantees	212,669	6,906	20,983	8,531	14,830	10,375	274,294
	₱1,458,134	₱301,379	₱136,408	₱32,315	₱64,064	₱110,230	₱2,102,530
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

(Forward)



	Parent Company						Total
	On demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Beyond 1 year	
Derivative assets							
Trading:							
Receive	P-	P53,050	P27,989	P29,617	P14,099	P3,018	P127,773
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
	P287,606	P348,438	P202,873	P107,606	P58,879	P1,218,879	P2,224,281
Financial Liabilities							
Non-derivative liabilities							
Deposit liabilities							
Demand	P372,303	P-	P-	P-	P-	P-	P372,303
Savings	630,946	-	-	-	-	-	630,946
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
	P1,033,796	P409,160	P151,116	P54,788	P73,762	P110,092	P1,832,714

*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, 2020			
December 29	₱182.03	₱286.09	₱9.26
Average	236.42	223.21	25.78
Highest	320.70	399.15	65.58
Lowest	177.83	61.27	4.60
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

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	
	Equities	Bonds		Bonds	
		PHP	USD	PHP	FX
As of December 31, 2020					
December 29	₱0	₱3.22	₱0	₱0.00	₱0.85
Average		9.48	2.74	4.98	0.90
Highest		72.34	6.84	27.43	1.63
Lowest		1.88	0.18	0.00	0.00
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

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 Group and the Parent Company, 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 (Δ EVE), 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, 2020 and 2019:

	Parent Company	FMIC	PSBank	ORIX Metro	MCC*	Group
2020	(₱2,795.47)	(₱13.57)	(₱405.28)	(₱72.42)	₱-	(₱2,598.13)
2019	(2,892.41)	(88.73)	(1,411.33)	(97.92)	(140.61)	(2,498.06)

* Merged into the Parent Company effective January 3, 2020 (Note 11)

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

The Parent Company employs the Delta EVE model to measure the overall change in the economic value of the bank at one point. It reflects the changes in the net present value of its banking book at different interest rate shocks and stress scenarios. Δ EVE 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.

For 2020, the Δ EVE of the Parent Company ranges from (₱5.26 billion) to (₱25.09 billion). As of December 29, 2020, the Δ EVE stood at (₱25.09 billion) or 11.24% of CETI Capital. Metrobank has adequate capital to support potential change in value of equity even at worst stress scenario.

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:

Currency	Consolidated						Parent Company					
	2020			2019			2020			2019		
	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%	30.17	4.88	+1.00%	(12.81)	5.04	+1.00%	136.27	1.61	+1.00%	107.32	1.21
EUR	+1.00%	12.53	0.00	+1.00%	(36.41)	0.00	+1.00%	12.43	-	+1.00%	(36.41)	-
JPY	+1.00%	(88.01)	0.00	+1.00%	9.37	0.00	+1.00%	(87.96)	-	+1.00%	9.37	-
GBP	+1.00%	23.40	0.00	+1.00%	8.16	0.00	+1.00%	23.69	-	+1.00%	8.16	-
Others	+1.00%	(181.19)	0.00	+1.00%	(162.34)	0.00	+1.00%	(182.31)	-	+1.00%	(162.34)	-
USD	-1.00%	(30.28)	(4.88)	-1.00%	12.81	(5.04)	-1.00%	(136.27)	(1.61)	-1.00%	(107.32)	(1.21)
EUR	-1.00%	(12.43)	0.00	-1.00%	36.41	0.00	-1.00%	(12.43)	-	-1.00%	36.41	-
JPY	-1.00%	87.96	0.00	-1.00%	(9.37)	0.00	-1.00%	87.96	-	-1.00%	(9.37)	-
GBP	-1.00%	23.69	0.00	-1.00%	(8.16)	0.00	-1.00%	(23.69)	-	-1.00%	(8.16)	-
Others	-1.00%	182.31	0.00	-1.00%	162.34	0.00	-1.00%	182.31	-	-1.00%	162.34	-



Information relating to the Parent Company's currency derivatives is included in Note 8. As of December 31, 2020 and 2019, the Parent Company has outstanding foreign currency spot transactions (in equivalent peso amounts) of ₱12.3 billion and ₱21.24 billion, respectively (sold), and ₱4.0 billion and ₱13.85 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, 2020 and 2019 follow:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Tier 1 capital	₱320,958	₱310,100	₱312,194	₱310,971
CET1 Capital	320,958	310,100	312,194	310,971
Less: Required deductions	33,250	33,812	91,562	127,872
Net Tier 1 Capital	287,708	276,288	220,632	183,099
Tier 2 capital	13,075	22,032	10,691	17,271
Total Qualifying Capital	₱300,783	₱298,320	₱231,323	₱200,370
Credit Risk-Weighted Assets	₱1,256,895	₱1,487,360	₱1,019,586	₱1,143,218
Market Risk-Weighted Assets	70,526	72,042	65,607	66,166
Operational Risk-Weighted Assets	165,001	146,694	99,592	86,437
Total Risk-Weighted Assets	1,492,422	1,706,096	1,184,785	1,295,821



	Consolidated		Parent Company	
	2020	2019	2020	2019
CET1 Ratio*	19.28%	16.19%	18.62%	14.13%
Tier 1 capital ratio	19.28%	16.19%	18.62%	14.13%
Total capital ratio	20.15%	17.49%	19.52%	15.46%

* of which capital conservation buffer in 2020 and 2019 is 13.28% and 10.19%, respectively, for the Group and 12.62% and 8.13%, 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.

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, 2020 and 2019 follow:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Tier 1 Capital	₱287,708	₱276,288	₱220,632	₱183,099
Exposure Measure	₱2,520,462	₱2,532,633	₱2,167,207	₱2,055,498
BLR	11.41%	10.91%	10.18%	8.91%

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, 2020 and 2019, the LCR in single currency as reported to the BSP, was at 303.47% and 245.10%, respectively for the Group, and 321.18% and 279.11%, 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, 2020 and 2019, the NSFR as reported to the BSP, was at 169.94% and 148.53%, respectively for the Group, and 173.27% and 150.61%, 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				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
2020					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Treasury notes and bonds	₱35,828	₱35,828	₱–	₱–	₱35,828
Government	14,531	14,531	–	–	14,531
Private	6,540	6,540	–	–	6,540
Treasury bills	2,346	2,346	–	–	2,346
BSP	2	2	–	–	2
	59,247	59,247	–	–	59,247
Equity securities	6,458	6,458	–	–	6,458
Derivative assets					
Cross-currency swaps	8,708	–	8,708	–	8,708
Currency forwards	2,092	–	2,092	–	2,092
Interest rate swaps	1,038	–	1,038	–	1,038
Put option	7	–	7	–	7
Call option	1	–	1	–	1
	11,846	–	11,846	–	11,846
	77,551	65,705	11,846	–	77,551
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	342,355	342,355	–	–	342,355
Treasury bills	81,497	81,497	–	–	81,497
Government	76,901	76,199	702	–	76,901
Private	36,943	21,274	15,669	–	36,943
BSP	30,049	30,049	–	–	30,049
	567,745	551,374	16,371	–	567,745
Equity securities	1,700	1,498	202	–	1,700
	569,445	552,872	16,573	–	569,445
	₱646,996	₱618,577	₱28,419	₱–	₱646,996



	Consolidated				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Government	₱19,134	₱20,446	₱322	₱-	₱20,768
Private	3,622	2,491	1,207	-	3,698
Treasury bills	294	266	-	-	266
Treasury notes and bonds	243	284	-	-	284
	23,293	23,487	1,529	-	25,016
Loans and receivables - net					
Receivables from customers					
Commercial loans	898,309	-	-	891,872	891,872
Residential mortgage loans	103,216	-	-	130,681	130,681
Auto loans	95,735	-	-	117,075	117,075
Credit card	72,001	-	-	72,001	72,001
Trade loans	36,166	-	-	36,166	36,166
Others	26,478	-	-	28,738	28,738
	1,231,905	-	-	1,276,533	1,276,533
Unquoted debt securities	65	-	-	70	70
Sales contract receivable	79	-	-	81	81
	1,232,049	-	-	1,276,684	1,276,684
Other assets	208	-	-	276	276
	1,255,550	23,487	1,529	1,276,960	1,301,976
Non-Financial Assets					
Investment properties	7,667	-	-	14,493	14,493
Residual value of leased assets	930	-	-	790	790
	8,597	-	-	15,283	15,283
	₱1,264,147	₱23,487	₱1,529	₱1,292,243	₱1,317,259
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross-currency swaps	₱7,401	₱-	₱7,401	₱-	₱7,401
Interest rate swaps	4,834	-	4,834	-	4,834
Currency forwards	1,215	-	1,215	-	1,215
Call option	10	-	10	-	10
Put option	4	-	4	-	4
Credit default swaps	1	-	1	-	1
Non-equity non-controlling interest	8,315	-	8,315	-	8,315
	₱21,780	₱-	₱21,780	₱-	₱21,780
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱450,103	₱-	₱-	₱451,759	₱451,759
LTNCD	35,755	27,527	9,355	-	36,882
	485,858	27,527	9,355	451,759	488,641
Bills payable and SSURA	139,614	-	-	140,415	140,415
Bonds payable	91,397	93,946	-	-	93,946
Subordinated debts	1,167	-	-	1,232	1,232
Other liabilities					
Deposits on lease contracts	1,458	-	-	1,169	1,169
	₱719,494	₱121,473	₱9,355	₱594,575	₱725,403
2019					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Treasury notes and bonds	₱24,145	₱24,145	₱-	₱-	₱24,145
Government	13,048	13,048	-	-	13,048
Private	7,935	7,935	-	-	7,935
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

(Forward)



	Consolidated				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
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
Credit card	82,449	-	-	82,449	82,449
Trade loans	63,093	-	-	63,093	63,093
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 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



	Parent Company				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
2020					
Assets Measured at Fair Value					
Financial Assets					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Treasury notes and bonds	₱34,052	₱34,052	₱-	₱-	₱34,052
Government	14,220	14,220	-	-	14,220
Private	5,962	5,962	-	-	5,962
Treasury bills	1,848	1,848	-	-	1,848
BSP	2	2	-	-	2
	56,084	56,084	-	-	56,084
Equity securities	43	43	-	-	43
Derivative assets					
Cross-currency swaps	8,706	-	8,706	-	8,706
Currency forwards	2,080	-	2,080	-	2,080
Interest rate swaps	1,038	-	1,038	-	1,038
Put option	4	-	4	-	4
Call option	1	-	1	-	1
	11,829	-	11,829	-	11,829
	67,956	56,127	11,829	-	67,956
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	339,258	339,258	-	-	339,258
Treasury bills	81,497	81,497	-	-	81,497
Government	72,315	72,199	116	-	72,315
BSP	30,049	30,049	-	-	30,049
Private	19,037	18,501	536	-	19,037
	542,156	541,504	652	-	542,156
Equity securities	510	421	89	-	510
	542,666	541,925	741	-	542,666
	₱610,622	₱598,052	₱12,570	₱-	₱610,622
Assets for which Fair Values are Disclosed					
Financial Assets					
Investment securities at amortized cost					
Government	₱7,909	₱8,310	₱-	₱-	₱8,310
Loans and receivables - net					
Receivables from customers					
Commercial loans	842,636	-	-	832,318	832,318
Credit card	72,001	-	-	72,001	72,001
Residential mortgage loans	53,812	-	-	54,145	54,145
Trade loans	35,273	-	-	35,273	35,273
Auto loans	20,932	-	-	21,045	21,045
Others	11,521	-	-	11,521	11,521
	1,036,175	-	-	1,026,303	1,026,303
Sales contract receivable	54	-	-	54	54
	1,036,229	-	-	1,026,357	1,026,357
	1,044,138	8,310	-	1,026,357	1,034,667
Non-Financial Assets					
Investment properties	3,369	-	-	7,440	7,440
	₱1,047,507	₱8,310	₱-	₱1,033,797	₱1,042,107
Liabilities Measured at Fair Value					
Financial Liabilities					
Financial liabilities at FVTPL					
Derivative liabilities					
Cross-currency swaps	₱5,766	₱-	₱5,766	₱-	₱5,766
Interest rate swaps	4,834	-	4,834	-	4,834
Currency forwards	1,203	-	1,203	-	1,203
Call option	10	-	10	-	10
	₱11,813	₱-	₱11,813	₱-	₱11,813
Liabilities for which Fair Values are Disclosed					
Financial Liabilities					
Deposit liabilities					
Time	₱332,323	₱-	₱-	₱332,323	₱332,323
LTNCD	27,330	18,562	9,355	-	27,917
	359,653	18,562	9,355	332,323	360,240
Bills payable and SSURA	108,651	-	-	108,669	108,669
Bonds payable	76,355	78,607	-	-	78,607
Subordinated debts	1,167	-	-	1,232	1,232
	₱545,826	₱97,169	₱9,355	₱442,224	₱548,748



	Parent Company				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
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
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

(Forward)



	Parent Company				Total Fair Value
	Carrying Value	Level 1	Level 2	Level 3	
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

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
2020							
Results of Operations							
Net interest income (expense)							
Third party	₱20,371	₱42,058	₱-	₱12,497	₱7,127	₱4,054	₱86,107
Intersegment	(451)	(29,487)	-	(16,694)	46,632	-	-
Net interest income after intersegment transactions	19,920	12,571	-	(4,197)	53,759	4,054	86,107
Non-interest income	5,084	786	118	18,581	4,430	6,130	35,129
Revenue - net of interest expense	25,004	13,357	118	14,384	58,189	10,184	121,236
Non-interest expense	27,062	25,306	9	4,648	21,398	22,457	100,880
Income (loss) before share in net income of subsidiaries, associates and a JV	(2,058)	(11,949)	109	9,736	36,791	(12,273)	20,356
Share in net income of subsidiaries, associates and a JV	-	38	-	-	-	626	664
Provision for income tax	(574)	(398)	-	(3,838)	110	(2,346)	(7,046)
Non-controlling interest in net income of consolidated subsidiaries	-	-	-	-	-	(143)	(143)
Net income (loss)	(₱2,632)	(₱12,309)	₱109	₱5,898	₱36,901	(₱14,136)	₱13,831
Statement of Financial Position							
Total assets	₱193,530	₱906,031	₱-	₱869,277	₱181,470	₱304,855	₱2,455,163
Total liabilities	₱87,922	₱874,214	₱-	₱840,692	₱289,001	₱30,159	₱2,121,988
Other Segment Information							
Capital expenditures	₱279	₱92	₱-	₱58	₱28	₱2,502	₱2,959
Depreciation and amortization	₱726	₱197	₱-	₱52	₱2,143	₱2,427	₱5,545
Provision for credit and impairment losses	₱19,005	₱20,278	₱-	₱-	₱37	₱1,440	₱40,760
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
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



	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
2018							
Results of Operations							
Net interest income (expense)							
Third party	₱17,881	₱40,602	₱-	₱9,444	(₱1,997)	₱2,892	₱68,822
Intersegment	(476)	(30,190)	-	1,761	27,639	1,266	-
Net interest income after intersegment transactions	17,405	10,412	-	11,205	25,642	4,158	68,822
Non-interest income	6,892	1,078	347	1,748	4,771	8,074	22,910
Revenue - net of interest expense	24,297	11,490	347	12,953	30,413	12,232	91,732
Non-interest expense	14,523	4,877	26	2,418	23,203	16,379	61,426
Income (loss) before share in net income of subsidiaries, associates and a JV	9,774	6,613	321	10,535	7,210	(4,147)	30,306
Share in net income of subsidiaries, associates and a JV	-	77	-	-	-	797	874
Provision for income tax	(2,212)	(455)	-	(2,637)	(88)	(2,353)	(7,745)
Non-controlling interest in net income of consolidated subsidiaries	-	-	-	-	-	(1,427)	(1,427)
Net income (loss)	₱7,562	₱6,235	₱321	₱7,898	₱7,122	(₱7,130)	₱22,008
Statement of Financial Position							
Total assets	₱221,884	₱1,043,630	₱-	₱464,751	₱153,913	₱359,515	₱2,243,693
Total liabilities	₱75,848	₱999,803	₱-	₱488,041	₱259,621	₱129,676	₱1,952,989
Other Segment Information							
Capital expenditures	₱488	₱62	₱-	₱108	₱60	₱2,807	₱3,525
Depreciation and amortization	₱586	₱130	₱-	₱28	₱1,557	₱1,783	₱4,084
Provision for credit and impairment losses	₱6,607	₱669	₱-	₱126	₱172	₱196	₱7,770

Non-interest income consists of service charges, fees and commissions, profit from assets sold, trading and securities gain - 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
2020					
Interest income	₱104,707	₱3,065	₱15	₱-	₱107,787
Interest expense	20,641	1,033	6	-	21,680
Net interest income	84,066	2,032	9	-	86,107
Non-interest income	33,796	868	428	37	35,129
Provision for credit and impairment losses	40,544	214	2	-	40,760
Total external net operating income	₱77,318	₱2,686	₱435	₱37	₱80,476
Non-current assets	₱31,945	₱661	₱15	₱3	₱32,624
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



	Philippines	Asia (Other than Philippines)	USA	Europe	Total
2018					
Interest income	₱94,670	₱2,461	₱55	₱-	₱97,186
Interest expense	27,269	1,075	20	-	28,364
Net interest income	67,401	1,386	35	-	68,822
Non-interest income	21,189	1,065	602	54	22,910
Provision for credit and impairment losses	7,576	194	-	-	7,770
Total external net operating income	₱81,014	₱2,257	₱637	₱54	₱83,962
Non-current assets	₱31,635	₱653	₱15	₱5	₱32,308

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	
	2020	2019	2020	2019
Interbank loans receivable - net (Note 31)	₱52,741	₱32,488	₱41,386	₱19,231
SPURA	26,653	39,686	15,819	36,921
	₱79,394	₱72,174	₱57,205	₱56,152

As of December 31, 2020 and 2019, the allowance for credit losses for interbank loans receivable amounted to ₱13.6 million and ₱0.7 million, respectively, for the Group and ₱4.6 million and ₱0.7 million, respectively, for the Parent Company (Note 15).

In 2020, 2019 and 2018, the interest rates of the interbank loans receivables ranged from 0.00% to 4.65%, 0.00% to 4.60%, and 0.00% to 5.40%, respectively, for the Group and 0.00% to 3.45%, 0.00% to 4.00%, and 0.00% to 3.54%, respectively, for the Parent Company.

