

October 30, 2020

**Ms. Janet A. Encarnacion**

Head, Disclosure Department  
The Philippine Stock Exchange, Inc.  
6/F PSE Tower  
5<sup>th</sup> Avenue corner 28<sup>th</sup> Street  
Bonifacio Global City, Taguig City

**Dear Ms. Encarnacion:**

We hereby submit a copy of our SEC Form 17-Q for the period ended September 30, 2020.

Very truly yours,



**Marilon C. Bartolome-Cirilo**  
Senior Vice President/Controller

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



**SEC Number 20573**  
*File Number* \_\_\_\_\_

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**METROPOLITAN BANK & TRUST COMPANY**

(Company's Full Name)

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

(Company's Address)

**8898-8805**

(Telephone Number)

**December 31**

(Fiscal year ending)

**17-Q**

(Form Type)

(Amendment Designation, if applicable)

**September 30, 2020**

(Period Ended Date)

**None**

(Secondary License Type and File Number)

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

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

1. For the quarterly period ended : **September 30, 2020**
2. Commission Identification Number : **20573**
3. BIR Tax Identification No. : **000-477-863**
4. Exact name of issuer as specified in its charter : **METROPOLITAN BANK & TRUST COMPANY**
5. Province, country or other jurisdiction of incorporation or organization : **Metro Manila, Philippines**
6. Industry Classification Code :  (SEC Use Only)
7. Address of issuer's principal office : Metrobank Plaza, Sen. Gil Puyat Avenue, Urdaneta Village, Makati City, Metro Manila
8. Issuer's telephone number, including area code : **(632) 8898-8805**
9. Former name, former address and former fiscal year, if changed since last report: **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>No. of Shares of Common Stock Outstanding</u>	<u>Amount of Debt Outstanding (Unpaid Subscriptions)</u>
<b>Common Shares</b>	<b>4,497,415,555 shares</b>	<b>None</b>

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

**Yes [ x ]    No [ ]**

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

12. Indicate by check mark whether the registrant:

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

**Yes [ x ]    No [ ]**

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

**Yes [ x ]    No [ ]**

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

Attached are the following:

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

### Item 2. Management's Discussion and Analysis of Consolidated Financial Position and Results of Operations

- Annex 7

## PART II - OTHER INFORMATION

### I. Control of Registrant

The following stockholders own more than 5% of the total outstanding number of shares issued as of September 30, 2020:

NAME OF STOCKHOLDER	TOTAL NUMBER OF SHARES HELD	PERCENT TO TOTAL NUMBER OF SHARES ISSUED
GT Capital Holdings, Inc. <sup>a</sup>	1,670,611,010	37.15%
PCD Nominee Corporation (Non-Filipino)*	1,049,489,540	23.34%
PCD Nominee Corporation (Filipino)* <sup>b</sup>	1,033,296,536	22.98%

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

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

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

As of September 30, 2020, public ownership on the Bank was at 48.17%. Out of the total shares issued, 23.37% represents foreign ownership.

### II. Pending Legal Proceedings

As of September 30, 2020, several suits and claims relating to the Group's lending operations and labor-related cases remain unsettled. In the opinion of management, these suits and claims, if decided adversely, will not involve sums having a material effect on the Group's financial statements.

### III. Board Resolutions

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


**SIGNATURES**

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

**METROPOLITAN BANK & TRUST COMPANY**

By:

  
**MARILOU C. BARTOLOME-CIRILO**  
Senior Vice President/Controller

  
**JOSHUA E. NAING**  
Senior Executive Vice President/Head of  
Financial and Control Sector

October 29, 2020

METROPOLITAN BANK & TRUST COMPANY  
AND SUBSIDIARIES

**Interim Condensed Consolidated Financial Statements**

As of September 30, 2020 (Unaudited) and December 31, 2019 (Audited)  
and for the nine months ended September 30, 2020 and 2019 (Unaudited)

**METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(In Millions)

	(Unaudited)	(Audited)
	September 30,	December 31,
	2020	2019
<b>ASSETS</b>		
Cash and Other Cash Items	₱ 27,028	₱ 32,956
Due from Bangko Sentral ng Pilipinas (BSP)	362,747	219,994
Due from Other Banks	43,601	54,767
Interbank Loans Receivable and Securities Purchased		
Under Resale Agreements (SPURA) (Note 13)	83,626	72,174
Investment Securities at		
Fair Value Through Profit or Loss (FVTPL)	74,504	61,867
Fair Value Through Other Comprehensive Income (FVOCI)	437,397	202,520
(Note 7)		
Amortized Cost (Note 7)	23,336	251,628
Loans and Receivables	1,225,566	1,483,568
Property and Equipment	24,864	25,700
Investments in Associates and a Joint Venture	6,880	6,591
Goodwill	5,199	5,200
Investment Properties	7,600	7,762
Deferred Tax Assets	13,769	10,512
Other Assets	15,245	15,574
	<b>₱ 2,351,362</b>	<b>₱ 2,450,813</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>Deposit Liabilities</b>		
Demand	₱ 464,669	₱ 411,873
Savings	763,239	665,634
Time	470,177	592,897
Long-Term Negotiable Certificates (Note 6)	35,751	43,740
	<b>1,733,836</b>	<b>1,714,144</b>
Bills Payable and Securities Sold Under Repurchase		
Agreements (SSURA) (Note 7)	79,452	238,281
Derivative Liabilities	13,488	7,427
Manager's Checks and Demand Drafts Outstanding	5,828	6,806
Income Taxes Payable	3,328	4,188
Accrued Interest and Other Expenses	8,957	10,499
Bonds Payable (Note 8)	119,529	80,486
Subordinated Debts (Note 9)	1,167	7,660
Deferred Tax Liabilities	-	108
Non-equity Non-controlling Interest	6,656	6,553
Other Liabilities	50,347	56,170
	<b>2,022,588</b>	<b>2,132,322</b>
<b>EQUITY</b>		
Equity Attributable to Equity Holders of the Parent Company	319,805	309,554
Non-controlling Interest	8,969	8,937
	<b>328,774</b>	<b>318,491</b>
	<b>₱ 2,351,362</b>	<b>₱ 2,450,813</b>