8. Trading and Investment Securities

This account consists of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Investment securities at:				
FVTPL	₱77,551	₱61,867	₱67,956	₱49,550
FVOCI (Note 29)	569,445	202,520	542,666	188,676
Amortized cost (Note 29)	23,293	251,628	7,909	216,644
	₱670,289	₱516,015	₱618,531	₱454,870



Investment securities at FVTPL consist of the following:

	Consolidated		Parent Company	
	2020	2019	2020	2019
HFT investments				
Debt securities				
Treasury notes and bonds	₱35,828	₱24,145	₱34,052	₱20,210
Government	14,531	13,048	14,220	12,838
Private	6,540	7,935	5,962	7,213
Treasury bills	2,346	1,662	1,848	761
BSP	2	2	2	2
	59,247	46,792	56,084	41,024
Equity securities	6,458	6,585	43	38
	65,705	53,377	56,127	41,062
Derivative assets	11,846	8,490	11,829	8,488
	₱77,551	₱61,867	₱67,956	₱49,550

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, 2020 and 2019 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, 2020				
Freestanding derivatives:				
Currency forwards				
BOUGHT:				
USD	₱1	₱931	USD 2,073	₱48.6578
CNY	1	0	CNY 232	CNY 0.1532
EUR	133	-	EUR 186	EUR 1.2173
THB	4	0	THB 264	THB 0.0330
TWD	17	59	TWD 3,116	TWD 0.0348
GBP	13	2	GBP 25	GBP 1.3445
AUD	4	-	AUD 27	AUD 0.7572
JPY	16	-	JPY 5,756	JPY 0.0096
SGD	6	-	SGD 38	SGD 0.7502
CAD	0	12	CAD 58	CAD 0.7849
CHF	1	-	CHF 9	CHF 1.1269
SOLD:				
USD	1,853	1	USD 1,805	₱49.1599
CNY	-	15	CNY 729	CNY 0.1529
JPY	29	59	JPY 23,180	JPY 0.0096
EUR	1	120	EUR 163	EUR 1.2134
MXN	-	-	MXN 1	MXN 0.0464
THB	-	3	THB 261	THB 0.0331
CHF	1	0	CHF 12	CHF 1.1310
HKD	-	-	HKD 79	HKD 0.1290
SGD	-	0	SGD 14	SGD 0.7541
TRY	-	0	TRY 1	TRY 0.1269
DKK	-	0	DKK 2	DKK 0.1635
CAD	-	1	CAD 12	CAD 0.7793
AUD	-	0	AUD 5	AUD 0.7625
Interest rate swaps - PHP	768	594	₱41,485	
Interest rate swaps - FX	270	4,240	USD 2,181	
Cross-currency swaps - PHP	7,670	7	₱68,124	
Cross-currency swaps - FX	835	5,508	USD 1,953	
Cross-currency swaps - EUR	107	211	EUR 93	
Cross-currency swaps - JPY	94	40	JPY 9,590	
Credit default swaps - USD	-	0	USD 1	
Over-the-counter FX options	5	10	USD 193	
	₱11,829	₱11,813		



	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
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		

As of December 31, 2020 and 2019, the Group's derivative assets include currency forwards, FX options and interest rate options entered into by the subsidiaries amounting to ₱17.1 million and ₱1.5 million, respectively. As of December 31, 2020 and 2019, the Group's derivative liabilities include currency forwards, cross-currency swaps and FX options entered into by the subsidiaries amounting to ₱1.7 billion and ₱1.4 billion, respectively.

Investment securities at FVOCI as of December 31, 2020 and 2019 consist of the following:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Debt securities				
Treasury notes and bonds (Note 17)	₱342,355	₱111,791	₱339,258	₱109,203
Treasury bills	81,497	–	81,497	–
Government (Note 17)	76,901	52,870	72,315	52,649
Private	36,943	36,199	19,037	26,324
BSP	30,049	–	30,049	–
	567,745	200,860	542,156	188,176
Equity securities				
	1,700	1,660	510	500
	₱569,445	₱202,520	₱542,666	₱188,676

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. In 2020, as part of its risk management, the Group disposed equity securities at FVOCI with total carrying value of ₱85.0 million and recognized a loss on disposal charged against 'Surplus' of ₱44.2 million. Dividends recognized for the disposed equity securities amounted to ₱0.5 million in 2020.



Outstanding equity securities at FVOCI as of December 31, 2020 and 2019 generated dividends amounting to ₱45.7 million and ₱40.0 million, respectively for the Group and ₱26.4 million and ₱11.3 million, respectively, for the Parent Company.

As of December 31, 2020 and 2019, the ECL on debt securities at FVOCI (included in 'Net unrealized gain on investment securities at FVOCI') amounted to ₱141.0 million and ₱148.3 million respectively, for the Group and ₱141.0 million and ₱144.9 million, respectively, for the Parent Company (Note 15).

As of December 31, 2020 and 2019, investment securities at FVOCI include floating and fixed rate private notes with total carrying value of USD11.2 million and USD11.0 million, respectively (with peso equivalent of ₱536.0 million and ₱558.2 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.

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	
	2020	2019	2020	2019
Balance at beginning of the year	₱2,575	(₱3,134)	₱2,629	(₱2,994)
Unrealized gains recognized in OCI*	14,089	10,201	13,830	9,495
Amounts realized in surplus	44	(19)	44	(19)
Amounts realized in profit or loss	(8,307)	(4,403)	(8,007)	(3,788)
	8,401	2,645	8,496	2,694
Tax (Note 28)	(838)	(70)	(885)	(65)
Balance at end of the year	₱7,563**	₱2,575**	₱7,611	₱2,629

* Includes impact of ECL (Note 15)

** Includes share of non-controlling interest in unrealized losses amounting to ₱48.0 million and ₱54.0 million as of December 31, 2020 and 2019, respectively.

Investment securities at amortized cost as of December 31, 2020 and 2019 consist of the following:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Government (Notes 17 and 19)	₱19,153	₱20,232	₱7,909	₱8,130
Private	3,625	3,880	-	-
Treasury bills	294	100	-	-
Treasury notes and bonds (Note 17)	243	227,442	-	208,514
	23,315	251,654	7,909	216,644
Less allowance for credit losses (Note 15)	22	26	-	-
	₱23,293	₱251,628	₱7,909	₱216,644

In May 2020, the BOD of the Parent Company approved the change in business model for its debt securities carried at amortized cost in line with its revised balance sheet risk strategy. The Parent Company considered the pandemic a Black Swan scenario as it is unprecedented in all aspects, with the full economic and banking industry impact still unknown. This called for the Parent Company to recalibrate its balance sheet risk strategy given the drastic change in the economic landscape. The revised balance sheet strategy provides a framework for the Parent Company to assess the appropriate mix of assets, liabilities and capital under five economic scenarios, with the objective of ensuring reliable liquidity and steady stream of accruals. Upon assessment of the current economic environment, maturity profile and credit quality of loans, CASA placements and maturity profile of the investment securities portfolio, the Parent Company deemed that the existing business model is no longer appropriate since its objective of supporting a stable growth of deposit liabilities with core holdings of investment securities can no longer be met due to the effect of the global health crisis over the foreseeable future. This resulted to disposal of investment securities at amortized cost in



June 2020 with total carrying value of ₱93.9 billion. Trading gains recognized from the disposal amounted to ₱6.9 billion. On July 1, 2020, the remaining debt securities with total carrying value of ₱100.3 billion and fair value of ₱103.9 billion were reclassified to investment securities at FVOCI. As of December 31, 2020, the carrying value of the debt securities reclassified to investment securities at FVOCI as of December 31, 2020 amounted to ₱56.9 billion with net unrealized gain of ₱1.6 billion.

In 2020, PSBank sold investment securities classified as investment securities at amortized cost with total carrying amount of ₱19.6 billion resulting in gain on disposal of investment securities at amortized cost totaling ₱1.3 billion. The sale was made as there were changes in PSBank's funding requirements given its assessment on the impact of a prolonged pandemic. In aggregate, the sale in 2020 is not inconsistent with PSBank's HTC business model as the sale was considered infrequent even if significant in value. Accordingly, the remaining investment securities in the affected HTC portfolio continue to be measured at amortized cost. Further, PSBank assessed that the sale did not reflect a change in PSBank's objectives for the HTC business model.

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 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 ₱2.5 billion in 2020 and ₱4.1 billion in 2019. In 2020 and 2019, trading gains/(losses) (included in 'Trading and securities gain - net') recognized from the disposal amounted to ₱77.1 million and ₱172.8 million, respectively for the Group, and ₱77.1 million and ₱32.1 million, respectively for the Parent Company. The outstanding balances of these securities in the Parent Company books amounted to ₱13.5 million (classified as 'Investment Securities at FVTPL') as of December 31, 2020 and ₱124.5 million (classified as 'Investment Securities at FVTPL') and ₱2.4 billion (classified as 'Investment Securities at Amortized Cost') as of December 31, 2019 (Note 31).

Interest income on investment securities at FVOCI and at amortized cost consists of:

	Consolidated			Parent Company		
	2020	2019	2018	2020	2019	2018
Investment securities at amortized cost	₱4,808	₱11,035	₱11,147	₱3,797	₱9,105	₱8,916
Investment securities at FVOCI	12,285	5,538	3,463	11,488	4,673	2,676
	₱17,093	₱16,573	₱14,610	₱15,285	₱13,778	₱11,592

In 2020, 2019 and 2018, foreign currency-denominated trading and investment securities bear nominal annual interest rates ranging from 0.10% to 10.63%, 0.10% to 10.63% and from 0.10% to 11.63% for the Group and the Parent Company while peso-denominated trading and investment securities bear nominal annual interest rates ranging from 2.38% to 18.25%, 3.25% to 18.25% and 2.13% to 18.25%, respectively, for the Group and from 2.38% to 18.25%, 3.25% to 18.25% and 3.25% to 18.25%, respectively, for the Parent Company.

Trading and securities gain - net consists of:

	Consolidated			Parent Company		
	2020	2019	2018	2020	2019	2018
Investment securities at FVTPL	₱1,898	₱3,362	(₱1,668)	₱1,951	₱2,774	(₱570)
Derivative assets/liabilities - net	(3,761)	(2,213)	3,639	(3,741)	(2,210)	3,635
Debt securities at FVOCI	8,307	4,403	(115)	8,007	3,788	(24)
	6,444	5,552	1,856	₱6,217	₱4,352	₱3,041
Income (loss) attributable to non-equity non-controlling interests (Note 21)	115	(230)	685			
	₱6,559	₱5,322	₱2,541			



Trading gains (losses) on debt securities at FVOCI represent realized gains/losses previously reported in OCI.

9. Loans and Receivables

This account consists of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Receivables from customers (Note 31)				
Commercial loans	₱931,263	₱1,063,146	₱871,029	₱1,012,387
Auto loans	100,286	118,409	21,512	24,182
Residential mortgage loans	105,960	109,999	55,391	57,520
Credit card (Note 11)	92,643	86,785	92,643	-
Trade loans	37,068	63,360	36,175	62,655
Others	30,081	43,937	11,568	14,542
	1,297,301	1,485,636	1,088,318	1,171,286
Less unearned discounts and capitalized interest	14,996	5,149	11,134	238
	1,282,305	1,480,487	1,077,184	1,171,048
Accrued interest receivable (Note 31)	13,727	13,105	8,535	10,503
Accounts receivable (Note 31)	11,278	12,707	7,004	8,972
Unquoted debt securities - private	451	1,016	386	386
Sales contract receivable	82	145	56	102
Other receivables	329	331	11	12
	1,308,172	1,507,791	1,093,176	1,191,023
Less allowance for credit losses (Note 15)	55,243	24,223	44,434	13,922
	₱1,252,929	₱1,483,568	₱1,048,742	₱1,177,101

Receivables from customers consist of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Loans and discounts	₱1,250,163	₱1,409,451	₱1,042,054	₱1,095,627
Less unearned discounts and capitalized interest	14,996	5,149	11,134	238
	1,235,167	1,404,302	1,030,920	1,095,389
Customers' liabilities under letters of credit (LC)/trust receipts	36,092	62,016	35,200	61,454
Bills purchased (Note 21)	11,046	14,169	11,064	14,205
	₱1,282,305	₱1,480,487	₱1,077,184	₱1,171,048

Receivables from customers - others of the Group include notes receivables financed and lease contract receivables amounting to ₱14.4 billion and ₱0.9 billion, respectively, as of December 31, 2020 and ₱24.3 billion and ₱1.5 billion, respectively, as of December 31, 2019 (Note 13).

Interest income on loans and receivables consists of:

	Consolidated			Parent Company		
	2020	2019	2018	2020	2019	2018
Receivables from customers (Note 31)	₱63,705	₱72,697	₱60,071	₱46,314	₱56,345	₱44,980
Receivables from cardholders	15,972	15,161	13,527	15,972	-	-
Lease contract receivables	3,897	4,680	4,162	-	-	-
Customers' liabilities under LC/trust receipts	1,840	3,073	1,711	1,840	3,073	1,711
Others	276	236	188	155	185	169
	₱85,690	₱95,847	₱79,659	₱64,281	₱59,603	₱46,860



As of December 31, 2020 and 2019, 81.95% and 82.47%, respectively, of the total receivables from customers of the Group, and 91.41% and 99.92%, respectively, of the total receivables from customers of the Parent Company are subject to periodic interest repricing. In 2020 and 2019, the remaining peso receivables from customers earn annual fixed interest rates ranging from 4.70% to 24.00% and from 4.70% to 45.00%, respectively, while foreign currency-denominated receivables from customers earn annual fixed interest rates ranging from 1.05% to 24.00% in 2020 and from 1.32% to 45.00% in 2019.

10. Property and Equipment

The composition and movements in the account follow:

	Consolidated						Total
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	BUC	ROU Assets	
2020							
Cost							
Balance at beginning of year	₱5,802	₱15,395	₱18,236	₱4,730	₱319	₱4,816	₱49,298
Additions	–	30	1,705	73	619	1,204	3,631
Disposals/early termination	–	(3)	(1,180)	(78)	–	(559)	(1,820)
Reclassification/others	–	687	(39)	114	(863)	(62)	(163)
Balance at end of year	5,802	16,109	18,722	4,839	75	5,399	50,946
Accumulated depreciation and amortization							
Balance at beginning of year	–	6,407	12,326	3,567	–	1,290	23,590
Depreciation and amortization	–	573	2,156	349	–	1,267	4,345
Disposals/early termination	–	–	(1,052)	(78)	–	(432)	(1,562)
Reclassification/others	–	10	(18)	(36)	–	(8)	(52)
Balance at end of year	–	6,990	13,412	3,802	–	2,117	26,321
Allowance for impairment losses	–	8	–	–	–	–	8
Net book value at end of year	₱5,802	₱9,111	₱5,310	₱1,037	₱75	₱3,282	₱24,617
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
Parent Company							
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	BUC	ROU Assets	Total
2020							
Cost							
Balance at beginning of year	₱4,381	₱13,679	₱7,775	₱2,953	₱319	₱2,577	₱31,684
Impact of merger (Note 11)	284	389	602	78	–	80	1,433
Additions	–	17	1,003	2	619	816	2,457
Disposals/early termination	–	–	(229)	(78)	–	(429)	(736)
Reclassification/others	–	691	(6)	137	(863)	(39)	(80)
Balance at end of year	4,665	14,776	9,145	3,092	75	3,005	34,758
Accumulated depreciation and amortization							
Balance at beginning of year	–	5,623	5,373	2,121	–	702	13,819
Impact of merger (Note 11)	–	206	357	77	–	27	667
Depreciation and amortization	–	531	978	208	–	703	2,420
Disposals	–	–	(198)	(78)	–	(314)	(590)
Reclassification/others	–	11	(7)	(16)	–	17	5
Balance at end of year	–	6,371	6,503	2,312	–	1,135	16,321
Allowance for impairment losses	–	8	–	–	–	–	8
Net book value at end of year	₱4,665	₱8,397	₱2,642	₱780	₱75	₱1,870	₱18,429



	Parent Company						Total
	Land	Buildings	Furniture, Fixtures and Equipment	Leasehold Improvements	BUC	ROU Assets	
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

As of December 31, 2020 and 2019, the cost of fully depreciated property and equipment still in use amounted to ₱6.5 billion and ₱6.2 billion, respectively, for the Group and ₱3.9 billion and ₱2.4 billion, respectively, for the Parent Company.

11. Investments in Subsidiaries, Associates and a Joint Venture

Investments in subsidiaries consist of:

	2020	2019
Acquisition cost		
PSBank	₱13,076	₱13,076
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
MCC	–	15,149
Others	291	291
	36,840	51,989
Accumulated equity in net income		
Balance at beginning of year	44,276	36,457
Share in net income	1,652	8,892
Dividends	(1,103)	(1,073)
Impact of merger of MCC with Parent Company	(14,411)	–
Balance at end of year	30,414	44,276
Equity in net unrealized loss on investment securities at FVOCI	(258)	(537)
Equity in net unrealized gain on remeasurement of retirement plan and translation adjustment and others	252	98
Excess of share in net losses of subsidiaries over cost included in 'Miscellaneous liabilities' (Note 21)	99	35
Equity in realized loss on sale of equity securities at FVOCI	(166)	(122)

(Forward)



	2020	2019
Carrying value		
FMIC	₱19,787	₱19,647
MBCL	12,425	12,051
PSBank	30,377	30,294
Circa	254	250
ORIX Metro	3,557	3,529
MR USA	130	49
MR Japan	79	74
MR UK	39	49
MRHL	129	142
MRSPL	150	154
MCC	-	29,233
Others	254	267
	₱67,181	₱95,739

The following subsidiaries have material non-controlling interests as of December 31, 2020 and 2019:

	Country of Incorporation and Principal Place of Business	Principal Activities	Effective Ownership of Non-Controlling Interest	
			2020	2019
ORIX Metro	Philippines	Leasing, Financing	40.15%	40.15%
PSBank	Philippines	Banking	11.62%	11.62%

The following table presents financial information of subsidiaries with material non-controlling interests as of December 31, 2020 and 2019.

	2020		2019	
	PSBank	ORIX Metro	PSBank	ORIX Metro
Statement of Financial Position				
Total assets	₱219,479	₱44,623	₱224,907	₱52,821
Total liabilities	184,933	35,733	190,450	43,998
Non-controlling interest	5,197	3,586	5,187	3,562
Statement of Income				
Gross income	20,134	6,708	20,656	7,745
Operating income	16,570	4,605	14,602	5,248
Net income	1,106	32	3,028	1,147
Net income attributable to non-controlling interest	129	13	352	460
Total comprehensive income	1,343	68	3,401	710
Statement of Cash Flows				
Net cash provided by (used in) operating activities	12,585	8,110	(35,641)	771
Net cash provided by (used in) investing activities	21,756	(211)	12,614	(791)
Net cash provided by (used in) financing activities	(3,023)	(3,625)	10,752	(2,662)
Net increase (decrease) in cash and cash equivalents	31,318	4,274	(12,275)	(2,682)
Cash and cash equivalents at beginning of year	10,235	7,573	22,510	10,255
Cash and cash equivalents at end of year	41,553	11,847	10,235	7,573

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 FMIC

In line with its transformation initiative, the BOD of FMIC approved the proposal to return its quasi banking license with the BSP on November 24, 2020.



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 was 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. This 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.

As of January 3, 2020, the following are the assets and liabilities of MCC:

Assets	
Due from BSP	₱5,994
Due from Other Banks	744
Interbank Loans and SPURA	175
Investment Securities at FVOCI	28
Loans and Receivables	83,422
Property and Equipment	766
Investment Properties	1
Deferred Tax Assets	2,088
Other Assets	1,030
Total Assets	₱94,248
Liabilities	
Bills Payable and SSURA	₱65,389
Derivative Liabilities	307
Income Taxes Payable	608
Accrued Interest and Other Expenses	1,478
Subordinated Debts	1,166
Other Liabilities	5,819
Total Liabilities	₱74,767



The difference between the carrying value of the investment in MCC and the net assets of MCC amounting to ₱9.8 billion was recognized under ‘Translation adjustments and others’ in the statement of financial position by the Parent Company.

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, 2020 and 2019, 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	
	2020	2019	2020	2019
Acquisition cost:				
Lepanto Consolidated Mining Company (LCMC) (13.35% effectively owned)	₱2,527	₱2,527		
SMFC (26.52% 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) (34.49% effectively owned)	175	175		
Philippine AXA Life Insurance Corporation (PALIC) (27.97% owned)	172	172		
SMBC Metro Investment Corporation (SMBC Metro) (30.00% owned)	180	180	180	180
Others	42	42		
	4,116	4,116	590	590
Accumulated equity in net income:				
Balance at beginning of year	2,821	2,122	205	159
Share in net income	664	868	22	46
Dividends	(637)	(169)	-	-
Balance at end of year	2,848	2,821	227	205
Equity in other comprehensive income (losses)	(22)	348	3	2
Return of investment - SMBC Metro	(180)	(180)	(180)	(180)
Allowance for impairment losses (Note 15)	(514)	(514)	(75)	(75)
Carrying value				
LCMC	1,421	1,546		
SMFC	741	756		
NLI	496	474	496	474
TLI	21	21	21	21
CIRC	129	177		
PALIC	3,357	3,535		
SMBC Metro	48	47	48	47
Others	35	35		
	₱6,248	₱6,591	₱565	₱542

* 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, 2020 and 2019, LCMC-A shares are trading at ₱0.160 per share and ₱0.091 per share, respectively and LCMC-B shares are trading at ₱0.156 per share and ₱0.101 per share, respectively. As of December 31, 2020 and 2019, there has been a significant decline in the fair value of the shares compared to the acquisition cost. In 2019, the Group recognized impairment loss on the investment in LCMC amounting to ₱439.2 million (Note 3).