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

(Unaudited)

	Quarter Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
<b>INTEREST INCOME ON</b>				
Loans and receivables	₱ 20,789	₱ 24,302	₱ 67,851	₱ 72,761
Trading and investment securities	4,254	4,499	14,680	13,669
Deposits with banks and others	683	264	1,386	651
	<b>25,726</b>	<b>29,065</b>	<b>83,917</b>	<b>87,081</b>
<b>INTEREST AND FINANCE CHARGES</b>				
Deposit liabilities	1,993	5,388	9,680	18,770
Bills payable and SSURA, bonds payable, subordinated debt and others	2,361	3,960	8,379	12,072
	<b>4,354</b>	<b>9,348</b>	<b>18,059</b>	<b>30,842</b>
<b>NET INTEREST INCOME</b>	<b>21,372</b>	<b>19,717</b>	<b>65,858</b>	<b>56,239</b>
<b>PROVISION FOR CREDIT AND IMPAIRMENT LOSSES</b>	<b>12,581</b>	<b>3,159</b>	<b>35,362</b>	<b>7,757</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES</b>	<b>8,791</b>	<b>16,558</b>	<b>30,496</b>	<b>48,482</b>
<b>OTHER INCOME</b>				
Trading, securities and foreign exchange gain - net (Note 11)	4,693	4,541	17,776	8,150
Service charges, fees and commissions	3,231	3,404	8,724	9,967
Miscellaneous	1,332	2,074	3,970	5,620
	<b>9,256</b>	<b>10,019</b>	<b>30,470</b>	<b>23,737</b>
<b>OTHER EXPENSES</b>				
Compensation and fringe benefits	6,404	6,174	18,554	17,503
Occupancy and equipment-related cost	605	380	1,508	1,385
Miscellaneous	7,348	8,592	23,866	24,010
	<b>14,357</b>	<b>15,146</b>	<b>43,928</b>	<b>42,898</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>3,690</b>	<b>11,431</b>	<b>17,038</b>	<b>29,321</b>
<b>PROVISION FOR INCOME TAX</b>	<b>1,918</b>	<b>2,661</b>	<b>5,829</b>	<b>7,142</b>
<b>NET INCOME</b>	<b>₱ 1,772</b>	<b>₱ 8,770</b>	<b>₱ 11,209</b>	<b>₱ 22,179</b>
<b>Attributable to :</b>				
Equity holders of the Parent Company	₱ 1,918	₱ 8,547	₱ 11,048	₱ 21,577
Non-controlling interest	(146)	223	161	602
	<b>₱ 1,772</b>	<b>₱ 8,770</b>	<b>₱ 11,209</b>	<b>₱ 22,179</b>
<b>Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 15)</b>	<b>₱ 0.43</b>	<b>₱ 1.90*</b>	<b>₱ 2.46</b>	<b>₱ 4.80*</b>

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

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

	Quarter Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
<b>NET INCOME</b>	<b>₱ 1,772</b>	<b>₱ 8,770</b>	<b>₱ 11,209</b>	<b>₱ 22,179</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>				
<b>Items that may not be reclassified to profit or loss:</b>				
Change in net unrealized gain (loss) on equity securities at FVOCI	(16)	27	(68)	65
Change in remeasurement gain (loss) on retirement liability	(19)	1	240	(100)
	(35)	28	172	(35)
<b>Items that may be reclassified to profit or loss:</b>				
Change in net unrealized gain on debt securities at FVOCI	(4,827)	(332)	3,936	5,385
Change in equity in other comprehensive gain (loss) of associates	(2)	158	(163)	409
Translation adjustment and others	185	452	(249)	(348)
	(4,644)	278	3,524	5,446
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>	<b>(4,679)</b>	<b>306</b>	<b>3,696</b>	<b>5,411</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱ (2,907)</b>	<b>₱ 9,076</b>	<b>₱ 14,905</b>	<b>₱ 27,590</b>
<b>Total Comprehensive Income attributable to :</b>				
Equity holders of the Parent Company	₱ (2,799)	₱ 8,803	₱ 14,765	₱ 26,309
Non-controlling interest	(108)	273	140	1,281
	₱ (2,907)	₱ 9,076	₱ 14,905	₱ 27,590

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

As of September 30, 2020 and 2019

(In Million Pesos)

(Unaudited)

	Common Stock*	Capital Paid in Excess of Par Value	Surplus	Surplus Reserves	Treasury Stocks	Net Unrealized Gain (Loss) on Investment Securities at FVOCI	Equity in Other Comprehensive Income (Loss) of Investees	Remeasurement Gain (Losses) on Retirement Plan	Translation Adjustment and Others	TOTAL	Non- Controlling Interest	Total Equity
<b>Balance, January 1, 2020</b>	<b>₱89,948</b>	<b>₱85,252</b>	<b>₱144,154</b>	<b>₱2,098</b>	<b>(₱72)</b>	<b>₱2,629</b>	<b>₱345</b>	<b>(₱5,531)</b>	<b>(₱9,269)</b>	<b>₱309,554</b>	<b>₱8,937</b>	<b>₱318,491</b>
Total comprehensive income (loss) for the period	-	-	11,048	-	-	3,862	(162)	230	(213)	14,765	140	14,905
Transfer to surplus reserves	-	-	(107)	107	-	-	-	-	-	-	-	-
Cash dividends	-	-	(4,497)	-	-	-	-	-	-	(4,497)	(108)	(4,605)
Realized gain (loss) on sale of equity securities at FVOCI	-	-	(44)	-	-	44	-	-	-	-	-	-
Acquisition of Parent Company shares held by a mutual fund subsidiary	-	-	-	-	(17)	-	-	-	-	(17)	-	(17)
<b>Balance, September 30, 2020</b>	<b>₱89,948</b>	<b>₱85,252</b>	<b>₱150,554</b>	<b>₱2,205</b>	<b>(₱89)</b>	<b>₱6,535</b>	<b>₱183</b>	<b>(₱5,301)</b>	<b>(₱9,482)</b>	<b>₱319,805</b>	<b>₱8,969</b>	<b>₱328,774</b>
<b>Balance, January 1, 2019</b>	<b>₱79,600</b>	<b>₱85,252</b>	<b>₱130,550</b>	<b>₱1,956</b>	<b>(₱67)</b>	<b>(₱2,994)</b>	<b>(₱27)</b>	<b>(₱3,591)</b>	<b>(₱7,719)</b>	<b>₱282,960</b>	<b>₱7,744</b>	<b>₱290,704</b>
Total comprehensive income (loss) for the period	-	-	21,577	-	-	5,347	406	(109)	(912)	26,309	1,281	27,590
Transfer to surplus reserves	-	-	(89)	89	-	-	-	-	-	-	-	-
Cash dividends	-	-	(3,980)	-	-	-	-	-	-	(3,980)	(100)	(4,080)
Realized gain on sale of equity securities at FVOCI	-	-	19	-	-	(21)	-	-	-	(2)	-	(2)
Acquisition of Parent Company shares held by a mutual fund subsidiary	-	-	-	-	(3)	-	-	-	-	(3)	-	(3)
Increase in ownership interest in a subsidiary	-	-	-	-	-	-	-	-	(633)	(633)	-	(633)
<b>Balance, September 30, 2019</b>	<b>₱79,600</b>	<b>₱85,252</b>	<b>₱148,077</b>	<b>₱2,045</b>	<b>(₱70)</b>	<b>₱2,332</b>	<b>₱379</b>	<b>(₱3,700)</b>	<b>(₱9,264)</b>	<b>₱304,651</b>	<b>₱8,925</b>	<b>₱313,576</b>

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

	(Unaudited)	
	For the Nine Months Ended September 30	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income before income tax	P 17,038	P 29,321
Adjustments for :		
Provision for credit and impairment losses	35,362	7,757
Trading and securities gain on investment securities	(15,718)	(1,122)
Depreciation and amortization	3,595	3,670
Share in net income of associates and a joint venture	(507)	(676)
Profit from assets sold	(70)	(493)
Unrealized market valuation loss on financial assets and liabilities at FVTPL	3,807	558
Gain on initial recognition of investment properties and chattel properties acquired in foreclosure	(12)	(407)
Amortization of software cost	508	415
Amortization of discount on subordinated debt and bonds payable	223	136
Dividends	(99)	(148)
Changes in operating assets and liabilities:		
Decrease (increase) in :		
Investment securities at FVTPL	(10,383)	(40,757)
Loans and receivables	222,391	(29,398)
Other assets	81	(4,198)
Increase (decrease) in:		
Deposit liabilities	19,692	19,813
Bills payable-deposit substitutes	(50,137)	3,523
Manager's checks and demand drafts outstanding	(978)	(1,282)
Accrued interest and other expenses	(1,542)	397
Non-equity non-controlling interest	103	(449)
Other liabilities	(4,938)	11,795
Net cash provided by (used in) operations	218,416	(1,545)
Dividends received	99	148
Income taxes paid	(10,627)	(7,012)
Net cash provided by (used in) operating activities	207,888	(8,409)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Investment securities at FVOCI	(1,800,300)	(653,151)
Investments securities at amortized cost	(907)	(4,444)
Property and equipment	(2,441)	(2,862)
Cash dividends from investees	53	53
Proceeds from sale of:		
Investment securities	1,777,929	629,752
Property and equipment	168	387
Investment properties	591	1,273
Decrease (increase) in interbank loans receivable and SPURA	(18,095)	3,031
Proceeds from:		
Maturity of investment securities at amortized cost	36,045	469
Disposal of investment securities at amortized cost	-	16,686
Net cash used in investing activities	(6,957)	(8,806)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Settlements of bills payable	(1,756,010)	(3,789,354)
Availments of bills payable and SSURA	1,647,318	3,801,320
Settlements of bonds payable	-	(3,000)
Redemption of subordinated debts	(6,500)	(19,000)
Proceeds from issuance of bonds payable	38,827	34,837
Cash dividends paid	(4,605)	(4,080)
Payment of principal portion of lease liabilities	(885)	-
Acquisition of Parent Company shares by a mutual fund subsidiary	(17)	(3)
Net cash used in financing activities	(81,872)	20,720
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>119,059</b>	<b>3,505</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		
Cash and other cash items	32,956	33,091
Due from BSP	219,994	240,134
Due from other banks	54,772	45,808
Interbank loans receivable and SPURA	67,313	39,380
	375,035	358,413
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		
Cash and other cash items	27,028	25,524
Due from BSP	362,747	238,400
Due from other banks	43,643	64,288
Interbank loans receivable and SPURA (Note 13)	60,676	33,706
	P 494,094	P 361,918

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

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**1. Corporate Information**

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

The Bank’s shares were listed with the Philippine Stock Exchange, Inc. (PSE), on February 26, 1981, as approved by the SEC in November 1980. It has a universal banking license granted by the Bangko Sentral ng Pilipinas (BSP) on August 21, 1981.

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

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**2. Summary of Significant Accounting Policies**

Basis of Preparation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Groups’ annual audited financial statements as at December 31, 2019.