Investment in NLI

On November 27, 2019, the stockholders of NLI approved the shortening of its corporate term to end on December 31, 2021. Following this, the Company is no longer expected to continue its operations for the foreseeable future. Consequently, the management of NLI plans to reduce its workforce and scale-down its business operations with the objective of ceasing business operations by December 31, 2021.

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 Comprehensive Income
	Total Assets	Total Liabilities	Gross Income	Operating Income (Loss)	Net Income (Loss)	OCI	
December 31, 2020							
PALIC	₱154,063	₱142,153	₱18,355	₱4,099	₱2,898	(₱670)	₱2,228
LCMC	16,546	10,257	1,104	(548)	(546)	-	(546)
NLI	3,748	1,369	392	95	112	-	112
SMFC	7,644	5,278	1,595	269	128	-	128
CIRC	2,240	1,585	117	(176)	(123)	-	(123)
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)

Major assets of significant associates and a JV include the following:

	2020	2019
PALIC		
Cash and cash equivalents	₱4,711	₱4,734
Loans and receivables - net	2,113	940
Investment securities at FVTPL	1,924	1,960
Investment securities at FVOCI	18,163	16,282
Investment in unit-linked funds	58	58
Property and equipment	735	614
LCMC		
Inventories	523	538
Investments and advances	568	579
Mine exploration cost	6,808	6,720
Property, plant and equipment - net	6,682	6,956



	2020	2019
NLI		
Cash and cash equivalents	P411	P406
Real estate properties	1770	1,956
Receivables - net	1,422	1,214
SMFC		
Cash and cash equivalents	813	209
Receivables - net	6,509	6,637
CIRC		
Cash and cash equivalents	95	140
Receivables - net	548	520
Property, plant and equipment - net	1,188	1,275
Condominium units for sale/inventories	280	109

Dividends declared by investee companies of the Parent Company follow:

Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
2020					
Subsidiaries					
Cash Dividend					
PSBank	January 16, 2020	P0.75	P287	January 31, 2020	February 17, 2020
PSBank	April 21, 2020	0.75	320	May 7, 2020	May 21, 2020
PSBank	July 23, 2020	0.75	320	August 7, 2020	August 24, 2020
PSBank	October 22, 2020	0.75	320	November 9, 2020	November 23, 2020
2019					
Subsidiaries					
Cash Dividend					
PSBank	January 17, 2019	P0.75	P287	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	P100.00	P932	November 27, 2019	January 31, 2020

Dividends declared by significant investee companies of PSBank and FMIC follow:

Subsidiary/Associate	Date of Declaration	Per Share	Total Amount	Record Date	Payment Date
2020					
Associates					
Cash Dividend					
PALIC	November 16, 2020	P207.00	P2,070	November 16, 2020	December 23, 2020
SMFC	June 26, 2020	8.88	178	June 26, 2020	July 17, 2020
2019					
Associates					
Cash Dividend					
PALIC	November 6, 2019	P40.90	P409	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	P100.00	P932	November 27, 2019	January 31, 2020



12. Investment Properties

This account consists of foreclosed real estate properties and investments in real estate:

	Consolidated					
	2020			2019		
	Land	Buildings and Improvements	Total	Land	Buildings and Improvements	Total
Cost						
Balance at beginning of year	₱5,718	₱4,651	₱10,369	₱5,360	₱4,857	₱10,217
Additions	251	451	702	1,009	644	1,653
Disposals	(343)	(522)	(865)	(673)	(877)	(1,550)
Reclassification/others	12	3	15	22	27	49
Balance at end of year	5,638	4,583	10,221	5,718	4,651	10,369
Accumulated depreciation and amortization						
Balance at beginning of year	-	1,117	1,117	-	1,148	1,148
Depreciation and amortization	-	131	131	-	140	140
Disposals	-	(108)	(108)	-	(188)	(188)
Reclassification/others	-	-	-	-	17	17
Balance at end of year	-	1,140	1,140	-	1,117	1,117
Allowance for impairment losses (Note 15)						
Balance at beginning of year	1,298	192	1,490	1,313	256	1,569
Provision for (reversal of) impairment loss	(3)	-	(3)	(8)	8	-
Disposals	(9)	(24)	(33)	(6)	(65)	(71)
Reclassification/others	(40)	-	(40)	(1)	(7)	(8)
Balance at end of year	1,246	168	1,414	1,298	192	1,490
Net book value at end of year	₱4,392	₱3,275	₱7,667	₱4,420	₱3,342	₱7,762

	Parent Company					
	2020			2019		
	Land	Buildings and Improvements	Total	Land	Buildings and Improvements	Total
Cost						
Balance at beginning of year	₱3,571	₱1,418	₱4,989	₱3,099	₱1,453	₱4,552
Impact of merger (Note 11)	1	-	1	-	-	-
Additions	83	140	223	758	111	869
Disposals	(109)	(103)	(212)	(286)	(148)	(434)
Reclassification/others	14	-	14	-	2	2
Balance at end of year	3,560	1,455	5,015	3,571	1,418	4,989
Accumulated depreciation and amortization						
Balance at beginning of year	-	642	642	-	665	665
Depreciation and amortization	-	39	39	-	39	39
Disposals	-	(46)	(46)	-	(64)	(64)
Reclassification/others	-	-	-	-	2	2
Balance at end of year	-	635	635	-	642	642
Allowance for impairment losses (Note 15)						
Balance at beginning of year	1,016	40	1,056	1,022	40	1,062
Disposals	(5)	(1)	(6)	(5)	(2)	(7)
Reclassification/others	(39)	-	(39)	(1)	2	1
Balance at end of year	972	39	1,011	1,016	40	1,056
Net book value at end of year	₱2,588	₱781	₱3,369	₱2,555	₱736	₱3,291

As of December 31, 2020 and 2019, foreclosed investment properties still subject to redemption period by the borrowers amounted to ₱661.4 million and ₱1.0 billion, respectively, for the Group and ₱57.6 million and ₱150.8 million, respectively, for the Parent Company.

As of December 31, 2020 and 2019, aggregate market value of investment properties amounted to ₱14.5 billion and ₱14.3 billion, respectively, for the Group and ₱7.4 billion and ₱7.2 billion, respectively, for the Parent Company, of which ₱8.4 billion and ₱8.1 billion, respectively for the Group and ₱7.3 billion and ₱7.1 billion, respectively 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 2020, 2019 and 2018 amounted to ₱88.1 million, ₱85.1 million and ₱67.3 million, respectively, for the Group. In 2018, rental income on investment properties amounted to ₱1.0 million for the Parent Company (Note 13).

Direct operating expenses on investment properties that generated rental income (included under 'Litigation expenses') in 2020, 2019 and 2018 amounted to ₱0.1 million, ₱0.1 million and ₱0.4 million, respectively, for the Group. In 2018, direct operating expenses on investment properties that generated rental income amounted to ₱0.3 million for the Parent Company. Direct operating expenses on investment properties that did not generate rental income (included under 'Litigation expenses') in 2020, 2019 and 2018 amounted to ₱156.0 million, ₱286.4 million and ₱257.9 million, respectively, for the Group and ₱63.3 million, ₱90.6 million and ₱102.5 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 2020, 2019 and 2018 amounted to ₱229.4 million, ₱605.4 million and ₱883.3 million, respectively, for the Group and ₱81.7 million, ₱189.5 million and ₱322.4 million, respectively, for the Parent Company (Note 31).

13. Leases

Group as a Lessee

As of December 31, 2020 and 2019, 59.77% and 59.69% 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 1 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, 2020 and 2019, the Group has no contingent rent payable.

The carrying amounts of lease liabilities (included in 'Other Liabilities' in Note 21) are as follows:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Balance at beginning of year	₱4,038	₱4,530	₱2,160	₱2,407
Impact of merger (Note 11)	-	-	55	-
Additions	1,204	657	816	338
Expiry/termination	(126)	(31)	(100)	-
Accretion of interest	252	319	127	170
Payments	(1,409)	(1,436)	(773)	(754)
Others	(37)	(1)	(37)	(1)
	₱3,922	₱4,038	₱2,248	₱2,160

With the adoption of PFRS 16, the Group and the Parent Company recognized the following:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Interest expense on lease liabilities	₱252	₱319	₱127	₱170
Rent expense from short-term leases and leases of low-value assets	872	736	708	414

Prior to PFRS 16 adoption, rent expense (included in 'Occupancy and equipment-related costs' in the statements of income) in 2018 amounted to ₱2.4 billion for the Group and ₱1.3 billion for the Parent Company.



Future minimum rentals payable under non-cancelable leases follows:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Within one year	₱1,213	₱1,553	₱705	₱824
After one year but not more than five years	2,593	3,075	1,606	1,659
More than five years	666	903	457	595
	₱4,472	₱5,531	₱2,768	₱3,078

As of December 31, 2020 and 2019, the Group and the Parent Company have 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 ₱95.0 million and ₱89.3 million, respectively, for the Group, and ₱89.1 million for the Parent Company. In addition, as of December 31, 2020 and 2019, the Group has undiscounted potential future rental payments amounting to nil and ₱6.6 million, respectively, which were not included in the calculation of lease liability due to expected exercise of pre-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 one to six years. In 2020, 2019 and 2018, leasing income amounted to ₱2.0 billion, ₱2.1 billion and ₱2.3 billion, respectively, for the Group and ₱200.3 million, ₱210.5 million and ₱223.6 million, respectively, for the Parent Company.

Future minimum rentals receivable under non-cancelable operating leases follows:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Within one year	₱928	₱875	₱86	₱86
After one year but not more than five years	3,263	776	84	121
More than five years	172	–	–	–
	₱4,363	₱1,651	₱170	₱207

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 six years. These are broken down as follows (Note 9):

	2020	2019
Within one year	₱826	₱820
After one year but not more than five years	3,153	4,881
Greater than five years	172	171
	₱4,151	₱5,872



14. Other Assets

This account consists of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Investment in SPVs	₱8,857	₱8,857	₱8,857	₱8,857
Customized system development cost	2,914	1,616	2,914	1,616
Software costs - net	1,877	2,080	1,343	1,011
Chattel properties acquired in foreclosure - net	1,527	1,093	21	32
Residual value of leased assets	930	1,135	-	-
Creditable withholding tax	889	1,692	276	1,150
Prepaid expenses	738	730	373	193
Documentary and postage stamps on hand	389	486	321	339
Returned checks and other cash items	250	407	238	378
Assets held under joint operations (Note 31)	219	219	219	219
Interoffice float items	13	1,643	4	1,654
Miscellaneous (Note 27)	4,872	5,927	3,763	4,671
	23,475	25,885	18,329	20,120
Less allowance for impairment losses	10,291	10,311	10,282	10,282
	₱13,184	₱15,574	₱8,047	₱9,838

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	
	2020	2019	2020	2019
Cost				
Balance at beginning of year	₱6,063	₱5,164	₱2,710	₱2,165
Impact of merger (Note 11)	-	-	1,336	-
Additions	532	1,050	369	606
Others	(50)	(151)	-	(61)
Balance at end of year	6,545	6,063	4,415	2,710
Accumulated amortization				
Balance at beginning of year	3,983	3,364	1,699	1,500
Impact of merger (Note 11)	-	-	865	-
Amortization	680	632	498	241
Others	5	(13)	10	(42)
Balance at end of year	4,668	3,983	3,072	1,699
Net book value at end of year	₱1,877	₱2,080	₱1,343	₱1,011



Movements in chattel properties acquired in foreclosure follow:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Cost				
Balance at beginning of year	₱1,310	₱1,036	₱57	₱49
Additions	4,243	3,750	10	29
Disposals/others	(3,767)	(3,476)	(27)	(21)
Balance at end of year	1,786	1,310	40	57
Accumulated depreciation and amortization				
Balance at beginning of year	208	192	23	22
Depreciation and amortization	389	313	8	10
Disposals/others	(346)	(297)	(14)	(9)
Balance at end of year	251	208	17	23
Allowance for impairment losses	8	9	2	2
Net book value at end of year	₱1,527	₱1,093	₱21	₱32

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 2020 and 2019 is as follows:

	Consolidated					
	Due from Other Banks	Interbank Loans Receivable	Investment Securities at FVOCI			Investment Securities at Amortized Cost
			Stage 1	Stage 3	Total	
2020						
ECL allowance, January 1, 2020	₱5	₱1	₱118	₱30	₱148	₱26
New assets originated	124	14	14	–	14	–
Assets derecognized or repaid	(5)	(1)	(23)	(30)	(53)	–
Transfers to/(from) Stage 1	–	–	–	–	–	–
Transfers to/(from) Stage 3	–	–	–	–	–	–
Changes in assumptions	–	–	32	–	32	(4)
ECL allowance, December 31, 2020	₱124	₱14	₱141	₱–	₱141	₱22
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

	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
2020				
Commercial loans				
ECL allowance, January 1, 2020	₱2,972	₱820	₱7,285	₱11,077
New assets originated	7,225	–	–	7,225
Assets derecognized or repaid	(234)	(319)	(694)	(1,247)
Amounts written off	–	–	(73)	(73)
Transfers to/(from) Stage 1	(2,661)	–	–	(2,661)
Transfers to/(from) Stage 2	–	7,747	–	7,747
Transfers to/(from) Stage 3	–	–	2,060	2,060
Changes in assumptions	3,751	1,180	1,776	6,707
ECL allowance, December 31, 2020	11,053	9,428	10,354	30,835



	Consolidated			
	Receivables from Customers			
	Stage 1	Stage 2	Stage 3	Total
Auto loans				
ECL allowance, January 1, 2020	₱733	₱539	₱702	₱1,974
New assets originated	325	-	-	325
Assets derecognized or repaid	(4)	(1)	(8)	(13)
Amounts written off	-	-	(746)	(746)
Transfers to/(from) Stage 1	1,266	-	-	1,266
Transfers to/(from) Stage 2	-	(218)	-	(218)
Transfers to/(from) Stage 3	-	-	(823)	(823)
Changes in assumptions	(879)	984	2,407	2,512
ECL allowance, December 31, 2020	1,441	1,304	1,532	4,277
Residential mortgage loans				
ECL allowance, January 1, 2020	124	186	397	707
New assets originated	96	-	-	96
Assets derecognized or repaid	(8)	(11)	(29)	(48)
Amounts written off	-	-	(84)	(84)
Transfers to/(from) Stage 1	311	-	-	311
Transfers to/(from) Stage 2	-	635	-	635
Transfers to/(from) Stage 3	-	-	(361)	(361)
Changes in assumptions	17	471	846	1,334
ECL allowance, December 31, 2020	540	1,281	769	2,590
Trade loans				
ECL allowance, January 1, 2020	149	11	107	267
New assets originated	745	-	-	745
Assets derecognized or repaid	(83)	(7)	-	(90)
Transfers to/(from) Stage 1	(436)	-	-	(436)
Transfers to/(from) Stage 2	-	221	-	221
Transfers to/(from) Stage 3	-	-	269	269
Changes in assumptions	(65)	(4)	(5)	(74)
ECL allowance, December 31, 2020	310	221	371	902
Credit card				
ECL allowance, January 1, 2020	1,392	1,683	1,506	4,581
New assets originated	198	-	-	198
Assets derecognized or repaid	(17)	(58)	(55)	(130)
Amounts written off	-	-	(5,996)	(5,996)
Transfers to/(from) Stage 1	90	-	-	90
Transfers to/(from) Stage 2	-	(525)	-	(525)
Transfers to/(from) Stage 3	-	-	435	435
Changes in assumptions	847	1,580	8,652	11,079
ECL allowance, December 31, 2020	2,510	2,680	4,542	9,732
Other loans				
ECL allowance, January 1, 2020	257	258	742	1,257
New assets originated	1,272	-	-	1,272
Assets derecognized or repaid	(29)	(184)	(269)	(482)
Amounts written off	-	-	(315)	(315)
Transfers to/(from) Stage 1	(920)	-	-	(920)
Transfers to/(from) Stage 2	-	519	-	519
Transfers to/(from) Stage 3	-	-	401	401
Changes in assumptions	(15)	(265)	612	332
ECL allowance, December 31, 2020	565	328	1,171	2,064
Total receivables from customers				
ECL allowance, January 1, 2020	5,627	3,497	10,739	19,863
New assets originated	9,861	-	-	9,861
Assets derecognized or repaid	(375)	(580)	(1,055)	(2,010)
Amounts written off	-	-	(7,214)	(7,214)
Transfers to/(from) Stage 1	(2,350)	-	-	(2,350)
Transfers to/(from) Stage 2	-	8,379	-	8,379
Transfers to/(from) Stage 3	-	-	1,981	1,981
Changes in assumptions	3,656	3,946	14,288	21,890
ECL allowance, December 31, 2020	₱16,419	₱15,242	₱18,739	₱50,400
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



	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



	Consolidated			
	Other Receivables			
	Stage 1	Stage 2	Stage 3	Total
2020				
ECL allowance, January 1, 2020	₱5	₱12	₱1,198	₱1,215
New assets originated	902	-	-	902
Assets derecognized or repaid	(241)	(8)	(175)	(424)
Amounts written off	-	-	-	-
Transfers to/(from) Stage 1	(194)	-	-	(194)
Transfers to/(from) Stage 2	-	29	-	29
Transfers to/(from) Stage 3	-	-	180	180
Changes in assumptions	2	-	(44)	(42)
ECL allowance, December 31, 2020	₱474	₱33	₱1,159	₱1,666
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

	Consolidated			
	Loan Commitments and Financial Guarantees			
	Stage 1	Stage 2	Stage 3	Total
2020				
ECL allowance, January 1, 2020	₱825	₱7	₱-	₱832
New assets originated or purchased	270	-	-	270
Assets derecognized or repaid	(38)	(30)	-	(68)
Transfers to/(from) Stage 1	(145)	-	-	(145)
Transfers to/(from) Stage 2	-	146	-	146
Changes in assumptions	263	183	-	446
ECL allowance, December 31, 2020	₱1,175	₱306	₱-	₱1,481
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

	Parent Company					
	Due from Other Banks	Interbank Loans Receivable	Investment Securities at FVOCI			Investment Securities at Amortized Cost
			Stage 1	Stage 3	Total	
2020						
ECL allowance, January 1, 2020	₱-	₱1	₱115	₱30	₱145	₱-
New assets originated	-	5	14	-	14	-
Assets derecognized or repaid	-	(1)	(23)	(30)	(53)	-
Transfers to/(from) Stage 1	-	-	-	-	-	-
Transfers to/(from) Stage 3	-	-	-	-	-	-
Changes in assumptions	-	-	35	-	35	-
ECL allowance, December 31, 2020	₱-	₱5	₱141	₱-	₱141	₱-
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	₱-



	Parent Company				
	Receivables from Customers				
	Stage 1	Stage 2	Stage 3	POCI	Total
2020					
Commercial loans					
ECL allowance, January 1, 2020	₱2,086	₱718	₱3,942	₱2,991	₱9,737
New assets originated	5,887	-	-	-	5,887
Assets derecognized or repaid	(230)	(190)	(613)	-	(1,033)
Amounts written off	-	-	(1)	-	(1)
Transfers to/(from) Stage 1	(2,182)	-	-	-	(2,182)
Transfers to/(from) Stage 2	-	7,613	-	-	7,613
Transfers to/(from) Stage 3	-	-	1,714	-	1,714
Changes in assumptions	3,963	1,024	1,425	22	6,434
ECL allowance, December 31, 2020	9,524	9,165	6,467	3,013	28,169
Auto loans					
ECL allowance, January 1, 2020	19	6	119	-	144
New assets originated	83	-	-	-	83
Assets derecognized or repaid	(4)	(1)	(8)	-	(13)
Amounts written off	-	-	-	-	-
Transfers to/(from) Stage 1	(4)	-	-	-	(4)
Transfers to/(from) Stage 2	-	170	-	-	170
Transfers to/(from) Stage 3	-	-	59	-	59
Changes in assumptions	128	-	13	-	141
ECL allowance, December 31, 2020	222	175	183	-	580
Residential mortgage loans					
ECL allowance, January 1, 2020	70	21	253	-	344
New assets originated	82	-	-	-	82
Assets derecognized or repaid	(8)	(11)	(29)	-	(48)
Transfers to/(from) Stage 1	(37)	-	-	-	(37)
Transfers to/(from) Stage 2	-	804	-	-	804
Transfers to/(from) Stage 3	-	-	82	-	82
Changes in assumptions	327	14	11	-	352
ECL allowance, December 31, 2020	434	828	317	-	1,579
Trade loans					
ECL allowance, January 1, 2020	149	11	107	-	267
New assets originated	745	-	-	-	745
Assets derecognized or repaid	(84)	(7)	-	-	(91)
Transfers to/(from) Stage 1	(437)	-	-	-	(437)
Transfers to/(from) Stage 2	-	221	-	-	221
Transfers to/(from) Stage 3	-	-	269	-	269
Changes in assumptions	(63)	(4)	(5)	-	(72)
ECL allowance, December 31, 2020	310	221	371	-	902
Credit card					
ECL allowance, January 1, 2020	-	-	-	-	-
Impact of merger (Note 11)	1,392	1,683	1,506	-	4,581
New assets originated	198	-	-	-	198
Assets derecognized or repaid	(17)	(58)	(55)	-	(130)
Amounts written off	-	-	(5,996)	-	(5,996)
Transfers to/(from) Stage 1	91	-	-	-	91
Transfers to/(from) Stage 2	-	(525)	-	-	(525)
Transfers to/(from) Stage 3	-	-	434	-	434
Changes in assumptions	846	1,579	8,654	-	11,079
ECL allowance, December 31, 2020	2,510	2,679	4,543	-	9,732
Other loans					
ECL allowance, January 1, 2020	1	-	36	-	37
New assets originated	5	-	-	-	5
Assets derecognized or repaid	-	-	-	-	-
Transfers to/(from) Stage 3	-	-	1	-	1
Changes in assumptions	3	-	1	-	4
ECL allowance, December 31, 2020	9	-	38	-	47
Total receivables from customers					
ECL allowance, January 1, 2020	2,325	756	4,457	2,991	10,529
Impact of merger	1,392	1,683	1,506	-	4,581
New assets originated	7,000	-	-	-	7,000
Assets derecognized or repaid	(343)	(267)	(705)	-	(1,315)
Amounts written off	-	-	(5,997)	-	(5,997)
Transfers to/(from) Stage 1	(2,569)	-	-	-	(2,569)
Transfers to/(from) Stage 2	-	8,283	-	-	8,283
Transfers to/(from) Stage 3	-	-	2,559	-	2,559
Changes in assumptions	5,204	2,613	10,099	22	17,938
ECL allowance, December 31, 2020	₱13,009	₱13,068	₱11,919	₱3,013	₱41,009



	Parent Company				
	Receivables from Customers				
	Stage 1	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

	Parent Company			
	Other Receivables			
	Stage 1	Stage 2	Stage 3	Total
2020				
ECL allowance, January 1, 2020	₱5	₱5	₱804	₱814
New assets originated	109	–	–	109
Assets derecognized or repaid	(4)	(1)	(17)	(22)
Transfers to/(from) Stage 1	(106)	–	–	(106)
Transfers to/(from) Stage 2	–	17	–	17
Transfers to/(from) Stage 3	–	–	104	104
Changes in assumptions	2	1	(45)	(42)
ECL allowance, December 31, 2020	₱6	₱22	₱846	₱874



	Parent Company			
	Other Receivables			
	Stage 1	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

	Parent Company			
	Loan Commitments and Financial Guarantees			
	Stage 1	Stage 2	Stage 3	Total
2020				
ECL allowance, January 1, 2020	₱49	₱7	₱–	₱56
Impact of merger	776	–	–	776
New assets originated	270	–	–	270
Assets derecognized or repaid	(38)	(30)	–	(68)
Transfers to/(from) Stage 1	(145)	–	–	(145)
Transfers to/(from) Stage 2	–	146	–	146
Changes in assumptions	263	183	–	446
ECL allowance, December 31, 2020	₱1,175	₱306	₱–	₱1,481
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

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, 2020 and 2019, 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 the adoption of supplemental SICR rules to account for the effect of the COVID-19 pandemic on the credit risk exposures, anticipatory credit downgrades, adjustments to projected recovery rates resulting to increasing LGDs and significantly depressed macroeconomic indicators.

The ECL allowance on accounts receivables of the Group and the Parent Company based on their aging as of December 31, 2020 and 2019 follows:

Age of accounts receivables	Consolidated		Parent Company	
	2020	2019	2020	2019
Up to 1 month	₱218	₱563	₱99	₱62
> 1 to 2 months	12	15	12	15
> 2 to 3 months	4	9	4	7
More than 3 months	2,943	2,558	2,436	2,495
Total ECL	₱3,177	₱3,145	₱2,551	₱2,579



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

	Consolidated			Parent Company		
	2020	2019	2018	2020	2019	2018
Financial assets and other credit-related exposures:						
Loans and receivables	₱40,751	₱9,627	₱7,676	₱32,741	₱1,645	₱748
Investment securities at FVOCI	(13)	11	94	-	-	92
Interbank loans receivable	13	(1)	(17)	4	(1)	(17)
Due from other banks	7	-	4	-	-	-
Investment securities at amortized cost	-	-	49	-	-	49
Loan commitments and financial guarantees	-	1	(65)	-	-	(65)
	40,758	9,638	7,741	32,745	1,644	807
Non-financial assets:						
Investment properties	(3)	-	27	-	-	-
Investments in associates and a joint venture	-	439	-	-	-	-
Other assets	5	1	2	-	-	-
	2	440	29	-	-	-
	₱40,760	₱10,078	₱7,770	₱32,745	₱1,644	₱807

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	2020	2019
Parent Company					
September 18, 2014	4.00%	October 24, 2014	April 24, 2020	₱-	₱8,000
September 18, 2014	4.25%	November 21, 2014	November 21, 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
				27,330	35,330
PSBank					
December 8, 2016	3.50%	January 30, 2017	April 30, 2022	3,369	3,363
July 13, 2018	5.00%	August 9, 2018	February 9, 2024	5,056	5,047
				8,425	8,410
				₱35,755	₱43,740

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. 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 December 31, 2020 and 2019, 18.59% and 34.25%, respectively, of the total interest-bearing deposit liabilities of the Group and 14.47% and 31.94%, respectively, of the total interest-bearing deposit liabilities of the Parent Company are subject to periodic interest repricing. In 2020, 2019 and 2018 the remaining peso deposit liabilities (excluding LTNCDs above) earn annual fixed interest rates ranging from 0.00% to 6.59%, while the remaining foreign currency-denominated deposit liabilities of the Parent Company earn annual fixed interest rates ranging from 0.00% to 2.50%, from 0.00% to 3.00%, and from 0.00% to 2.50%, respectively.



Interest expense on deposit liabilities consists of:

	Consolidated			Parent Company		
	2020	2019	2018	2020	2019	2018
CASA	₱2,193	₱2,388	₱2,351	₱1,861	₱1,987	₱1,948
Time	7,457	19,126	15,240	4,581	13,806	10,353
LTNCD	1,676	1,893	1,377	1,282	1,500	1,146
	₱11,326	₱23,407	₱18,968	₱7,724	₱17,293	₱13,447

Reserve Requirement

In 2020, BSP Circular Nos. 1082 and 1092 were issued reducing the reserve requirements against deposit and deposit substitute liabilities. As of December 31, 2020, non-FCDU deposit liabilities of the Parent Company and deposit substitutes of FMIC and ORIX Metro are subject to required reserves of 12% from 14% effective reserve week April 3, 2020 while non-FCDU deposit liabilities of PSBank are subject to required reserves of 3% from 4% effective reserve week July 31, 2020. Reserves requirement for peso-denominated LTNCDs are still at 4%. 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. Also in 2020, BSP Circular No. 1100 was issued allowing banks to use peso denominated loans that are granted after March 15, 2020 to (1) micro-small-and-medium-enterprises (MSMEs) and (2) large enterprises (excluding banks and non-bank financial institutions with quasi-banking functions that met the conditions enumerated in the said circular) as alternative compliance with the reserve requirements. The Parent Company, PSBank, FMIC and ORIX Metro were in compliance with the reserve requirements as of December 31, 2020 and 2019.

The total statutory and liquidity reserves (included in 'Due from BSP' account) as reported to the BSP are as follows:

	2020	2019
Parent Company	₱141,288	₱166,770
PSBank	5,492	6,815
ORIX Metro	542	1,235
FMIC	433	1,255
MCC	—	5,994
	₱147,755	₱182,069

17. Bills Payable and Securities Sold Under Repurchase Agreements

This account consists of borrowings from:

	Consolidated		Parent Company	
	2020	2019	2020	2019
SSURA	₱93,059	₱91,492	₱93,059	₱90,780
Local banks	21,981	29,793	4,209	2,080
Foreign banks	17,364	55,799	11,383	46,212
Deposit substitutes	7,210	61,197	—	—
	₱139,614	₱238,281	₱108,651	₱139,072

Interbank borrowings with foreign and local banks are mainly short-term borrowings. Deposit substitutes pertain to borrowings 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			
	2020		2019		2020		2019	
	Transferred Securities	SSURA	Transferred Securities	SSURA	Transferred Securities	SSURA	Transferred Securities	SSURA
Investment securities at FVTPL	₱4,804	₱4,708	₱–	₱–	₱4,804	₱4,708	₱–	₱–
Investment securities at amortized cost	4,535	4,680	71,073	53,635	4,535	4,680	71,073	53,635
Investment securities at FVOCI	108,065	83,671	46,678	37,857	108,065	83,671	45,965	37,145
	₱117,404	₱93,059	₱117,751	₱91,492	₱117,404	₱93,059	₱117,038	₱90,780

The Group's peso borrowings are subject to annual fixed interest rates ranging from 0.25% to 6.50%, from 0.88% to 7.25% and from 0.88% to 7.45% in 2020, 2019 and 2018, respectively, while the Group's foreign currency-denominated borrowings are subject to annual fixed interest rates ranging from 0.21% to 7.00%, from 1.30% to 4.28% and from 1.38% to 8.00% in 2020, 2019 and 2018, 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 2020, 2019 and 2018 amounted to ₱4.0 billion, ₱10.4 billion and ₱7.2 billion, respectively, for the Group and ₱2.1 billion, ₱4.2 billion and ₱2.8 billion, respectively, for the Parent Company.

18. Accrued Interest and Other Expenses

This account consists of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Accrued interest (Note 31)	₱1,734	₱3,916	₱1,071	₱2,481
Accrued other expenses	7,415	6,583	5,361	4,173
	₱9,149	₱10,499	₱6,432	₱6,654

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 scrippless fixed rate bonds:

Issue Date	Maturity Date	Interest Rate	Face Value	Carrying Value	
				2020	2019
Parent Company					
<u>Fixed Rated Bonds</u>					
November 9, 2018	November 9, 2020	7.15%	₱10,000	₱–	₱9,962
December 17, 2018	November 9, 2020	7.15%	18,000	–	17,952
April 11, 2019	April 11, 2022	6.30%	17,500	17,433	17,384
July 3, 2019	July 3, 2021	5.50%	11,250	11,227	11,178
October 24, 2019	April 24, 2023	4.50%	13,750	13,671	13,634
June 24, 2020	September 24, 2021	3.00%	10,500	10,444	–
<u>USD Senior Unsecured Notes</u>					
July 15, 2020	January 15, 2026	2.125%	US\$500	23,580	–
				76,355	70,110

(Forward)



Issue Date	Maturity Date	Interest Rate	Face Value	Carrying Value	
				2020	2019
Fixed Rated Bonds					
<i>PSBank</i>					
July 24, 2019	July 24, 2021	5.60%	₱6,300	₱6,283	₱6,255
February 4, 2020	February 4, 2023	4.50%	4,650	4,619	-
<i>ORIX Metro</i>					
November 15, 2019	November 15, 2021	4.55%	4,160	4,140	4,121
				₱91,397	₱80,486

Specific terms of these bonds follow:

Parent Company

- ₱10.0 billion fixed rate bonds issued on November 9, 2018 with issue price at 100% face value, which bear an interest rate of 7.15% per annum, payable quarterly in arrears on February 9, May 9, August 9 and November 9 of each year, commencing on February 9, 2019. These bonds matured on November 9, 2020.
- ₱18.0 billion fixed rate bonds (Additional Bonds) issued on December 17, 2018 with issue price at 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. These bonds matured on November 9, 2020.
- ₱17.5 billion fixed rate bonds issued on April 11, 2019 with issue price at 100% face value, which bear an interest rate of 6.30% per annum, payable quarterly in arrears on January 11, April 11, July 11 and October 11 of each year, commencing on July 11, 2019. The bonds will mature on April 11, 2022. Total bond issuance costs amounted to ₱148.47 million.
- ₱11.25 billion fixed rate bonds issued on July 3, 2019 with issue price at 100% face value, which bear an interest rate of 5.50% per annum, payable quarterly in arrears on January 3, April 3, July 3 and October 3 of each year, commencing on July 3, 2019. The bonds will mature on July 3, 2021. Total bond issuance costs amounted to ₱94.55 million.
- ₱13.75 billion fixed rate bonds issued on October 24, 2019 with issue price at 100% face value, which bear an interest rate of 4.50% per annum, payable quarterly in arrears on January 24, April 24, July 24 and October 24 of each year, commencing on October 24, 2019. The bonds will mature on April 24, 2023. Total bond issuance costs amounted to ₱122.1 million.
- ₱10.5 billion fixed rate bonds issued on June 24, 2020 with issue price at 100% face value, which bear an interest rate of 3.00% per annum, payable quarterly in arrears on March 24, June 24, September 24 and December 24, of each year, commencing on September 24, 2020. The bonds will mature on September 24, 2021. Total bond issuance costs amounted to ₱91.5 million.
- US\$500 million senior unsecured notes issued on July 15, 2020 with issue price at 99.096% face value, which bear an interest rate of 2.125% per annum, payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2021. The bonds will mature on January 15, 2026. Total bond issuance costs amounted to ₱484.9 million.

PSBank

- ₱6.30 billion fixed rate bonds issued on July 24, 2019 with issue price at 100% face value, which bear an interest rate of 5.60% per annum, payable quarterly in arrears on January 24, April 24, July 24 and October 24 of each year, commencing on July 24, 2019. The bonds will mature on July 24, 2021. Total bond issuance costs amounted to ₱56.9 million.
- ₱4.65 billion fixed rate bonds issued on February 4, 2020 with issue price at 100% face value, which bear an interest rate of 4.50% per annum, payable quarterly in arrears on February 4, May 4, August 4 and November 4 of each year, commencing on May 4, 2020. The bonds will mature on February 4, 2023. Total bond issuance costs amounted to ₱42.7 million.



ORIX Metro

- ₱4.16 billion fixed rate bonds issued on November 15, 2019 with issue price at 100% face value, which bear an interest rate of 4.55% per annum, payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing on November 15, 2019. The bonds will mature on November 15, 2021. Total bond issuance costs amounted to ₱44.2 million.

Interest expense on bonds payable (included in ‘Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others’) in 2020, 2019 and 2018 amounted to ₱5.5 billion, 3.6 billion and ₱336.7 million, respectively for the Group and ₱4.8 billion, ₱3.4 billion and ₱163.9 million for the Parent Company. As of December 31, 2020 and 2019, unamortized bond issue costs amounted to ₱724.9 million and ₱474.2 million for the Group, and ₱657.0 million and ₱389.9 million for the Parent Company.

Reserve Requirement

Peso-denominated bonds are subject to reserves equivalent to 3% in 2020 and 2019. The Parent Company, PSBank and ORIX Metro were in compliance with such requirements as of December 31, 2020 and 2019.

20. Subordinated Debts

This account consists of the following Peso Notes:

	Maturity Date	Face Value	Carrying Value		Market Value	
			2020	2019	2020	2019
Parent Company						
2025	August 8, 2025	₱6,500	₱-	₱6,494	₱-	₱6,502
2023*	December 20, 2023	1,170	1,167	-	1,232	-
		7,670	1,167	6,494	1,232	6,502
MCC - 2023	December 20, 2023	1,170	-	1,166	-	1,195
		₱8,840	₱1,167	₱7,660	₱1,232	₱7,697

*Impact of merger of MCC into the Parent Company (Note 11)

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 of 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

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. As approved by the BSP on May 7, 2020, on August 8, 2020, the Parent Company redeemed the Notes ahead of its maturity.

2023 Peso Notes - issued by MCC on December 20, 2013 at 100.00% of the principal amount of ₱1.2 billion (absorbed by the Parent Company on January 3, 2020 relative to the merger as discussed in Note 11)

- 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.



As of December 31, 2020 and 2019, the Group are in compliance with the terms and conditions upon which these subordinated notes have been issued.

In 2020, 2019 and 2018, interest expense on subordinated debts included in ‘Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others’ amounted to ₱285.6 million, ₱983.0 million and ₱1.5 billion (including amortization of debt issue cost and premium of ₱7.1 million, ₱41.9 million and ₱38.2 million), respectively, for the Group, and ₱285.6 million, ₱784.2 million and ₱1.2 billion, respectively (including amortization of debt issue cost and premium of ₱7.1 million, ₱22.5 million and ₱34.4 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 ₱115.0 million, (₱229.8 million), and ₱684.8 million in 2020, 2019 and 2018, respectively, is included under ‘Trading and securities gain - net’ in the statements of income (Note 8).

Other Liabilities

This account consists of:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Accounts payable	₱20,027	₱17,436	₱10,991	₱8,269
Bills purchased - contra (Note 9)	10,994	14,089	10,990	14,080
Marginal deposits	5,600	6,374	398	236
Lease liability (Note 13)	3,922	4,038	2,248	2,160
Other credits	1,512	1,800	1,333	853
Deposits on lease contracts	1,458	1,725	–	–
Outstanding acceptances	1,328	1,611	1,328	1,611
Deferred revenues (Note 25)	1,304	1,486	1,304	63
Withholding taxes payable	390	742	327	448
Retirement liability (Note 27)	214	938	–	–
Notes payable	–	2,592	–	–
Deferred tax liabilities (Note 28)	–	108	–	–
Miscellaneous (Notes 11 and 15)	6,182	3,339	5,377	2,340
	₱52,931	₱56,278	₱34,296	₱30,060

Notes payable represent unsecured notes issued by ORIX Metro on October 29, 2018 and matured on April 29, 2020 and October 29, 2020 with annual interest rates of 7.02% and 7.45%, respectively.



In 2020 and 2019, interest expense on notes payable included in 'Interest expense on bills payable and SSURA, bonds payable, subordinated debts and others' amounted to ₱104.3 million and ₱188.8 million, respectively.

Deferred revenues include deferral and release of loyalty points program transactions and membership fees and dues for credit card business.

As of December 31, 2020 and 2019, miscellaneous liabilities of the Group include dividends payable amounting to ₱89.6 million and ₱90.0 million, respectively.