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

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

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The respective functional currencies of the subsidiaries are presented under Basis of Consolidation.

Presentation of Financial Statements

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

Basis of Consolidation

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

The following are the wholly and majority-owned foreign and domestic subsidiaries of the Bank as of September 30, 2020:

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

\* In process of dissolution.

\*\* In process of liquidation.

Investment in MR Italia

Effective May 14, 2020, as certified by the Camera di Commercio Roma, MR Italia's registration in Italy has been cancelled and is in the process of liquidation.

Merger with Metrobank Card Corporation (MCC)

On March 13, 2019, the respective BODs of the Parent Company and MCC (a wholly-owned subsidiary as of December 31, 2020) 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.

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

any, are included in the unaudited interim condensed consolidated statement of income and unaudited interim condensed consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

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

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

#### Entity with significant influence over the Group

GT Capital Holdings, Inc. (GT Capital) holds 37.15% and 36.65% of the total shares of the Bank as of September 30, 2020 and December 31, 2019, respectively.

#### Changes in Accounting Policies

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

#### *Conceptual Framework for Financial Reporting issued on March 29, 2018*

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

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

#### *Amendments*

##### *Amendments to PFRS 3, Business Combinations - Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business. These amendments will apply to future business combinations of the Group.

##### *Amendments to PFRS 7, Financial Instruments: Disclosures and PFRS 9, Financial Instruments, Interest Rate Benchmark Reform*

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

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

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

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

#### Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PAS 34 requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the disclosures of contingent assets and contingent liabilities. Future events may occur which can cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Considering the evolving nature of the COVID-19 pandemic, the Group is continuously assessing and recognizing the impact of the pandemic on the Group's financial statements.

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### **3. Financial Risk Management**

Compared with December 31, 2019, there have been no changes in the financial risk exposures that materially affect the unaudited interim condensed consolidated financial statements of the Group as of September 30, 2020. The Group has exposures to the following risks from its use of financial instruments: (a) credit; (b) liquidity; and (c) market risks. Related discussions below should be read in conjunction with Note 4, Financial Risk and Capital Management, of the Group's 2019 audited financial statements.

#### *Risk management framework*

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

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

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

#### Credit Risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, related groups of borrowers, market segments, and industry concentrations, and by monitoring exposures in relation to such limits, among others. The same is true for



treasury-related activities. Each business unit is responsible for the quality of its credit portfolio and for monitoring and controlling all credit risks in its portfolio. Regular reviews and audits of business units and credit processes are undertaken by RSK and Internal Audit Group, respectively.

#### Liquidity Risk

Liquidity risk is the current and prospective risk to earnings or capital arising from the inability to meet its obligations when they become due. This may be caused by the inability to liquidate assets or to obtain funding to meet the liquidity needs. The Group manages its liquidity risk by holding adequate stock of high quality liquid assets, analyzing net funding requirements over time, diversifying funding sources and planning for contingencies.

To measure the prospective liquidity needs, the Group uses Maximum Cumulative Outflow (MCO), a liquidity gap tool to project short-term and long-term cash flow expectations on a business-as-usual condition.

The MCO is generated by distributing the cash flows of the Bank's assets, liabilities and off-balance sheet items to time bands based cash flow expectations such as contractual maturity, nature of the account, behavioral patterns, projections on business strategies, and/or optionality of certain products. Incorporating behavioral cash flow assumptions and business projections or targets results in a dynamic gap report that realistically captures the behavior of the products to create 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 has 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 has funding needs for the given time bucket.

The MCO is monitored regularly to ensure that it remains within the set limits. The Parent Company generates and monitors its MCO on a daily basis. The subsidiaries generate their respective MCO reports at least on a monthly basis. The liquidity profile of the Group is reported monthly to the Parent Company's ALCO and ROC.

To supplement the business-as-usual scenario parameters reflected in the MCO report, the Group also conducts liquidity stress testing to determine the impact of extreme factors, scenarios and/or events to the Group's liquidity profile. Liquidity stress testing is performed on a quarterly basis on a per firm basis, and at least annually on the Group-wide level.

#### Market Risk

Market risk is the possibility of loss to future earnings, fair values or future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, and other market factors. Market risk originates from its holdings in foreign currencies, debt securities and derivatives transactions.

Depending on the business model for the product, i.e., whether they belong to the trading book or banking book, the Group applies different tools and processes to manage market risk exposures. Risk limits, approved by the BOD, are enforced to monitor and control this risk. As an independent body under the ROC, RSK performs daily market risk analyses to ensure compliance with policies and limits. On the other hand, 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 with 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 requires regular submission of market risk profiles from subsidiaries. These are presented to ALCO and ROC in both individual and consolidated forms to provide senior management and ROC a holistic perspective and ensure alignment of strategies and risk appetite across the Group.

#### Market Risk - Trading Book

In measuring the potential loss in its trading portfolio, the Parent Company uses Value-at-Risk (VaR). VaR is an estimate of the potential decline in the value of a portfolio, under normal market conditions, for a given “confidence level” over a specified holding period. The Parent Company measures and monitors the Trading Book VaR daily and this value is compared against the set VaR limit. Meanwhile, the Group VaR is monitored and reported monthly.

#### *VaR methodology assumptions and parameters*

Historical Simulation is used to compute the VaR. This method assumes that market rates volatility in the future will follow the same movement that occurred within the 260-day historical period. In calculating VaR, a 99.00% confidence level and a one-day holding period are assumed. This means that, statistically, within a one-day horizon, the trading losses will exceed VaR in 1 out of 100 trading days.

Like any other model, the Historical Simulation Method has its own limitations. To wit, it cannot predict volatility levels which did not happen in the specified historical period. The validity of the VaR model is verified through a daily Back testing Analysis, which examines how frequently both actual and hypothetical daily losses exceed VaR. The result of the daily back testing analysis is reported to the ALCO and ROC monthly.