22. Maturity Profile of Assets and Liabilities

The following tables present the assets and liabilities by contractual maturity and settlement dates:

	Consolidated					
	2020			2019		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets - at gross						
Cash and other cash items	₱38,469	₱-	₱38,469	₱32,956	₱-	₱32,956
Due from BSP	304,906	-	304,906	219,994	-	219,994
Due from other banks	38,357	-	38,357	54,772	-	54,772
Interbank loans receivable and SPURA (Note 7)	79,408	-	79,408	72,175	-	72,175
Investment securities at FVTPL (Note 8)	77,508	43	77,551	61,867	-	61,867
Investment securities at FVOCI (Note 8)	171,275	398,170	569,445	16,418	186,102	202,520
Investment securities at amortized cost (Note 8)	4,537	18,778	23,315	24,075	227,579	251,654
Loans and receivables (Note 9)						
Receivables from customers	616,486	680,815	1,297,301	697,171	788,465	1,485,636
Unquoted debt securities	65	386	451	150	866	1,016
Accrued interest receivable	13,726	1	13,727	13,102	3	13,105
Accounts receivable	11,173	105	11,278	9,382	84	9,466
Sales contract receivable	48	34	82	62	83	145
Other receivables	211	118	329	313	18	331
Other assets (Note 14)						
Investments in SPVs	8,857	-	8,857	8,857	-	8,857
Interoffice float items	4	9	13	1,643	-	1,643
Returned checks and other cash items	250	-	250	407	-	407
Other investments	-	26	26	-	31	31
	1,365,280	1,098,485	2,463,765	1,213,344	1,203,231	2,416,575
Non-Financial Assets - at gross						
Investments in associates and a JV (Note 11)	-	6,762	6,762	-	7,105	7,105
Property and equipment (Note 10)	-	50,946	50,946	-	49,298	49,298
Investment properties (Note 12)	-	10,221	10,221	-	10,369	10,369
Deferred tax assets (Note 28)	-	14,028	14,028	-	10,512	10,512
Goodwill (Note 11)	-	5,199	5,199	-	5,200	5,200
Assets held under joint operations (Note 14)	-	219	219	-	219	219
Accounts receivable (Note 9)	-	-	-	-	3,241	3,241
Residual value of leased asset	402	528	930	390	745	1,135
Other assets (Note 14)	2,016	16,091	18,107	2,908	14,885	17,793
	2,418	103,994	106,412	3,298	101,574	104,872
	₱1,367,698	₱1,202,479	2,570,177	₱1,216,642	₱1,304,805	2,521,447
Less:						
Unearned discounts and capitalized interest (Note 9)			14,996			5,149
Accumulated depreciation and amortization (Notes 10, 12 and 14)			32,380			28,898
Allowance for credit and impairment losses (Notes 10, 11, 12, 14, and 15)			67,638			36,587
			₱2,455,163			₱2,450,813
Financial Liabilities						
Deposit liabilities						
Demand	₱515,378	₱-	₱515,378	₱411,873	₱-	₱411,873
Savings	795,979	-	795,979	665,634	-	665,634
Time	426,752	23,351	450,103	565,982	26,915	592,897
LTNCD (Note 16)	6,250	29,505	35,755	8,000	35,740	43,740
	1,744,359	52,856	1,797,215	1,651,489	62,655	1,714,144



	Consolidated					
	2020			2019		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Bills payable and SSURA (Note 17)	₱126,471	₱13,143	₱139,614	₱195,762	₱42,519	₱238,281
Derivative liabilities (Note 8)	11,839	1,626	13,465	6,322	1,105	7,427
Manager's checks and demand drafts outstanding	6,024	–	6,024	6,806	–	6,806
Accrued interest and other expenses	7,621	–	7,621	8,412	43	8,455
Bonds payable (Note 19)	32,094	59,303	91,397	27,914	52,572	80,486
Subordinated debts (Note 20)	–	1,167	1,167	6,494	1,166	7,660
Non-equity non-controlling interest (Note 21)	8,315	–	8,315	6,553	–	6,553
Other liabilities (Note 21)						
Bills purchased – contra	10,994	–	10,994	14,089	–	14,089
Accounts payable	19,737	290	20,027	17,226	210	17,436
Marginal deposits	5,600	–	5,600	6,374	–	6,374
Lease liability	1,051	2,871	3,922	779	3,259	4,038
Notes payable	–	–	–	–	2,592	2,592
Outstanding acceptances	1,328	–	1,328	1,588	23	1,611
Deposits on lease contracts	684	774	1,458	627	1,098	1,725
Dividends payable	90	–	90	90	–	90
	1,976,207	132,030	2,108,237	1,950,525	167,242	2,117,767
Non-Financial Liabilities						
Retirement liability (Note 21 and 27)	–	214	214	–	938	938
Income taxes payable	2,711	–	2,711	4,188	–	4,188
Accrued other expenses	1,528	–	1,528	2,044	–	2,044
Withholding taxes payable (Note 21)	390	–	390	742	–	742
Deferred tax and other liabilities (Notes 21 and 28)	7,396	1,512	8,908	4,735	1,908	6,643
	12,025	1,726	13,751	11,709	2,846	14,555
	₱1,988,232	₱133,756	₱2,121,988	₱1,962,234	₱170,088	₱2,132,322

	Parent Company					
	2020			2019		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Assets - at gross						
Cash and other cash items	₱35,606	₱–	₱35,606	₱30,659	₱–	₱30,659
Due from BSP	262,188	–	262,188	195,770	–	195,770
Due from other banks	22,742	–	22,742	38,698	–	38,698
Interbank loans receivable and SPURA (Note 7)	57,210	–	57,210	56,153	–	56,153
Investment securities at FVTPL (Note 8)	67,913	43	67,956	7,551	41,999	49,550
Investment securities at FVOCI (Note 8)	147,766	394,900	542,666	8,262	180,414	188,676
Investment securities at amortized cost (Note 8)	2,950	4,959	7,909	22,420	194,224	216,644
Loans and receivables (Note 9)						
Receivables from customers	569,996	518,322	1,088,318	596,047	575,239	1,171,286
Unquoted debt securities	–	386	386	–	386	386
Accrued interest receivable	8,534	1	8,535	10,500	3	10,503
Accounts receivable	7,004	–	7,004	5,731	–	5,731
Sales contract receivable	42	14	56	55	47	102
Other receivables	11	–	11	12	–	12
Other assets (Note 14)						
Investments in SPVs	8,857	–	8,857	8,857	–	8,857
Interoffice float items	4	–	4	1,654	–	1,654
Returned checks and other cash items	238	–	238	378	–	378
	1,191,061	918,625	2,109,686	982,747	992,312	1,975,059
Non-Financial Assets - at gross						
Investments in subsidiaries (Note 11)	–	67,181	67,181	–	95,739	95,739
Investments in associates (Note 11)	–	640	640	–	617	617
Property and equipment (Note 10)	–	34,758	34,758	–	31,684	31,684
Investment properties (Note 12)	–	5,015	5,015	–	4,989	4,989
Deferred tax assets (Note 28)	–	11,394	11,394	–	6,918	6,918
Assets held under joint operations (Note 14)	–	219	219	–	219	219
Accounts receivable (Note 9)	–	–	–	–	3,241	3,241
Other assets (Note 14)	970	11,132	12,102	1,682	9,054	10,736
	970	130,339	131,309	1,682	152,461	154,143
	₱1,192,031	₱1,048,964	2,240,995	₱984,429	₱1,144,773	2,129,202
Less:						
Unearned discounts and capitalized interest (Note 9)			11,134			238
Accumulated depreciation and amortization (Notes 10, 12 and 14)			20,045			16,183
Allowance for credit and impairment losses (Notes 10, 11, 12, 14, and 15)			55,817			25,346
			₱2,153,999			₱2,087,435



	Parent Company					
	2020			2019		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
Financial Liabilities						
Deposit liabilities						
Demand	₱467,545	₱-	₱467,545	₱372,303	₱-	₱372,303
Savings	755,713	-	755,713	630,946	-	630,946
Time	331,788	535	332,323	460,529	1,184	461,713
LTNCD (Note 16)	6,250	21,080	27,330	8,000	27,330	35,330
	1,561,296	21,615	1,582,911	1,471,778	28,514	1,500,292
Bills payable and SSURA (Note 17)	104,256	4,395	108,651	117,755	21,317	139,072
Derivative liabilities (Note 8)	11,813	-	11,813	5,994	-	5,994
Manager's and demand drafts outstanding	5,493	-	5,493	5,508	-	5,508
Accrued interest and other expenses	4,904	-	4,904	4,567	43	4,610
Bonds payable (Note 19)	21,671	54,684	76,355	27,914	42,196	70,110
Subordinated debts (Note 20)	-	1,167	1,167	6,494	-	6,494
Other liabilities (Note 21)						
Bills purchased – contra	10,990	-	10,990	14,080	-	14,080
Accounts payable	10,991	-	10,991	8,269	-	8,269
Marginal deposits	398	-	398	236	-	236
Lease liability	578	1,670	2,248	615	1,545	2,160
Outstanding acceptances	1,328	-	1,328	1,588	23	1,611
	1,733,718	83,531	1,817,249	1,664,798	93,638	1,758,436
Non-Financial Liabilities						
Income taxes payable	1,992	-	1,992	3,259	-	3,259
Accrued other expenses	1,528	-	1,528	2,044	-	2,044
Withholding taxes payable (Note 21)	327	-	327	448	-	448
Other liabilities (Note 21)	6,681	1,333	8,014	2,403	853	3,256
	10,528	1,333	11,861	8,154	853	9,007
	₱1,744,246	₱84,864	₱1,829,110	₱1,672,952	₱94,491	₱1,767,443

23. Capital Stock

As of December 31, 2020 and 2019, this account consists of (amounts in millions, except par value and number of shares):

	Shares		Amount	
	2020	2019	2020	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 year	4,497,415,555	3,980,015,036	₱89,948	₱79,600
Issuance of stock dividend	-	517,400,519	-	10,348
Balance at the end of year	4,497,415,555	4,497,415,555	₱89,948	₱89,948

As of December 31, 2020 and 2019, treasury shares totaling 1,134,147 and 959,257, 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 the 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 value 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, 2020 and 2019, there are 2,999 and 2,986 holders, respectively, of the listed shares of the Parent Company, with share price closed at ₱49.05 and ₱66.30 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 2018 to 2020 follow:

Date of Declaration	Per Share	Total Amount	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

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:

	2020	2019
Reserve for trust business (Note 29)	₱1,736	₱1,596
Reserve for self-insurance	524	502
	₱2,260	₱2,098

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		
	2020	2019	2018	2020	2019	2018
Consumer banking	₱5,072	₱5,724	₱5,694	₱4,618	₱110	₱125
Branch banking	3,040	3,679	3,418	2,306	2,589	2,482
Corporate banking	850	1,639	791	737	936	812
Investment banking/treasury	618	855	680	434	357	297
Others	2,123	2,369	2,112	896	1,153	1,238
	₱11,703	₱14,266	₱12,695	₱8,991	₱5,145	₱4,954

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 ₱727.2 million and ₱832.0 million (included in 'Deferred revenues' under 'Other liabilities') as of December 31, 2020 and 2019, respectively, refer to the customer loyalty program of the Parent Company (MCC until 2019 - see Note 11). The customer loyalty points have no expiration and redemptions can go beyond one year.



Miscellaneous Income and Expenses

In 2020, 2019 and 2018, miscellaneous income includes gain on initial recognition of investment properties and other non-financial assets amounting to ₱127.1 million, ₱486.5 million and ₱638.5 million, respectively, for the Group and ₱14.6 million, ₱33.2 million and ₱22.8 million, respectively, for the Parent Company; recovery on charged-off assets amounting to ₱691.6 million, ₱866.8 million and ₱874.9 million, respectively, for the Group and ₱449.3 million, ₱12.0 million and ₱8.8 million, respectively, for the Parent Company; and information technology and other fees amounting to ₱360.5 million, ₱44.9 million and ₱895.9 million, respectively, for the Group and ₱269.6 million, ₱38.1 million and ₱365.9 million, respectively, for the Parent Company (Note 31).

Miscellaneous expenses consist of:

	Consolidated			Parent Company		
	2020	2019	2018	2020	2019	2018
Insurance	₱3,592	₱3,420	₱3,422	₱2,985	₱2,764	₱2,684
Security, messengerial and janitorial	3,500	2,581	2,433	2,986	2,054	1,837
Management, professional and supervision fees	1,771	1,569	1,530	1,539	1,308	1,151
Information technology (Note 31)	1,574	1,385	1,066	1,379	911	684
Advertising	512	1,161	986	439	340	221
Litigation (Note 12)	911	904	781	512	390	276
Communications	602	634	647	372	115	115
Repairs and maintenance	695	569	538	416	222	190
Transportation and travel	658	569	527	517	428	382
Stationery and supplies used	465	520	446	333	337	261
Entertainment, amusement and representation (EAR) (Note 28)	300	488	340	251	440	295
Others (Note 31)	3,100	2,776	2,519	2,327	1,777	1,477
	₱17,680	₱16,576	₱15,235	₱14,056	₱11,086	₱9,573

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		
	2020	2019	2018	2020	2019	2018
Interbank loans receivable and SPURA	₱79,408	₱72,175	₱50,731	₱57,210	₱56,153	₱24,724
Interbank loans receivable and SPURA not considered as cash and cash equivalents	(32,739)	(4,862)	(11,351)	(27,369)	(1,575)	(1,982)
	₱46,669	₱67,313	₱39,380	₱29,841	₱54,578	₱22,742

Significant non-cash transactions of the Group and the Parent Company (other than the impact of PFRS 16 adoption in 2019) 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; reclassifications of BUC (Note 10); impact of merger (Note 11); and issuance of stock dividends (Note 23).



The table below provides for the changes in liabilities arising from financing activities in 2020 and 2019:

	Consolidated			
	Beginning	Net cash flows	Others	Ending
2020				
Bills payable and SSURA (Note 17)	₱238,281	(₱44,680)	(₱53,987)	₱139,614
Bonds payable (Note 19)	80,486	10,869	42	91,397
Subordinated debts (Note 20)	7,660	(6,500)	7	1,167
Notes payable (Note 21)	2,592	(2,592)	-	-
Dividends payable (Note 21)	90	-	-	90
Total liabilities from financing activities	₱329,109	(₱42,903)	(₱53,938)	₱232,268
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

	Parent Company				
	Beginning	Net cash flows	Impact of merger (see Note 11)	Others	Ending
2020					
Bills payable and SSURA (Note 17)	₱139,072	(₱87,421)	₱65,389	(₱8,389)	₱108,651
Bonds payable (Note 19)	70,110	6,219	-	26	76,355
Subordinated debts (Note 20)	6,494	(6,500)	1,166	7	1,167
Total liabilities from financing activities	₱215,676	(₱87,702)	₱66,555	(₱8,356)	₱186,173
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

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	FMIC	PSBank	ORIX Metro	MCC (Note 11)
As of January 1, 2020					
Average remaining working life	9 years	7 years	10 years	13 to 26 years	-
Discount rate	4.74%	4.82% to 4.84%	4.86%	5.1% to 5.2%	-
Future salary increases	7.00%	6.29%	5.80%	7.00%	-
As of January 1, 2019					
Average remaining working life	9.6 years	7 years	12 years	14 to 27 years	10 years
Discount rate	7.29%	7.16% to 7.32%	7.33%	6.80% to 7.80%	7.28%
Future salary increases	7.00%	5.00%	6.00%	7.00% to 8.00%	8.00%

Discount rates used in computing for the present value of the DBO of the Parent Company and significant subsidiaries as of December 31, 2020 and 2019 follow:

	Parent Company	FMIC	PSBank	ORIX Metro	MCC (Note 11)
2020	3.58%	3.38% to 3.68%	3.56%	3.50% to 3.90%	-
2019	4.74%	4.61% to 4.84%	4.86%	5.10% to 5.20%	4.88%

The net retirement liability (asset) of the Group and the Parent Company is presented in the following accounts in the statements of financial position:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Other assets (Note 14)	(P2,441)	(P3,930)	(P2,441)	(P3,930)
Other liabilities (Note 21)	214	938	-	-
	(P2,227)	(P2,992)	(P2,441)	(P3,930)

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	
	2020	2019	2020	2019
Cash and cash equivalents	P156	P974	P18	P4
Investment securities				
Debt securities (Note 31)	22,413	21,415	18,692	17,997
Equity securities (Note 31)	5,328	4,855	5,111	4,640
Unit investment trust fund and others (Note 31)	734	573	683	415
Total investment securities	28,475	26,843	24,486	23,052
Other assets	238	266	214	245
Total assets	28,869	28,083	24,718	23,301
Total liabilities	(22)	(6)	(19)	-
Fair value of net plan assets	P28,847	P28,077	P24,699	P23,301



Changes in net defined benefit liability (asset) are as follows:

Consolidated	Present Value of DBO	Fair Value of Plan Assets	Net retirement liability/(asset)
January 1, 2020	₱25,085	(₱28,077)	(₱2,992)
Net benefit cost			
Current service cost	1,873	–	1,873
Past service cost	285	–	285
Net interest	1,071	(1,241)	(170)
Sub-total	3,229	(1,241)	1,988
Benefits paid	(1,723)	1,723	–
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	(744)	(744)
Actuarial changes arising from experience adjustments	(252)	–	(252)
Actuarial changes arising from changes in financial/demographic assumptions	281	(3)	278
Sub-total	29	(747)	(718)
Net acquired/(released) obligation due to employee transfers	–	15	15
Contributions paid	–	(520)	(520)
December 31, 2020	₱26,620	(₱28,847)	(₱2,227)
Parent Company	Present Value of DBO	Fair Value of Plan Assets	Net retirement liability/(asset)
January 1, 2020	₱19,371	(₱23,301)	(₱3,930)
Net benefit cost			
Current service cost	1,467	–	1,467
Net interest	867	(1,053)	(186)
Sub-total	2,334	(1,053)	1,281
Past service cost	285	–	285
Benefits paid	(1,424)	1,424	–
Remeasurement in OCI			
Return on plan assets (excluding amount included in net interest)	–	(717)	(717)
Actuarial changes arising from experience adjustments	(173)	–	(173)
Actuarial changes arising from changes in financial/demographic assumptions	424	–	424
Sub-total	1,446	(346)	1,100
Net acquired/(released) obligation due to employee transfers	1,441	(1,052)	389
December 31, 2020	₱22,258	(₱24,699)	(₱2,441)
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)

In 2020, 2019 and 2018, deferred tax on remeasurements on retirement plans credited (charged) to OCI amounted to (₱215.6 million), ₱872.4 million, and (₱214.2 million), respectively, for the Group, and (₱139.9 million), ₱525.7 million and (₱135.6 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, 2020 and 2019, assuming all other assumptions were held constant:

	Parent Company	FMIC	PSBank	ORIX Metro	MCC (Note 11)
As of December 31, 2020					
Discount rate					
+100 basis points (bps)	(₱1,403)	(₱24)	(₱262)	(₱88)	₱–
- 100 bps	1,595	27	300	105	–
Salary increase rate					
+100 bps	1,402	28	312	101	–
- 100 bps	(1,273)	(25)	(277)	(86)	–
Turnover rate					
+20% of actual rate	(433)	(12)	(54)	–	–
-20% of actual rate	480	14	62	–	–
As of December 31, 2019					
Discount rate					
+100 basis points (bps)	(₱1,180)	(₱22)	(₱307)	(₱68)	(₱132)
- 100 bps	1,332	24	357	81	152
Salary increase rate					
+100 bps	1,222	26	366	78	121
- 100 bps	(1,113)	(23)	(321)	(67)	(114)
Turnover rate					
+3%	(547)	–	–	–	–
+ 20% of actual rate	–	(10)	(60)	–	(40)
- 3%	697	–	–	–	–
- 20% of actual rate	–	11	67	–	43

The Group and the Parent Company expect to contribute to the defined benefit retirement plans the required funding for normal cost in 2021 amounting to ₱447.2 million and nil, respectively.



The average duration of the DBO of the Group as of December 31, 2020 and 2019 are as follows:

	Parent Company	FMIC	PSBank	ORIX Metro	MCC (Note 11)
2020	12.04 years	10.49 to 14.52 years	12.50 years	10.9 to 13.1 years	–
2019	12.15 years	10.57 to 14.94 years	15.43 years	11.40 to 12.60 years	14.26 years

Shown below is the maturity analysis of the undiscounted benefit payments:

	Parent Company	FMIC	PSBank	ORIX Metro	MCC (Note 11)
As of December 31, 2020					
Less than 1 year	₱3,144	₱27	₱260	₱26	₱–
More than 1 year to 5 years	10,113	139	1,079	148	–
More than 5 years to 10 years	10,794	273	1,820	342	–
More than 10 years to 15 years	9,652	224	1,956	–	–
More than 15 years to 20 years	11,278	194	2,025	–	–
More than 20 years	11,514	165	1,443	–	–
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	157	353
More than 5 years to 10 years	11,066	316	1,984	344	1,025
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

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 2020 and 2019 amounted to ₱321.3 million and ₱265.3 million, respectively.