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

The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures and by doing stress testing analysis. These processes address potential product concentration risks, monitor portfolio vulnerabilities and give the management an early advice if an actual loss goes beyond what is deemed tolerable to the bank, even before the VaR limit is hit.

Stress testing is performed by the Parent Company on a quarterly basis and the results are reported to the ALCO and, subsequently, to the ROC and BOD. On a Group-wide perspective, stress testing is done, at least annually. The results are reported by the Parent Company’s Risk Management Group to the BOD through ROC.

#### Market Risk - Banking Book

The Group has in place their own risk management system and processes to measure 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 ( $\Delta$ 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 schedules (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 an analysis of historical patterns, past experience and/or expert judgment.

Earnings-at-Risk (EaR) measures the possible decline in the Bank’s net interest income as a result of adverse interest rate movements, given the current repricing profile. It is a tool used to evaluate the sensitivity of the accrual portfolio to changes in interest rates in the adverse direction over the next twelve (12) months.

#### *EaR methodology assumptions and parameter*

The Group calculates EaR using Historical Simulation (HS) approach, with one-year horizon and using five years data. EaR is then derived as the 99th percentile biggest drop in net interest income (NII).

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

In addition to EAR, the Parent Company uses  $\Delta$ EVE to measure changes in the net present value of its banking book at different interest rates shocks and stress scenarios. It reflects changes in the economic value of equity over the remaining life of the assets and liabilities.  $\Delta$ 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 and internally developed by the Parent Company.

Aside from the EAR and  $\Delta$ EVE, the Parent Company and its subsidiaries perform regular sensitivity and stress testing analyses on their banking books to further broaden its forward looking analysis. This way, management can craft strategies to address and/or arrest probable risks, if necessary.

#### *Foreign currency risk*

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

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## **4. Fair Value Measurement**

### Financial Instruments

The methods and assumptions used by the Group in estimating the fair value of financial instruments have been consistently applied in the unaudited interim condensed consolidated financial statements. These are:

*Cash and other cash items, due from BSP and other banks and interbank loans receivable and SPURA* - Carrying amounts approximate fair values in view of the relatively short-term maturities of these instruments.

*Investment securities* - Fair values of debt securities (financial assets at FVTPL, FVOCI and at amortized cost) and equity investments are generally based on quoted market prices. Where the debt securities are not quoted or the market prices are not readily available, the Group obtained valuations from independent parties offering pricing services, used adjusted quoted market prices of comparable investments, or applied discounted cash flow methodologies. For equity securities that are not quoted, remeasurement to their fair values is not material to the financial statements.

*Derivative instruments* - Fair values are estimated based on quoted market prices, prices provided by independent parties, or prices derived using acceptable valuation models. The models utilize published underlying rates (e.g interest rates, Foreign Exchange (FX) rates, Credit Default Swap (CDS) rates, FX volatilities and spot and forward FX rates) and are implemented through validated calculation engines.

*Loans and receivables* - Fair values of the Group's loans and receivables are estimated using the discounted cash flow methodology, using current incremental lending rates for similar types of loans. Where the instrument reprices on a quarterly basis or has a relatively short maturity, the carrying amounts approximate fair values.

*Liabilities* - Fair values are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued, if any. The carrying amount of demand and savings deposit liabilities and other short-term liabilities approximates fair value considering that these are due and demandable or with short-term maturities.

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

	September 30, 2020 (Unaudited)				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
<b>Assets Measured at Fair Value</b>					
<b>Financial Assets</b>					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Treasury notes and bonds	₱34,740	₱34,740	₱-	₱-	₱34,740
Government	11,359	11,359	-	-	11,359
Private	6,641	6,641	-	-	6,641
Treasury bills	4,956	4,956	-	-	4,956
BSP	2	2	-	-	2
	57,698	57,698	-	-	57,698
Equity securities	5,202	5,202	-	-	5,202
Derivative assets					
Cross currency swaps	8,157	-	8,157	-	8,157
Currency forwards	2,244	-	2,244	-	2,244
Interest rate swaps	1,139	-	1,139	-	1,139
Credit default swaps/options	64	-	64	-	64
	11,604	-	11,604	-	11,604
	74,504	62,900	11,604	-	74,504
Investment securities at FVOCI					
Debt securities					
Treasury notes and bonds	314,900	314,839	61	-	314,900
Government	66,345	66,018	327	-	66,345
Private	33,699	22,354	11,345	-	33,699
Treasury bills	20,870	20,870	-	-	20,870
	435,814	424,081	11,733	-	435,814
Equity securities	1,583	1,492	91	-	1,583
	437,397	425,573	11,824	-	437,397
	₱511,901	₱488,473	₱23,428	₱-	₱511,901
<b>Assets for which Fair Values are Disclosed</b>					
<b>Financial Assets</b>					
Investment securities at amortized cost					
Government	₱19,248	₱20,456	₱327	₱-	₱20,783
Private	3,708	2,607	1,192	-	3,799
Treasury bills	224	225	-	-	225
Treasury notes and bonds	156	169	-	-	169
	23,336	23,457	1,519	-	24,976
Loans and receivable – net					
Receivables from customers					
Commercial loans	869,288	-	-	861,199	861,199
Residential mortgage loans	103,903	-	-	128,155	128,155
Auto loans	101,946	-	-	123,177	123,177
Credit card	71,796	-	-	71,796	71,796
Trade	36,793	-	-	36,793	36,793
Others	24,634	-	-	26,186	26,186
	1,208,360	-	-	1,247,306	1,247,306
Unquoted debt securities	478	-	-	488	488
Sales contract receivable	90	-	-	92	92
	1,208,928	-	-	1,247,886	1,247,886
<b>Others assets</b>					
Residual value of leased assets	970	-	-	824	824
Miscellaneous	188	-	-	256	256
	1,158	-	-	1,080	1,080
	₱1,233,422	₱23,457	₱1,519	₱1,248,966	₱1,273,942

September 30, 2020 (Unaudited)					
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
<b>Liabilities Measured at Fair Value</b>					
<b>Financial Liabilities</b>					
Derivative liabilities					
Interest rate swaps	₱ 5,995	₱-	₱5,995	₱-	₱5,995
Cross currency swaps	5,858	-	5,858	-	5,858
Currency forwards	1,498	-	1,498	-	1,498
Credit default swaps/options	137	-	137	-	137
Non-equity non-controlling interest	6,656	-	6,656	-	6,656
	<b>₱20,144</b>	<b>₱-</b>	<b>₱20,144</b>	<b>₱-</b>	<b>₱20,144</b>
<b>Liabilities for which Fair Values are Disclosed</b>					
<b>Financial Liabilities</b>					
Deposit liabilities					
Time	₱470,177	₱-	₱-	₱471,995	₱471,995
LTNCD	35,751	26,946	9,337	-	36,283
	505,928	26,946	9,337	471,995	508,278
Bills payable and SSURA	79,452	-	-	83,646	83,646
Bonds payable	119,529	93,710	-	4,074	97,784
Subordinated debts	1,167	-	-	1,231	1,231
Other liabilities					
Deposits on lease contracts	1,514	-	-	1,208	1,208
Notes payable	895	-	-	1,031	1,031
	<b>₱708,485</b>	<b>₱120,656</b>	<b>₱9,337</b>	<b>₱563,185</b>	<b>₱693,178</b>

December 31, 2019 (Audited)					
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
<b>Assets Measured at Fair Value</b>					
<b>Financial Assets</b>					
Investment securities at FVTPL					
FVTPL investments					
Debt securities					
Private	₱7,935	₱7,935	₱-	₱-	₱7,935
Government	13,048	13,048	-	-	13,048
Treasury notes and bonds	24,145	24,145	-	-	24,145
Treasury bills	1,662	1,662	-	-	1,662
BSP	2	2	-	-	2
	46,792	46,792	-	-	46,792
Equity securities	6,585	6,585	-	-	6,585
Derivative assets					
Cross currency swaps	6,007	-	6,007	-	6,007
Currency forwards	1,756	-	1,756	-	1,756
Interest rate swaps	711	-	711	-	711
Options	16	-	16	-	16
	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
	<b>₱264,387</b>	<b>₱246,159</b>	<b>₱18,228</b>	<b>₱</b>	<b>₱264,387</b>

	December 31, 2019 (Audited)				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
<b>Assets for which Fair Values are Disclosed</b>					
<b>Financial Assets</b>					
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 receivable – 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
Others assets	185	-	-	257	257
	1,713,209	223,879	13,290	1,497,512	1,734,681
<b>Non-Financial Assets</b>					
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
<b>Liabilities Measured at Fair Value</b>					
<b>Financial Liabilities</b>					
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
Credit default swaps/options	19	-	19	-	19
Non-equity non-controlling interest	6,553	-	6,553	-	6,553
	₱13,980	₱-	₱13,980	₱-	₱13,980
<b>Liabilities for which Fair Values are Disclosed</b>					
<b>Financial Liabilities</b>					
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

As of December 31, 2019, the fair value hierarchy of the Group's debt and equity securities amounting to ₱1.4 billion and ₱1.2 million, respectively, were transferred from Level 1 to Level 2 due to absence of an active market. As of September 30, 2020, there were no transfers between levels of the fair value hierarchy.

## 5. Segment Information

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

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

Segment assets are those operating assets that are employed by a segment in its operating activities and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of a segment and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Interest income is reported net, as management primarily relies on the net interest income as performance measure, not the gross interest income and interest expense. The Group has no significant customers which contributes 10.00% or more of the consolidated revenue net of interest expense. Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged/credited to business segments based on a pool rate which may vary from period to period and which approximates the cost of funds. The following table presents revenue and income information of operating segments presented in accordance with PFRS and segment assets and liabilities as of and for the periods ended September 30, 2020 and 2019.

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
<b>Period Ended September 30, 2020</b>							
<b>(Unaudited)</b>							
<b>Results of Operations</b>							
Net interest income (expense)							
Third party	<b>₱16,757</b>	<b>₱33,128</b>	<b>₱-</b>	<b>₱8,442</b>	<b>₱4,390</b>	<b>₱3,141</b>	<b>₱65,858</b>
Intersegment	<b>(333)</b>	<b>(23,628)</b>	<b>-</b>	<b>(10,557)</b>	<b>34,518</b>	<b>-</b>	<b>-</b>
Net interest income after intersegment transaction	<b>16,424</b>	<b>9,500</b>	<b>-</b>	<b>(2,115)</b>	<b>38,908</b>	<b>3,141</b>	<b>65,858</b>
Non-interest income	<b>4,233</b>	<b>619</b>	<b>62</b>	<b>17,518</b>	<b>2,986</b>	<b>4,545</b>	<b>29,963</b>
Revenue - net of interest expense	<b>20,657</b>	<b>10,119</b>	<b>62</b>	<b>15,403</b>	<b>41,894</b>	<b>7,686</b>	<b>95,821</b>
Non-interest expense	<b>20,735</b>	<b>22,917</b>	<b>5</b>	<b>3,800</b>	<b>16,499</b>	<b>15,334</b>	<b>79,290</b>
Income (loss) before share in net income of associates and a joint venture	<b>(78)</b>	<b>(12,798)</b>	<b>57</b>	<b>11,603</b>	<b>25,395</b>	<b>(7,648)</b>	<b>16,531</b>
Share in net income of associates and a joint venture	<b>-</b>	<b>55</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>452</b>	<b>507</b>
Benefit from (Provision for) income tax	<b>(741)</b>	<b>(286)</b>	<b>-</b>	<b>(2,955)</b>	<b>186</b>	<b>(2,033)</b>	<b>(5,829)</b>
Non-controlling interest in net income of consolidated subsidiaries	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(161)</b>	<b>(161)</b>
<b>Net income (loss)</b>	<b>(₱819)</b>	<b>(₱13,029)</b>	<b>₱57</b>	<b>₱8,648</b>	<b>₱25,581</b>	<b>(₱9,390)</b>	<b>₱11,048</b>