As of December 31, 2020 and 2019, the retirement funds of the Group's employees amounting to ₱28.8 billion and ₱28.1 billion, respectively, are being managed by its trust banking unit. 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.

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. For the taxable years 2020 and 2021, the NOLCO incurred can be carried over as a deduction for the next five (5) consecutive taxable years, pursuant to Revenue Regulation No. 25-2020.

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	21.00% federal income tax; 8.85% state tax; 6.50% city tax
Japan - Tokyo and Osaka Branches	2020 - 23.20% income tax; 2019 - 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		
	2020	2019	2018	2020	2019	2018
Current:						
RCIT*	₱7,729	₱6,625	₱5,002	₱6,696	₱3,772	₱2,090
Final tax	3,991	3,442	2,928	3,627	2,915	2,389
MCIT	5	6	8	-	-	-
	11,725	10,073	7,938	10,323	6,687	4,479
Deferred*	(4,679)	(12)	(193)	(3,413)	(78)	5
	₱7,046	₱10,061	₱7,745	₱6,910	₱6,609	₱4,484

* Includes income taxes of foreign subsidiaries.

Components of net deferred tax assets of the Group and the Parent Company follow:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Deferred tax asset on:				
Allowance for credit and impairment losses	₱11,167	₱7,692	₱8,546	₱4,785
Unamortized past service cost	2,380	2,744	2,134	2,437
Retirement asset	523	1,238	1,017	996
Unrealized foreign exchange losses	403	7	403	-
Accumulated depreciation of investment properties	308	272	156	160
Deferred membership/awards	305	334	305	-
NOLCO	34	-	-	-
MCIT	9	-	-	-
Others	807	189	24	47
	15,936	12,476	12,585	8,425
Deferred tax liability on:				
Unrealized mark-to-market gains	1,420	1,456	1,040	1,449
Unrealized gain on initial measurement of investment properties	154	433	151	58
Others	334	75	-	-
	1,908	1,964	1,191	1,507
Net deferred tax assets	₱14,028	₱10,512	₱11,394	₱6,918



Components of net deferred tax liabilities of the Group as of December 31, 2019 (nil as of December 31, 2020) follow:

Deferred tax asset on:	
Allowance for credit and impairment losses	₱287
Unamortized past service cost	4
Others	256
	<u>547</u>
Deferred tax liability on:	
Leasing income differential on lease accounting methods	581
Fair value gain on securities	4
Others	70
	<u>655</u>
Net deferred tax liabilities	<u>₱108</u>

In 2020 and 2019, deferred tax credited (charged) to OCI amounted to (₱1.05 billion) and ₱468.4 million respectively, for the Group and (₱1.03 billion) and ₱60.0 million, respectively, for the Parent Company.

The Parent Company and certain subsidiaries did not recognize deferred tax assets on the following temporary differences:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Allowance for credit and impairment losses	₱18,835	₱17	₱17,532	₱-
NOLCO	675	814	-	-
MCIT	9	20	-	-

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 its shareholders. There are no temporary differences arising from undistributed profits of subsidiaries, branches, associates and a JV.

Details of the excess MCIT credits of the Group follow:

	Amount	Used/Expired	Balance	Expiry Year
2018	₱8	₱-	₱8	2021
2019	6	-	6	2022
2020	5	-	5	2023
	<u>₱19</u>	<u>₱-</u>	<u>₱19</u>	



On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of Bayanihan to Recover as One Act which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, the Group has incurred NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years immediately following the year of such loss, as follows:

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2017	₱263	₱263	₱–	2020
2018	281	–	281	2021
2019	236	–	236	2022
	₱780	₱263	₱517	

As of December 31, 2020, the Group has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to Bayanihan 2, as follows:

Inception Year	Amount	Used/Expired	Balance	Expiry Year
2020	₱236	₱–	₱236	2025

A reconciliation of the statutory income tax rates and the effective income tax rates follows:

	Consolidated			Parent Company		
	2020	2019	2018	2020	2019	2018
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	(34.94)	(10.41)	(12.13)	(31.02)	(8.16)	(12.02)
Non-deductible interest expense	8.16	4.14	4.94	7.99	3.82	4.08
FCDU income	(3.24)	(1.51)	(1.89)	(2.90)	(1.43)	(1.94)
Change in unrecognized deferred tax assets	14.45	–	–	12.29	–	–
Others - net	19.09	3.62	3.92	16.96	(5.16)	(3.19)
Effective income tax rate	33.52%	25.84%	24.84%	33.32%	19.07%	16.93%

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	
	2020	2019	2020	2019
Investment securities at FVOCI	₱6,364	₱143	₱6,250	₱–
Investment securities at amortized cost	–	5,000	–	5,000
	₱6,364	₱5,143	₱6,250	₱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. The summary of contingencies and commitments at their peso-equivalent contractual amounts arising from off-balance sheet items follows:

	Consolidated		Parent Company	
	2020	2019	2020	2019
Trust Banking Group accounts (Note 29)	₱567,841	₱491,659	₱558,273	₱484,586
Credit card lines	205,815	209,766	205,815	–
Unused commercial letters of credit (Note 31)	42,283	44,036	40,930	41,342
Undrawn commitments - facilities to lend	17,413	21,980	17,393	21,980
Bank guaranty with indemnity agreement (Note 31)	8,591	9,904	8,591	9,904
Credit line certificate with bank commission	4,262	5,984	4,262	5,984
Outstanding guarantees	3,826	139	3,826	139
Outstanding shipside bonds/airway bills	2,594	1,931	2,594	1,931
Late deposits/payments received	1,756	1,539	1,746	1,530
Inward bills for collection	1,909	991	1,908	991
Confirmed export letters of credits	964	935	39	44
Outward bills for collection	821	850	819	849
Others	11,488	12,933	862	835
	₱869,563	₱802,647	₱847,058	₱570,115

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 at least 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 (until 2019 - see Note 11) 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.

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):

Category	Amount	Consolidated Terms and Conditions/Nature
2020		
Entity with Significant Influence Over the Group		
<u>Outstanding Balance:</u>		
Deposit liabilities*	₱1,986	With annual fixed interest rates ranging from 0.00% to 0.30% including time deposits with maturity terms from 30 to 39 days (Note 16)
Bills payable*	107	Peso borrowings subject to annual fixed interest rates of 0.88% with maturity term of 70 days (Note 17)
<u>Amount/Volume:</u>		
Deposit liabilities	(385)	Generally similar to terms and conditions above
Bills payable	(105)	Generally similar to terms and conditions above
Interest expense	2	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Subsidiaries		
<u>Outstanding Balance:</u>		
Interbank loans receivable*	6,412	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 0.00% to 3.45% with maturity terms from 17 to 212 days (Note 7)
Investment securities at FVTPL	83	Treasury notes and private bonds purchased from FMIC and PSBank
FVOCI	1,218	Treasury note purchased from PSBank
Receivables from customers*	4,971	Unsecured, with ECL of ₱35.0 million; With annual fixed interest rates ranging from 1.13% to 1.37% and maturity terms from 1 day to 3 years (Note 9)
Accounts receivable	144	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees (Note 9)
Other receivables	3	Accrued rent receivable from PSBank and ORIX
(Forward)		



Category	Consolidated	
	Amount	Terms and Conditions/Nature
Derivative assets	₱751	Swaps bought with various terms (Note 8)
Deposit liabilities*	3,373	With annual fixed interest rates ranging from 0.00% to 0.30% including time deposits with maturity terms of 40 days (Note 16)
Bills payable*	37	Peso borrowings subject to annual fixed interest rates ranging from 0.75% to 1.00% with maturity terms from 90 to 97 days (Note 17)
Treasury stock	65	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividends declared	1,103	Dividend declared by PSBank (Note 11)
<u>Amount/Volume:</u>		
Interbank loans receivable	(466)	Generally similar to terms and conditions above
Receivables from customers	(11,108)	Generally similar to terms and conditions above
Accounts receivable	(50)	Generally similar to terms and conditions above
Deposit liabilities	(856)	Generally similar to terms and conditions above
Bills payable	(102)	Generally similar to terms and conditions above
Interest income	172	Interest income on receivables from customers and interbank loan receivables (Notes 7 and 9)
Service charges, fees and commissions	29	Income on transactional fees, including underwriting fees
Trading and securities gain – net	38	Net gain from securities transactions (Note 8)
Foreign exchange loss – net	(31)	Net loss from foreign exchange transactions
Leasing income	27	Income from leasing agreements with various lease terms
Miscellaneous income	231	Information technology and other fees
Interest expense	34	Interest expense on deposit liabilities, bills payable and bonds payable (Notes 16, 17 and 19)
Contingent – derivatives	5,450	Swaps bought with various terms
Securities transactions		
Purchases	69,454	Outright purchases of investment securities at FVTPL and FVOCI
Sales	10,880	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	10,644	Outright purchases of foreign currency
Sell	3,833	Outright sale of foreign currency
Associates		
<u>Outstanding Balance:</u>		
Deposit liabilities*	₱2,923	With annual fixed interest rates ranging from 0.00% to 0.25% including time deposits with maturity terms from 31 to 35 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	(1,301)	Generally similar to terms and conditions above
Accounts receivable	(1)	Generally similar to terms and conditions above
Deposit liabilities	1,508	Generally similar to terms and conditions above
Interest Income	31	Interest income on receivables from customers (Note 9)
Trading and securities gain - net	43	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	(2)	Net loss from foreign exchange transactions
Leasing income	24	Income from leasing agreements with various lease terms
Interest expense	2	Interest expense on deposit liabilities (Note 16)
Securities transactions		
Outright purchases	1,124	Outright purchases of FVTPL securities and FVOCI investments
Outright sales	5,258	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	178	Outright purchases of foreign currency
Sell	1,929	Outright sale of foreign currency
Other Related Parties		
<u>Outstanding Balance:</u>		
Receivables from customers*	₱34,005	Secured - ₱5.4 million, unsecured - ₱28.6 million, with ECL of ₱220.0 million. With annual fixed interest rates ranging from 2.50% to 5.00% and maturity terms from 30 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*	18,356	With annual fixed interest rates ranging from 0.00% to 1.00% including time deposits with maturity terms from 6 days to 359 days (Note 16)
Bills payable*	77	Peso-denominated borrowings with annual fixed interest rates ranging from 0.63% to 1.13% and maturity terms from 66 to 182 days
(Forward)		



Category	Consolidated	
Amount/Volume:	Amount	Terms and Conditions/Nature
Receivables from customers	₱1,778	Generally similar to terms and conditions above
Accounts receivable	(2)	Generally similar to terms and conditions above
Deposit liabilities	4,466	Generally similar to terms and conditions above
Bills payable	77	Generally similar to terms and conditions above
Interest income	1,484	Interest income on receivables from customers (Note 9)
Foreign exchange gain - net	—	Net gain from foreign exchange transactions
Leasing income	15	Income from leasing agreements with various lease terms
Interest expense	12	Interest expense on deposit liabilities and bills payable (Notes 16 and 17)
Contingent		
Unused commercial LCs	35	LC transactions with various terms
Foreign currency		
Buy	273	Outright purchases of foreign currency
Sell	95	Outright sale of foreign currency
Key Personnel		
Outstanding Balance:		
Receivables from customers	₱83	Secured - ₱57 million, unsecured - ₱25.8 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	314	With various terms and minimum annual interest rate of 0.00% (Note 16)
Amount/Volume:		
Receivables from customers	(2)	Generally similar to terms and conditions above
Deposit liabilities	147	Generally similar to terms and conditions above
Interest income	3	Interest income on receivables from customers (Note 9)
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
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)

(Forward)



Category	Consolidated	
	Amount	Terms and Conditions/Nature
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)
<u>Amount/Volume:</u>		
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 and 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
<u>Associates</u>		
<u>Outstanding Balance:</u>		
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)
Dividends declared	169	Dividends declared by PALIC, SMFC and TSI
<u>Amount/Volume:</u>		
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
<u>Other Related Parties</u>		
<u>Outstanding Balance:</u>		
Receivables from customers*	₱32,227	Secured - ₱6.6 billion and unsecured - ₱25.6 billion, with ECL of ₱1.4 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)

(Forward)



Category	Consolidated	
	Amount	Terms and Conditions/Nature
<u>Amount/Volume:</u>		
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		
<u>Outstanding Balance:</u>		
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)
<u>Amount/Volume:</u>		
Deposit liabilities	1	Generally similar to terms and conditions above
Interest income	3	Interest income on receivables from customers (Note 9)

Category	Parent Company	
	Amount	Terms and Conditions/Nature
2020		
Entities with Significant Influence		
<u>Outstanding Balance:</u>		
Deposit liabilities*	₱1,986	With annual fixed interest rate ranging from 0.00% to 0.30% including time deposits with maturity terms of 30 to 39 days (Note 16)
<u>Amount/Volume:</u>		
Deposit liabilities	(385)	Generally similar to terms and conditions above
Interest expense	1	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
<u>Outstanding Balance:</u>		
Interbank loans receivable*	₱6,412	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 0.00% to 3.45% with maturity terms from 17 to 212 days with minimal expected credit loss (Note 7)
Investment Securities at		
FVTPL	83	Treasury notes and private bonds purchased from FMIC and PSBank
FVOCI	1,218	Treasury note purchased from PSBank
Receivables from customers*	4,971	Unsecured, with ECL of ₱35.0 million; With annual fixed interest rates ranging from 1.13% to 1.37% and maturity terms from 1 day to 3 years (Note 9)
Accounts receivable	120	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees (Note 9)
Other receivables	3	Accrued rent receivable from PSBank and Orix
Derivative assets	751	Swaps bought with various terms (Note 8)
Deposit liabilities*	3,373	With annual fixed interest rates ranging from 0.00% to 0.30% including time deposits with maturity terms of 40 days (Note 16)
Treasury stocks	65	Parent Company's shares held by FMIC's mutual fund subsidiary (Note 23)
Dividend declared	1,103	Dividend declared by PSBank (Note 11)
<u>Amount/Volume:</u>		
Interbank loans receivable	734	Generally similar to terms and conditions above
Receivables from customers	(11,108)	Generally similar to terms and conditions above
Accounts receivable	(16)	Generally similar to terms and conditions above
Deposit liabilities	(856)	Generally similar to terms and conditions above

(Forward)



Parent Company		
Category	Amount	Terms and Conditions/Nature
Interest income	₱159	Interest income on receivables from customers and interbank loans receivables (Note 9)
Service charges, fees and commissions	3	Income from transactional fees
Trading and securities gain - net	28	Net gain from securities transactions (Note 8)
Foreign exchange loss - net	(31)	Net loss from foreign exchange transactions
Leasing income	5	Income from leasing agreements with various lease terms
Miscellaneous income	219	Information technology and other fees (Note 25)
Interest expense	22	Interest expense on deposit liabilities, bills payable and interbank loans payable (Notes 16 and 17)
Contingent - derivatives	5,450	Swaps with various terms
Securities transactions		
Purchases	65,038	Outright purchases of investment securities at FVTPL and FVOCI
Sales	10,880	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	10,644	Outright purchases of foreign currency
Sell	3,833	Outright sale of foreign currency
Associates		
<u>Outstanding Balance:</u>		
Deposit liabilities*	₱2,052	With annual fixed interest rates ranging from 0.00% to 0.25% including time deposits with maturity terms of 31 to 35 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	(1,301)	Generally similar to terms and conditions above
Deposit liabilities	661	Generally similar to terms and conditions above
Interest Income	31	Interest income on receivables from customers (Note 9)
Trading and securities gain – net	42	Net gain from securities transactions
Foreign exchange loss - net	(2)	Net loss from foreign exchange transactions
Leasing income	10	Income from leasing agreements with various lease terms
Securities transactions		
Outright purchases	400	Outright purchases of investment securities at FVTPL and FVOCI
Outright sales	2,290	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	178	Outright purchases of foreign currency
Sell	1,929	Outright sale of foreign currency
Other Related Parties		
<u>Outstanding Balance:</u>		
Receivables from customers*	₱34,004	Secured - ₱5.4 million, unsecured - ₱28.6 million, with ECL of ₱220.0 million. With annual fixed interest rates ranging from 2.50% to 5.00% and maturity terms from 30 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*	18,054	With annual fixed interest rates ranging from 0.00% to 1.00% including time deposits with maturity terms of 6 days to 359 days (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	1,777	Generally similar to terms and conditions above
Deposit liabilities	4,677	Generally similar to terms and conditions above
Interest income	1,484	Interest income on receivables from customers
Foreign exchange gain - net	–	Net gain from foreign exchange transactions
Leasing income	15	Income from leasing agreements with various lease terms
Interest expense	2	Interest expense on deposit liabilities (Note 16)
Contingent		
Unused commercial LCs	35	LC transactions with various terms
Securities transactions		
Sales	–	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	273	Outright purchases of foreign currency
Sell	95	Outright sale of foreign currency
Key Personnel		
<u>Outstanding Balance:</u>		
Receivables from customers	₱72	Secured - ₱55 million and unsecured - ₱17 million, no impairment; with annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms of 2 to 15 years (Note 9)

(Forward)



Category	Parent Company	
	Amount	Terms and Conditions/Nature
Deposit liabilities	₱314	With various terms and annual interest rate of 0.00% (Note 16)
<u>Amount/Volume:</u>		
Receivables from customers	2	Generally similar to terms and conditions above
Deposit liabilities	147	Generally similar to terms and conditions above
Interest income	2	Interest income on receivables from customers (Note 9)
2019		
Entities with Significant Influence		
<u>Outstanding Balance:</u>		
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)
<u>Amount/Volume:</u>		
Deposit liabilities	1,891	Generally similar to terms and conditions above
Interest expense	6	Interest expense on deposit liabilities (Note 16)
Subsidiaries		
<u>Outstanding Balance:</u>		
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)
<u>Amount/Volume:</u>		
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



Category	Parent Company	
	Amount	Terms and Conditions/Nature
<u>Associates</u>		
<u>Outstanding Balance:</u>		
Receivables from 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)
<u>Amount/Volume:</u>		
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)
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
<u>Other Related Parties</u>		
<u>Outstanding Balance:</u>		
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)
<u>Amount/Volume:</u>		
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
<u>Key Personnel</u>		
<u>Outstanding Balance:</u>		
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)
<u>Amount/Volume:</u>		
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)

As of December 31, 2020 and 2019, government bonds with total face value of ₱60.0 million (classified as ‘Investment securities at FVOCI’) and ₱60.0 million (classified as ‘Investment securities at amortized cost’), respectively, are pledged by PSBank to the Parent Company to secure the latter’s payroll account with PSBank. Also, the Parent Company has assigned to PSBank government securities with total face value of ₱4.1 billion (classified as ‘Investment securities at FVOCI’) and ₱4.0 billion (classified as ‘Investment securities at amortized cost’), respectively to secure PSBank’s deposits to the Parent Company.



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		
	2020	2019	2018	2020	2019	2018
Short-term employee benefits	₱3,879	₱3,446	₱3,222	₱3,120	₱2,500	₱2,334
Post-employment benefits	132	140	197	73	56	80
	₱4,011	₱3,586	₱3,419	₱3,193	₱2,556	₱2,414

Director's fees and bonuses of the Parent Company in 2020, 2019 and 2018 amounted to ₱69.0 million, ₱66.1 million and ₱57.8 million, respectively.

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 ₱99.6 million, ₱98.3 million and ₱69.1 million in 2020, 2019 and 2018, respectively. In 2020 and 2019, the Parent Company purchased securities totaling ₱938.7 million and ₱2.1 billion, respectively, from its related party retirement plans and also sold securities totaling ₱3.4 billion and ₱4.5 billion, respectively, and recognized net trading gain of ₱46.6 million in 2020 and net trading loss of ₱11.3 million in 2019. Further, as of December 31, 2020 and 2019, the total outstanding deposit liabilities of the Group from these related party retirement funds amounted to ₱112.0 million and ₱103.6 million, respectively. Interest expense on deposit liabilities amounted to ₱1.6 million, ₱23.7 million and ₱17.7 million in 2020, 2019 and 2018, respectively.