	Consumer Banking	Corporate Banking	Investment Banking	Treasury	Branch Banking	Others	Total
<b>Statement of Financial Position</b>							
Total assets	<b>₱133,714</b>	<b>₱864,361</b>	<b>₱-</b>	<b>₱869,253</b>	<b>₱146,211</b>	<b>₱337,823</b>	<b>₱2,351,362</b>
Total liabilities	<b>₱19,856</b>	<b>₱810,622</b>	<b>₱-</b>	<b>₱816,312</b>	<b>₱278,353</b>	<b>₱97,445</b>	<b>₱2,022,588</b>
<b>Other Segment Information</b>							
Capital expenditures	<b>₱266</b>	<b>₱71</b>	<b>₱-</b>	<b>₱33</b>	<b>₱27</b>	<b>₱1,828</b>	<b>₱2,225</b>
Depreciation and amortization	<b>₱250</b>	<b>₱145</b>	<b>₱-</b>	<b>₱38</b>	<b>₱1,679</b>	<b>₱1,991</b>	<b>₱4,103</b>
Provision for credit and impairment losses	<b>₱14,676</b>	<b>₱19,234</b>	<b>₱-</b>	<b>₱-</b>	<b>₱342</b>	<b>₱1,110</b>	<b>₱35,362</b>
Period Ended September 30, 2019 (Unaudited)							
<b>Results of Operations</b>							
Net interest income (expense)							
Third party	₱13,100	₱40,128	₱-	₱5,477	(₱4,943)	₱2,477	₱56,239
Intersegment	(498)	(31,708)	-	2,750	29,456	-	-
Net interest income after intersegment transaction	12,602	8,420	-	8,227	24,513	2,477	56,239
Non-interest income	5,470	803	314	7,172	3,793	5,509	23,061
Revenue - net of interest expense	18,072	9,223	314	15,399	28,306	7,986	79,300
Non-interest expense	11,686	5,339	22	1,972	17,137	14,499	50,655
Income (loss) before share in net income of associates and a joint venture	6,386	3,884	292	13,427	11,169	(6,513)	28,645
Share in net income of associates and a joint venture	-	82	-	-	-	594	676
Provision for income tax	(1,494)	(369)	-	(2,422)	(67)	(2,790)	(7,142)
Non-controlling interest in net income of consolidated subsidiaries	-	-	-	-	-	(602)	(602)
<b>Net income (loss)</b>	<b>₱4,892</b>	<b>₱3,597</b>	<b>₱292</b>	<b>₱11,005</b>	<b>₱11,102</b>	<b>(₱9,311)</b>	<b>₱21,577</b>
<b>Statement of Financial Position</b>							
Total assets	<b>₱207,034</b>	<b>₱1,014,972</b>	<b>₱-</b>	<b>₱535,931</b>	<b>₱176,986</b>	<b>₱394,327</b>	<b>₱2,329,250</b>
Total liabilities	<b>₱78,621</b>	<b>₱973,606</b>	<b>₱-</b>	<b>₱527,218</b>	<b>₱266,938</b>	<b>₱169,291</b>	<b>₱2,015,674</b>
<b>Other Segment Information</b>							
Capital expenditures	<b>₱328</b>	<b>₱269</b>	<b>₱-</b>	<b>₱71</b>	<b>₱23</b>	<b>₱2,594</b>	<b>₱3,285</b>
Depreciation and amortization	<b>₱455</b>	<b>₱100</b>	<b>₱-</b>	<b>₱44</b>	<b>₱1,702</b>	<b>₱1,784</b>	<b>₱4,085</b>
Provision for credit and impairment losses	<b>₱5,570</b>	<b>₱1,453</b>	<b>₱-</b>	<b>₱-</b>	<b>₱166</b>	<b>₱568</b>	<b>₱7,757</b>

Non-interest income consists of service charges, fees and commissions, profit from assets sold, trading, securities and foreign exchange gain - net, income from trust operations, leasing, dividends and miscellaneous income. Non-interest expense consists of compensation and fringe benefits, taxes and licenses, provision for credit and impairment losses, depreciation and amortization, occupancy and equipment-related cost, amortization of software costs and miscellaneous expense.

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

On January 10, 2020, the BSP approved the Parent Company's application to issue up to ₱25.0 billion LTNCD over a period of one year from BSP approval. On April 24, 2020, the ₱8.0 billion LTNCD of the Parent Company matured. As of September 30, 2020 and December 31, 2019, total outstanding LTNCDs of the Group amounted to ₱35.75 billion and ₱43.74 billion, respectively. Significant terms of the LTNCDs issued by the Parent Company have been disclosed in the 2019 audited financial statements.