As of December 31, 2020 and 2019, the related party retirement plans also hold investments in the equity shares of various companies within the Group amounting to ₱240.3 million and ₱278.8 million, respectively, with unrealized trading losses of ₱73.4 million and ₱20.1 million, respectively, and investments in mutual funds and trust funds of various companies within the Group amounting to ₱733.1 million and ₱672.4 million, respectively, with unrealized trading gains of ₱3.4 million and ₱19.5 million, respectively. Further as of December 31, 2020 and 2019, investments in the corporate bonds of the Parent Company by the related party retirement plans amounted to ₱1.7 billion and ₱3.7 billion, respectively, with unrealized trading gains of ₱71.9 million and ₱109.1 million, respectively. In 2020, 2019 and 2018, realized trading gains amounted to ₱11.2 million, ₱92.0 million and ₱48.6 million, respectively. The related party retirement plans also recognized dividend income of ₱2.8 million and ₱0.7 million in 2020 and 2019, respectively.



32. Earnings per Share

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):

	2020	2019	2018
a. Net income attributable to equity holders of the Parent Company	₱13,831	₱28,055	₱22,008
b. Weighted average number of outstanding common shares of the Parent Company	4,496	4,496	4,267
c. Basic/diluted earnings per share (a/b)	₱3.08	₱6.24	₱5.16*

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

33. Foreign Exchange

Closing rates as of December 31 and WAR for each of the year ended December 31 are as follows:

	BAP		
	2020	2019	2018
Closing	₱48.02	₱50.64	₱52.58
WAR	49.63	51.79	52.68

34. Other Matters

The Group has no significant matters to report in 2020 on the following:

- a. Known trends, events or uncertainties that would have material impact on liquidity and on the sales or revenues except that in order to anticipate the impact of COVID-19 pandemic, as required by the expected credit loss model of PFRS 9, the Group increased provisions for credit and impairment losses to ₱40.8 billion for the year ended December 31, 2020.
- b. Explanatory comments about the seasonality or cyclical nature of operations.
- c. Issuances, repurchases and repayments of debt and equity securities except for (a) maturity of the ₱8.0 billion LTNCD of the Parent Company as discussed in Note 16 and ₱28.0 billion fixed rate bonds as discussed in Note 19; (b) issuances of the ₱10.5 billion fixed rate bonds and US\$ 500 million senior unsecured notes of the Parent Company and the ₱4.65 billion fixed rate bonds of PSBank as discussed in Note 19; (c) redemption of the 2025 Peso Notes by the Parent Company as discussed in Note 20, and (d) maturity of the ₱1.7 billion and ₱895.2 million unsecured notes issued by ORIX Metro on April 29 and October 29, 2020, respectively as discussed in Note 21.
- d. Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows except for the disposal of investment securities at amortized cost and payment of cash dividends by the Parent Company, as discussed in Notes 8 and 23, respectively; and
- e. Effect of changes in the composition of the Group during the year, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations (except as discussed in Notes 2 and 11).



35. Subsequent Events

- a. On January 21, 2021, the BOD of PSBank declared 7.50% regular cash dividend for the fourth quarter of 2020 amounting to ₱320.14 million or ₱0.75 per share, payable on February 22, 2021 to all stockholders of record as of February 5, 2021.
- b. On February 17, 2021, the BOD of the Parent Company declared a regular cash dividend of ₱1.00 per share and a special cash dividend of ₱3.00 per share payable on March 18, 2021 to all stockholders of record as of March 5, 2021.

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 17, 2021.

37. Report on the Supplementary Information Required Under BSP Circular No. 1074

Supplementary Information Under BSP Circular No. 1074

On January 8, 2020, the Monetary Board approved the amendments to the relevant provisions of the Manual of Regulations for Banks and Manual of Regulations for Foreign Exchange Transactions. Among the provisions is the requirement to include the following additional information to the Audited Financial Statements.

a. *Quantitative Indicators of Financial Performance*

The following basic ratios measure the financial performance of the Group and the Parent Company:

	Consolidated			Parent Company		
	2020	2019	2018	2020	2019	2018
Return on average equity ⁽¹⁾	4.36%	9.47%	9.08%	4.29%	9.16%	8.81%
Return on average assets ⁽²⁾	0.56%	1.20%	1.02%	0.65%	1.42%	1.23%
Net interest margin on average earning assets ⁽³⁾	3.98%	3.84%	3.82%	3.76%	3.09%	2.98%

⁽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.

b. *Description of Capital Instrument Issued*

The Group and the Parent Company consider its common stock and subordinated debts as capital instruments eligible as Tier 1 and Tier 2 capitals.

c. *Significant Credit Exposures*

Significant credit exposures as to industry, net of unearned discount and capitalized interest, as reported to the BSP, follows:

	Consolidated				Parent Company			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Real estate activities	₱224,269	17.49%	₱229,299	15.48%	₱178,707	16.59%	₱181,400	15.49%
Wholesale and retail trade, repair of motor vehicles and motorcycles	170,916	13.33%	237,091	16.00%	161,437	14.99%	214,289	18.30%
Manufacturing	160,993	12.55%	203,449	13.73%	159,068	14.77%	201,007	17.17%
Financial and insurance activities	106,442	8.30%	118,660	8.01%	110,095	10.22%	132,065	11.28%
Electricity, gas, steam and air conditioning supply	67,961	5.30%	67,840	4.58%	65,835	6.11%	65,547	5.60%
Information and communication	62,956	4.91%	69,793	4.71%	62,399	5.79%	69,226	5.91%

(Forward)



	Consolidated				Parent Company			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Activities of household employees	₱56,213	4.38%	₱58,938	3.98%	₱55,892	5.19%	₱58,468	4.99%
Construction	44,203	3.45%	60,033	4.05%	37,095	3.44%	49,977	4.27%
Transportation and storage	26,875	2.10%	28,038	1.89%	24,619	2.29%	25,528	2.18%
Accommodation and food service activities	26,053	2.03%	28,472	1.92%	25,740	2.39%	28,140	2.40%
Agriculture, forestry, and fishing	22,024	1.72%	27,103	1.83%	19,977	1.85%	24,079	2.05%
Other service activities	15,104	1.18%	9,355	0.63%	398	0.04%	597	0.05%
Administrative and support service activities	5,712	0.45%	6,821	0.46%	5,148	0.48%	6,119	0.52%
Human health and social work activities	3,907	0.30%	4,073	0.28%	3,717	0.35%	3,825	0.33%
Water supply, sewerage, waste management and remediation activities	3,181	0.25%	8,074	0.55%	3,102	0.29%	7,785	0.66%
Mining and quarrying	1,935	0.15%	3,890	0.26%	1,369	0.13%	3,155	0.27%
Education	1,411	0.11%	1,662	0.11%	1,067	0.10%	1,254	0.11%
Professional scientific and technical activities	1,313	0.10%	2,116	0.14%	1,154	0.11%	1,956	0.17%
Arts, entertainment and recreation	348	0.03%	216	0.01%	259	0.02%	137	0.01%
Others	280,668	21.87%	316,523	21.38%	159,976	14.85%	96,456	8.24%
	₱1,282,484	100.00%	₱1,481,446	100.00%	₱1,077,054	100.00%	₱1,171,010	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.

d. *Breakdown of Loans*

The following table shows information relating to receivables from customers by collateral, gross of unearned discounts and capitalized interest:

	Consolidated				Parent Company			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Secured by:								
Other securities	₱239,372	18.45	₱294,368	19.81	₱239,372	22.00	₱294,362	25.13
Chattel	101,659	7.84	159,754	7.55	66,693	6.13	26,950	2.30
Real estate	126,873	9.78	112,107	10.75	20,396	1.87	74,718	6.38
Deposit hold-out	38,098	2.94	31,054	2.09	37,472	3.44	30,004	2.56
Equity securities	26,329	2.03	27,705	1.87	5,558	0.51	11,996	1.02
Others	22,090	1.70	27,366	1.84	2,803	0.26	5,114	0.44
	554,421	42.74	652,354	43.91	372,294	34.21	443,144	37.83
Unsecured	742,880	57.26	833,282	56.09	716,024	65.79	728,142	62.17
	₱1,297,301	100.00	₱1,485,636	100.00	₱1,088,318	100.00	₱1,171,286	100.00

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	
	2020	2019	2020	2019
Gross NPLs	₱30,919	₱19,277	₱17,790	₱10,209
Less allowance for credit losses	17,593	11,019	14,194	8,236
Net carrying amount	₱13,326	₱8,258	₱3,596	₱1,973

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.

e. Information on Related Party Loans

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 (until 2019), PSBank, FMIC, and ORIX Metro.

The following table shows information on related party loans as reported to the BSP:

	2020		2019	
	DOSRI Loans	Related Party Loans	DOSRI Loans	Related Party Loans
Consolidated				
Total outstanding loans	₱8,732	₱47,636	₱13,837	₱69,244
Percent of DOSRI/ Related Party Loans to total loan portfolio	0.64%	3.50%	0.89%	4.46%
Percent of unsecured DOSRI/Related Party Loans to total DOSRI/Related Party Loans	17.42%	99.10%	22.10%	83.93%
Percent of past due DOSRI/Related Party Loans to total DOSRI/Related Party Loans	0.01%	0.00%	0.00%	0.00%
Percent of non-performing DOSRI/Related Party Loans to total DOSRI/Related Party Loans	0.01%	0.00%	0.00%	0.00%
Parent Company				
Total outstanding loans	₱8,497	₱47,521	₱13,571	₱67,944
Percent of DOSRI/ Related Party Loans to total loan portfolio	0.75%	4.19%	1.11%	5.54%
Percent of unsecured DOSRI/Related Party Loans to total DOSRI/Related Party Loans	15.33%	99.10%	20.73%	83.62%
Percent of past due DOSRI/Related Party Loans to total DOSRI/Related Party Loans	0.00%	0.00%	0.00%	0.00%
Percent of non-performing DOSRI/Related Party Loans to total DOSRI/Related Party Loans	0.00%	0.00%	0.00%	0.00%

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, 2020 and 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 13.18% 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.

Total interest income on DOSRI loans in 2020, 2019 and 2018 amounted to ₱367.8 million, ₱485.8 million and ₱276.5 million, respectively, for the Group and ₱366.0 million, ₱468.7 million and ₱262.8 million, respectively, for the Parent Company.

f. Contingencies and Commitments Arising from Off-balance Sheet Items

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

	Consolidated		Parent Company	
	2020	2019	2020	2019
Trust Banking Group accounts	₱567,841	₱491,659	₱558,273	₱484,586
Credit card lines	205,815	209,766	205,815	-
Unused commercial letters of credit	42,283	44,036	40,930	41,342
Undrawn commitments - facilities to lend	17,413	21,980	17,393	21,980
Bank guaranty with indemnity agreement	8,591	9,904	8,591	9,904
Credit line certificate with bank commission	4,262	5,984	4,262	5,984
Outstanding guarantees	3,826	139	3,826	139
Outstanding shipside bonds/airway bills	2,594	1,931	2,594	1,931
Inward bills for collection	1,909	991	1,908	991
Late deposits/payments received	1,756	1,539	1,746	1,530
Confirmed export letters of credits	964	935	39	44
Outward bills for collection	821	850	819	849
Others	11,488	12,933	862	835
	₱869,563	₱802,647	₱847,058	₱570,115

38. 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, 2020 included under 'Taxes and licenses' account in the statement of income:

GRT	₱5,108
DST	2,076
Local taxes	220
Real estate tax	140
Others	334
	₱7,878

Details of the total withholding taxes remittances for the taxable year December 31, 2020 follow:

Final withholding taxes	₱2,853
Taxes withheld on compensation	2,541
Expanded withholding taxes	755
	₱6,149

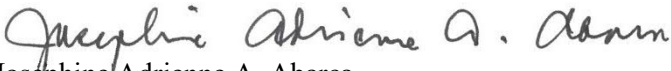


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form Preliminary IS, and have issued our report thereon dated February 17, 2021. 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. 8534208, January 4, 2021, Makati City

February 17, 2021

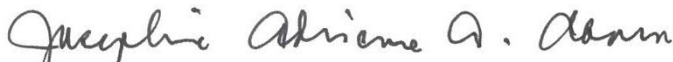


INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated February 17, 2021. 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, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

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. 8534208, January 4, 2021, Makati City

February 17, 2021



**METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2020**

Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68

Schedule	Description	Page No.
A	Financial Assets Financial Assets at Fair Value Through Profit of Loss Financial Assets at Fair Value Through Other Comprehensive Income Financial Assets at Amortized Cost-Unquoted Debt Securities	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	3
D	Long-Term Debt	4-8
E	Indebtedness to Related Parties (Long-Term Loans from Related Companies)	9
F	Guarantees of Securities of Other Issuers	10
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Other Required Schedules/Information

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Financial Indicators	17

Metropolitan Bank & Trust Company and Subsidiaries
Schedule A - Financial Assets
December 31, 2020

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)	38,439	39,990	39,990	
Other Government Bonds	12,538	12,717	12,717	
Private	6,336	6,540	6,540	
		59,247	59,247	1,958
Equity Securities	149	6,458	6,458	93
Derivative Assets		11,846	11,846	-
TOTAL FINANCIAL ASSETS AT FVTPL		77,551	77,551	2,051
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)				
Debt Securities				
Philippine Government Bonds (including its agencies)	473,234	484,740	484,740	
Other Government Bonds	45,129	46,062	46,062	
Private	36,658	36,943	36,943	
		567,745	567,745	12,285
Equity Securities	238	1,700	1,700	46
TOTAL FINANCIAL ASSETS AT FVOCI		569,445	569,445	12,331
FINANCIAL ASSETS AT AMORTIZED COST				
Debt Securities				
Philippine Government Bonds (including its agencies)	13,188	15,868	17,252	
Other Government Bonds	3,830	3,803	4,066	
Private	3,587	3,622	3,698	
TOTAL FINANCIAL ASSETS AT AMORTIZED COST		23,293	25,016	4,808
UNQUOTED DEBT SECURITIES	963	65	70	117

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, 2020

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
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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, 2020
(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	Impact of Merger			
First Metro Investment Corporation	1,051	2,228	3,267	-	-	12	-	12
Metrobank Card Corporation	8,534	-	-	-	8,534*	-	-	-
Metropolitan Bank (China) Ltd.	5,677	15,974	15,239	-	-	6,412	-	6,412
ORIX Metro Leasing and Finance Corporation	7,711	3,799	6,539	-	-	4,971	-	4,971
Philippine Savings Bank	53	1,149	1,132	-	-	70	-	70
Remittance Centers:								
Metro Remittance Center, Inc.	32	1,031	1,025	-	-	38	-	38
Metro Remittance (Singapore) Pte. Ltd.	44	20	64	-	-	-	-	-
Metro Remittance (UK) Limited	29	143	158	-	-	14	-	14
Metro Remittance (Hong Kong) Limited	4	2	6	-	-	-	-	-
Metro Remittance (Japan) Co. Limited	-	37	37	-	-	-	-	-
Others	16	175	178	-	-	13	-	13
Total	23,151	24,558	27,645	-	8,534	11,530	-	11,530

* Effective January 3, 2020, MCC was merged into the Parent Company.

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule D - Long Term Debt
December 31, 2020

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
<i>Subordinated Debt</i>					
2023 Peso Notes issued December 20, 2013	1,170		1,167	6.210%	December 20, 2023
Total Subordinated Debt	1,170		1,167		
<i>Bills Payable</i>					
Local Banks	2,401		2,368	0.251%	September 30, 2022
Local Banks	2,000		1,990	4.010%	December 19, 2022
Local Banks	1,500		1,492	4.010%	March 10, 2023
Local Banks	1,500		1,491	3.760%	April 21, 2023
Local Banks	100		99	4.600%	June 4, 2023
Local Banks	100		99	3.815%	November 24, 2023
Local Banks	900		893	4.000%	December 21, 2023
	8,501		8,432		
Foreign Banks	3,842		3,829	0.7901%	October 31, 2022
	3,842		3,829		
Deposit Substitutes	3		2	4.900%	January 10, 2022
Deposit Substitutes	1		1	4.000%	January 11, 2022
Deposit Substitutes	4		4	3.875%	January 19, 2022
Deposit Substitutes	3		3	3.875%	January 24, 2022
Deposit Substitutes	5		5	4.000%	January 24, 2022
Deposit Substitutes	6		6	3.875%	January 26, 2022
Deposit Substitutes	3		3	3.875%	February 2, 2022
Deposit Substitutes	1		1	4.000%	February 7, 2022
Deposit Substitutes	4		4	4.900%	February 14, 2022
Deposit Substitutes	4		4	5.375%	February 21, 2022
Deposit Substitutes	5		5	3.750%	February 22, 2022
Deposit Substitutes	10		10	3.875%	February 24, 2022
Deposit Substitutes	6		5	3.750%	February 28, 2022
Deposit Substitutes	10		10	4.250%	February 28, 2022
Deposit Substitutes	7		7	6.000%	February 28, 2022
Deposit Substitutes	2		2	3.875%	March 7, 2022
Deposit Substitutes	5		5	3.188%	March 14, 2022
Deposit Substitutes	2		2	3.750%	March 15, 2022

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule D - Long Term Debt
December 31, 2020

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	1		1	4.000%	March 21, 2022
Deposit Substitutes	2		2	3.750%	March 28, 2022
Deposit Substitutes	5		5	3.188%	April 4, 2022
Deposit Substitutes	2		2	3.750%	May 16, 2022
Deposit Substitutes	1		1	4.000%	May 31, 2022
Deposit Substitutes	15		15	4.125%	June 6, 2022
Deposit Substitutes	1		1	4.000%	June 8, 2022
Deposit Substitutes	5		5	4.125%	June 20, 2022
Deposit Substitutes	8		8	4.250%	June 20, 2022
Deposit Substitutes	0		0	4.875%	June 20, 2022
Deposit Substitutes	5		5	4.250%	June 22, 2022
Deposit Substitutes	1		1	4.125%	July 4, 2022
Deposit Substitutes	4		4	5.201%	September 19, 2022
Deposit Substitutes	18		18	2.000%	October 19, 2022
Deposit Substitutes	5		5	5.125%	November 3, 2022
Deposit Substitutes	1		1	5.125%	November 7, 2022
Deposit Substitutes	1		1	5.650%	November 8, 2022
Deposit Substitutes	4		4	5.125%	November 14, 2022
Deposit Substitutes	1		1	5.200%	November 14, 2022
Deposit Substitutes	16		16	2.800%	November 16, 2022
Deposit Substitutes	6		6	3.000%	November 16, 2022
Deposit Substitutes	4		3	2.800%	November 17, 2022
Deposit Substitutes	2		2	2.800%	November 18, 2022
Deposit Substitutes	8		8	2.800%	November 21, 2022
Deposit Substitutes	6		6	3.000%	November 21, 2022
Deposit Substitutes	17		16	2.800%	November 23, 2022
Deposit Substitutes	8		7	2.750%	November 24, 2022
Deposit Substitutes	20		20	2.750%	November 25, 2022
Deposit Substitutes	18		18	2.750%	December 1, 2022
Deposit Substitutes	15		15	5.125%	December 1, 2022
Deposit Substitutes	11		11	2.750%	December 2, 2022
Deposit Substitutes	18		18	2.750%	December 5, 2022
Deposit Substitutes	6		6	3.000%	December 5, 2022
Deposit Substitutes	17		17	2.750%	December 7, 2022
Deposit Substitutes	6		6	2.750%	December 9, 2022
Deposit Substitutes	10		10	2.875%	December 12, 2022
Deposit Substitutes	52		52	2.750%	December 14, 2022
Deposit Substitutes	3		3	2.750%	December 15, 2022
Deposit Substitutes	1		1	2.750%	December 16, 2022
Deposit Substitutes	16		16	2.750%	December 19, 2022
Deposit Substitutes	12		12	3.000%	December 19, 2022
Deposit Substitutes	1		1	4.625%	December 19, 2022

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule D - Long Term Debt
December 31, 2020

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	2.750%	December 21, 2022
Deposit Substitutes	1		1	2.750%	December 22, 2022
Deposit Substitutes	3		3	2.750%	December 28, 2022
Deposit Substitutes	2		2	4.500%	January 3, 2023
Deposit Substitutes	6		6	3.000%	January 9, 2023
Deposit Substitutes	3		3	4.500%	January 9, 2023
Deposit Substitutes	6		6	3.000%	January 16, 2023
Deposit Substitutes	2		2	5.125%	January 16, 2023
Deposit Substitutes	6		6	3.000%	January 23, 2023
Deposit Substitutes	25		25	5.250%	January 24, 2023
Deposit Substitutes	5		5	4.625%	January 25, 2023
Deposit Substitutes	23		23	5.250%	January 25, 2023
Deposit Substitutes	1		1	5.250%	January 26, 2023
Deposit Substitutes	9		9	5.250%	January 30, 2023
Deposit Substitutes	1		1	4.625%	January 31, 2023
Deposit Substitutes	1		1	4.625%	February 6, 2023
Deposit Substitutes	3		3	5.250%	February 6, 2023
Deposit Substitutes	2		2	4.625%	February 7, 2023
Deposit Substitutes	5		5	5.125%	February 13, 2023
Deposit Substitutes	2		2	4.625%	February 27, 2023
Deposit Substitutes	25		25	5.125%	March 2, 2023
Deposit Substitutes	81		81	5.000%	March 15, 2023
Deposit Substitutes	1		1	5.125%	March 15, 2023
Deposit Substitutes	4		4	5.125%	March 16, 2023
Deposit Substitutes	2		2	5.125%	March 28, 2023
Deposit Substitutes	1		1	4.625%	April 3, 2023
Deposit Substitutes	1		1	5.000%	April 5, 2023
Deposit Substitutes	1		1	5.000%	April 13, 2023
Deposit Substitutes	7		7	5.000%	April 27, 2023
Deposit Substitutes	4		4	5.000%	May 4, 2023
Deposit Substitutes	4		4	5.000%	May 17, 2023
Deposit Substitutes	2		2	5.000%	May 29, 2023
Deposit Substitutes	2		2	5.000%	June 1, 2023
Deposit Substitutes	3		3	5.000%	June 5, 2023
Deposit Substitutes	1		1	5.000%	June 14, 2023
Deposit Substitutes	1		1	5.000%	June 15, 2023
Deposit Substitutes	12		12	5.000%	June 19, 2023
Deposit Substitutes	6		6	5.000%	June 21, 2023
Deposit Substitutes	6		6	5.125%	June 26, 2023
Deposit Substitutes	5		5	5.250%	July 17, 2023
Deposit Substitutes	2		2	5.000%	July 20, 2023
Deposit Substitutes	2		2	5.000%	July 24, 2023

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule D - Long Term Debt
December 31, 2020

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	5.000%	July 27, 2023
Deposit Substitutes	5		5	6.250%	July 31, 2023
Deposit Substitutes	2		2	6.500%	July 31, 2023
Deposit Substitutes	1		1	6.250%	August 1, 2023
Deposit Substitutes	5		5	5.000%	August 3, 2023
Deposit Substitutes	1		1	5.000%	August 9, 2023
Deposit Substitutes	4		4	5.000%	August 10, 2023
Deposit Substitutes	1		1	5.300%	August 10, 2023
Deposit Substitutes	50		50	6.500%	August 10, 2023
Deposit Substitutes	5		5	4.125%	August 24, 2023
Deposit Substitutes	1		1	4.125%	August 28, 2023
Deposit Substitutes	1		1	5.300%	August 29, 2023
Deposit Substitutes	1		1	6.250%	August 29, 2023
Deposit Substitutes	1		1	6.250%	August 30, 2023
Deposit Substitutes	3		3	4.125%	September 20, 2023
Deposit Substitutes	1		1	4.125%	September 26, 2023
Deposit Substitutes	2		4	4.375%	September 26, 2023
Deposit Substitutes	1		1	6.750%	September 26, 2023
Deposit Substitutes	2		2	4.625%	October 4, 2023
Deposit Substitutes	2		2	6.750%	October 5, 2023
Deposit Substitutes	1		1	2.300%	October 9, 2023
Deposit Substitutes	4		4	4.375%	October 11, 2023
Deposit Substitutes	4		4	4.375%	October 16, 2023
Deposit Substitutes	1		1	6.750%	October 23, 2023
Deposit Substitutes	3		3	6.875%	October 25, 2023
Deposit Substitutes	2		2	6.875%	November 7, 2023
Deposit Substitutes	2		2	4.125%	November 21, 2023
Deposit Substitutes	1		1	4.125%	November 23, 2023
Deposit Substitutes	7		7	4.125%	November 27, 2023
Deposit Substitutes	1		0	4.000%	December 18, 2023
Deposit Substitutes	3		3	4.125%	February 8, 2024
Deposit Substitutes	1		1	4.125%	February 13, 2024
Deposit Substitutes	1		1	4.125%	March 6, 2024
Deposit Substitutes	1		1	4.250%	May 9, 2024
Deposit Substitutes	5		5	4.750%	March 5, 2025
Deposit Substitutes	35		35	6.200%	December 18, 2025
	<u>884</u>		<u>880</u>		
<i>Total Bills Payable</i>	<u>13,227</u>		<u>13,143</u>		

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule D - Long Term Debt
December 31, 2020

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
<i>Other Liabilities</i>					
Bonds Payable - Fixed Rate Bonds	17,500		17,433	6.300%	April 11, 2022
Bonds Payable - Fixed Rate Bonds	4,650		4,619	4.500%	February 4, 2023
Bonds Payable - Fixed Rate Bonds	13,750		13,671	4.500%	October 24, 2023
Bonds Payable - Fixed Rate Bonds	24,012		23,580	2.125%	January 15, 2026
	<u>59,912</u>		<u>59,303</u>		
	<u>74,309</u>		<u>73,613</u>		

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2020

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
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NOT APPLICABLE

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES

Schedule F - Guarantees of Securities of Other Issuers

December 31, 2020

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
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NOT APPLICABLE

METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
Schedule G - Capital Stock
December 31, 2020

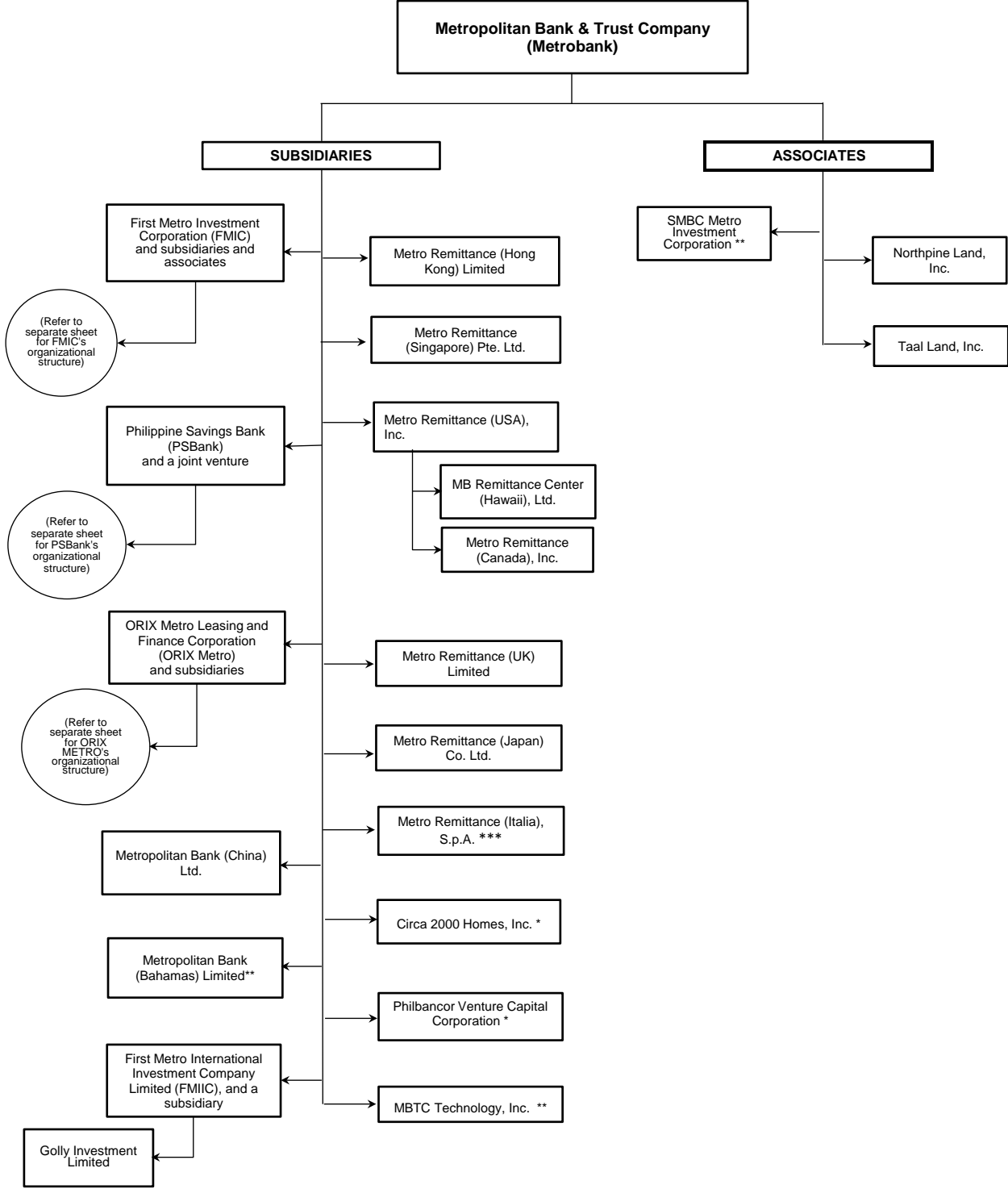
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Authorized						
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		2,296,081,688	34,924,801	2,166,409,066

METROPOLITAN BANK & TRUST COMPANY
SURPLUS AVAILABLE FOR DIVIDENDS *
AS OF DECEMBER 31, 2020
(In ₱ Millions)

UNAPPROPRIATED SURPLUS, BEGINNING	₱ 144,154
Adjustments:	
Less: Non-actual/unrealized income net of tax:	
Accumulated share in net income of subsidiaries, associates and joint venture - net of dividends, restated	29,904
Fair value adjustments (mark-to-market gains)	1,936
Recognized deferred tax asset (DTA)	7,878
Other unrealized gains or adjustments to retained earnings	
Unrealized gains on foreclosure of investment properties - net of accumulated depreciation	310
	40,028
UNAPPROPRIATED SURPLUS AS ADJUSTED TO AVAILABLE FOR DIVIDEND DISTRIBUTION AT BEGINNING OF YEAR	104,126
Add: Net income actually earned/realized during the year:	
Net income during the year closed to Surplus	13,831
Less: Non-actual/unrealized income net of tax:	
Fair value adjustment (mark-to-market gains)	1,006
Movement on DTA	3,413
Unrealized gains on foreclosure of investment properties - net of accumulated depreciation	32
Equity in net income of subsidiaries, associates and a joint venture-net of dividends	571
	5,022
Net income actually earned during the year	8,809
Add/(Less)	
Dividend declarations during the year	(4,497)
Appropriations of Retained Earnings during the year	(162)
	(4,659)
UNAPPROPRIATED SURPLUS AVAILABLE FOR DIVIDENDS, END	₱ 108,276

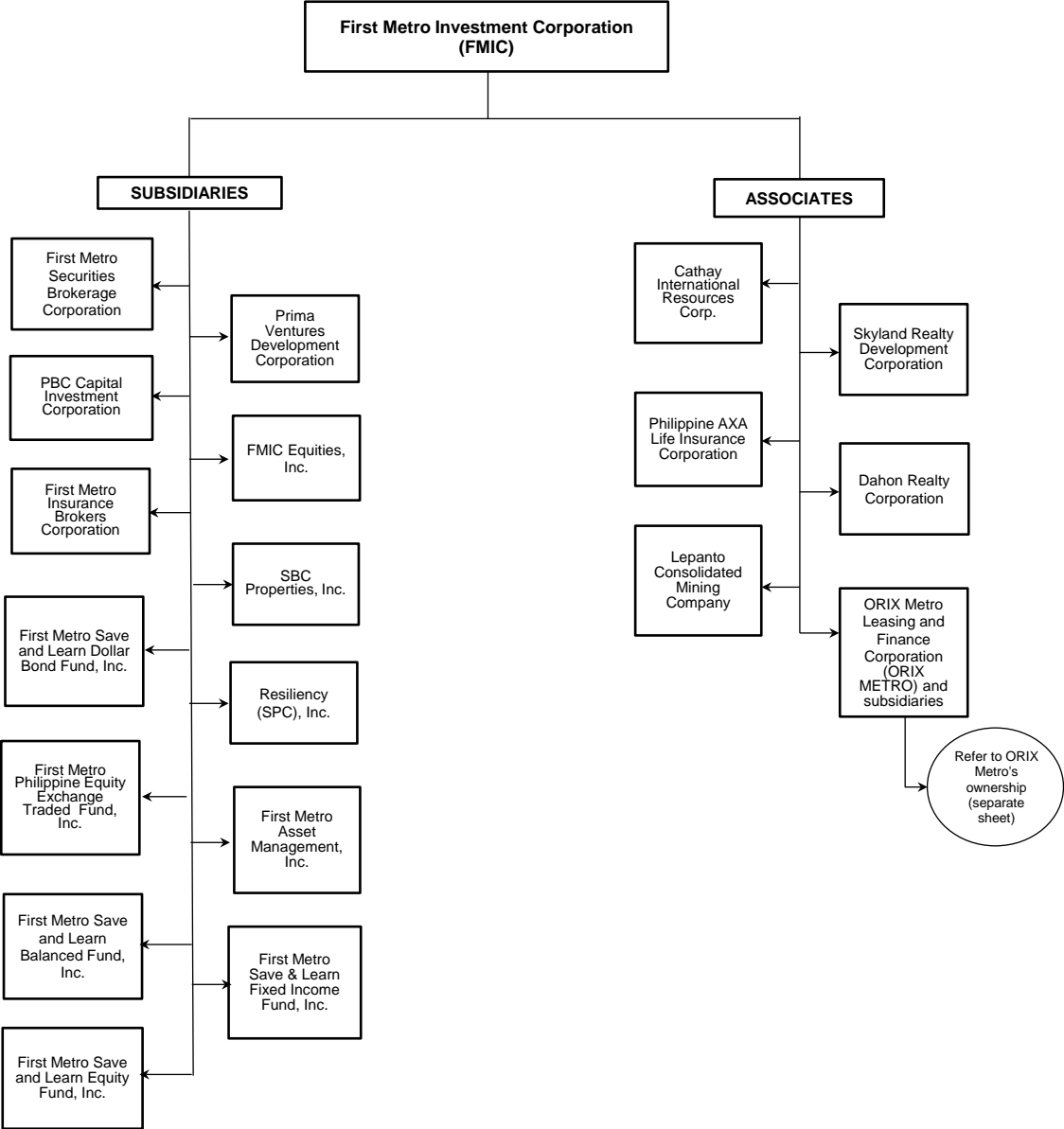
* The computation of surplus available for dividend declaration in accordance with SEC Memorandum Circular No. 11 issued in December 2008 differs to a certain extent from the computation following Bangko Sentral ng Pilipinas guidelines.

**Metropolitan Bank & Trust Company
Subsidiaries and Associates
As of December 31, 2020**

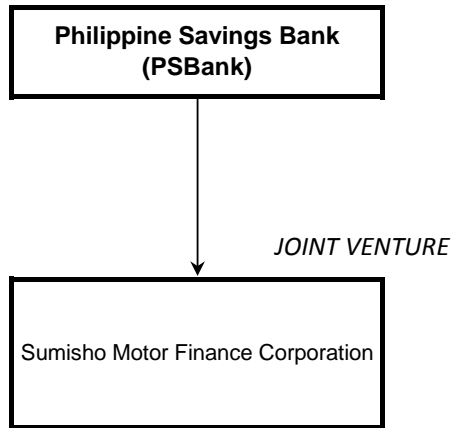


* In process of dissolution
 ** In process of liquidation
 *** Fully liquidated in January 2021

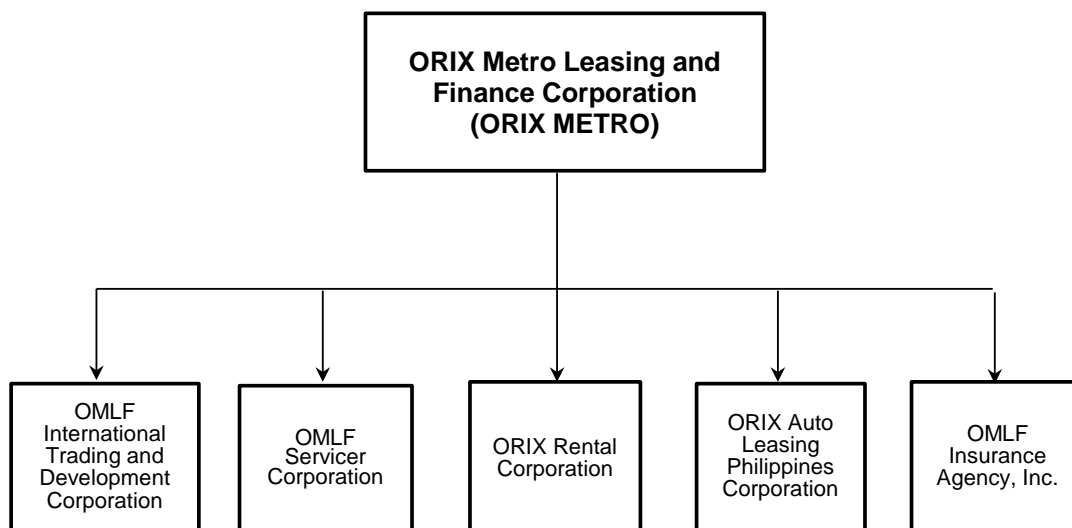
**First Metro Investment Corporation
Subsidiaries and Associates
As of December 31, 2020**



**Philippine Savings Bank
Joint Venture
As of December 31, 2020**



ORIX Metro Leasing and Finance Corporation (ORIX METRO)
Subsidiaries
As of December 31, 2020



METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES
FINANCIAL INDICATORS
AS OF DECEMBER 31, 2020 AND 2019

RATIO	FORMULA	2020	2019
a) Liquidity Ratio	Liquid Assets	46.08%	36.56%
	Total Assets		
b) Loans to Deposits Ratio	Total Loans	72.18%	86.67%
	Total Deposit Liabilities		
c) Debt to Equity Ratio	Total Liabilities	654.52%	688.84%
	Total Equity Attributable to Equity Holders of the Parent Company		
d) Asset to Equity Ratio	Total Assets	757.29%	791.72%
	Total Equity Attributable to Equity Holders of the Parent Company		
e) Return on Average Equity	Net Income Attributable to Equity Holders of the Parent Company	4.36%	9.47%
	Average Equity		
f) Return on Average Assets	Net Income Attributable to Equity Holders of the Parent Company	0.56%	1.20%
	Average Assets		
g) Net Interest Margin on Average Earning Assets	Net Interest Income	3.98%	3.84%
	Average Earning Assets		
h) Operating Efficiency Ratio	Total Operating Expenses	49.59%	54.60%
	Net Operating Income		
i) Interest Coverage Ratio	Earnings Before Interest and Taxes	196.95%	199.36%
	Interest Expense		
j) Net Profit Margin	Net Income	9.73%	19.76%
	Total Income		
k) Capital Adequacy Ratio	Total Qualifying Capital	20.15%	17.49%
	Total Risk-Weighted Assets		
l) Common Equity Tier 1 Ratio	Net Tier 1 Capital	19.28%	16.19%
	Total Risk-Weighted Assets		