## 7. Securities Sold Under Repurchase Agreement

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

	September 30, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Transferred Securities	SSURA	Transferred Securities	SSURA
Investment securities at				
FVTPL	<b>₱4,849</b>	<b>₱4,750</b>	₱-	₱-
Amortized cost	<b>4,821</b>	<b>5,019</b>	71,073	53,635
FVOCI	<b>34,066</b>	<b>22,366</b>	46,678	37,857
	<b>₱43,736</b>	<b>₱32,135</b>	<b>₱117,751</b>	<b>₱91,492</b>

## 8. Bonds Payable

This account consists of the following:

Issue Date	Maturity Date	Interest Rate	Face Value	Carrying value	
				September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
<b>Fixed Rate Bonds:</b>					
<b>Parent Company</b>					
November 9, 2018	November 9, 2020	7.15%	₱10,000	<b>₱9,995</b>	₱9,962
December 17, 2018	November 9, 2020	7.15%	18,000	<b>17,994</b>	17,952
July 3, 2019	July 3, 2021	5.50%	11,250	<b>11,215</b>	11,178
June 24, 2020	September 24, 2021	3.00%	10,500	<b>10,424</b>	-
April 11, 2019	April 11, 2022	6.30%	17,500	<b>17,420</b>	17,384
October 24, 2019	April 24, 2023	4.50%	13,750	<b>13,662</b>	13,634
			81,000	<b>80,710</b>	70,110
<b>PSBank</b>					
July 24, 2019	July 24, 2021	5.60%	6,300	<b>6,276</b>	6,255
February 4, 2020	February 4, 2023	4.50%	4,650	<b>4,615</b>	-
			10,950	<b>10,891</b>	6,255
<b>ORIX Metro</b>					
November 15, 2019	November 15, 2021	4.55%	4,160	<b>4,136</b>	4,121
			₱96,110	<b>95,737</b>	80,486
<b>USD Senior Unsecured Notes:</b>					
<b>Parent Company</b>					
July 15, 2020	January 15, 2026	2.125%	US\$500	<b>23,792</b>	-
				<b>₱119,529</b>	<b>₱80,486</b>

### *Parent Company*

#### *Fixed Rate Bonds due 2021*

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

#### *USD Senior Unsecured Notes due 2026*

On July 15, 2020, the Parent Company issued US\$500 million senior unsecured notes which bear an interest rate of 2.125% per annum with maturity date on January 15, 2026.

#### *PSBank Fixed Rate Bonds due 2023*

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

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

## 9. Subordinated Debts

This account consist of the following Peso Notes:

Issue Date	Maturity Date	Face Value	September 30, 2020 (Unaudited)		December 31, 2019 (Audited)	
			Carrying Value	Market Value	Carrying Value	Market Value
August 8, 2014	August 8, 2025	₱6,500	₱-	₱-	₱6,494	₱6,502
December 20, 2013	December 20, 2023	1,170	1,167	1,231	1,166	1,195
		₱7,670	₱1,167	₱1,231	₱7,660	₱7,697

On January 3, 2020, the Parent Company absorbed the ₱1.17 billion 2023 Peso Notes of MCC relative to the merger as discussed in Note 2.

As approved by the BSP on May 8, 2020, on August 8, 2020, the Parent Company redeemed its 2025 Peso Notes ahead of its maturity.

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

## 10. Capital Stock

The movement in issued shares follows:

	Shares		Amount	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Authorized				
Common stock - ₱20.00 par value	6,000,000,000	6,000,000,000		
Preferred stock - ₱20.00 par value	1,000,000,000	1,000,000,000		
Common stock issued and outstanding				
Balance at beginning of the year	4,497,415,555	3,980,015,036	₱89,948	₱79,600
Issuance of stock dividends	-	517,400,519	-	10,348
Balance at the end of the period	4,497,415,555	4,497,415,555	₱89,948	₱89,948

As of September 30, 2020 and December 31, 2019, treasury shares totaling 1,227,127 and 959,257, respectively, represent shares of the Parent Company held by mutual fund subsidiary of FMIC.

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

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

On February 13, 2019, the BOD of the Parent Company approved (a) the amendment of the AOI to increase the authorized capital stock from ₱100.0 billion to ₱140.0 billion and (b) the declaration of a 13% stock dividend equivalent to 517,401,955 shares amounting to ₱10.3 billion representing the minimum 25% subscription and paid-up capital for the increase in the authorized capital stock which were ratified by the stockholders representing at least 2/3 of the outstanding capital stock on April 24, 2019. These were approved by the BSP on August 8, 2019 and by the SEC on October 4, 2019. Following this, the authorized capital stock of the Parent Company increased from ₱100.0 billion to ₱140.0 billion consisting of 6.0 billion common shares and 1.0 billion preferred shares, both with par values of ₱20.0 per share. On October 16, 2019, the Parent Company received the SEC Order fixing the Record Date of the 13% stock dividend on

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

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

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

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#### **11. Trading, Securities and Foreign Exchange Gain - Net**

In line with its balance sheet risk management, the total trading gain recognized by the Parent Company from the sale of its ₱128.0 billion peso-denominated investment securities at amortized cost amounted to ₱8.3 billion for the period ended September 30, 2020.

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#### **12. Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or if they are subjected to common control or common significant influence such as subsidiaries and associates of subsidiaries or other related parties. Related parties may be individuals or corporate entities and are classified as entities with significant influence, subsidiaries, associates, other related parties and key personnel.

The Group has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectibility and did not present other unfavorable conditions.

The Parent Company has a RPTC and a Related Party Transactions Management Committee (RPTMC), both of which are created to assist the BOD in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that corporate or business resources of the Parent Company are not misappropriated or misapplied. After appropriate review, RPTMC (through RPTC) and RPTC disclose all information and endorses to the BOD with recommendations, the proposed related party transactions. The members of the RPTC are appointed annually by the BOD, composed of at least three (3) Board non-executive members, two (2) of whom should be independent directors, including the Chairperson. Currently, RPTC is composed of three (3) independent directors (including the Committee's Chairman); the head of Internal Audit Group (as Resource Person); and the Compliance Officer (as the Committee Secretary) and meets bi-monthly or as the need arises. On the other hand, RPTMC members are appointed annually by the President, composed of four (4) members. RPTC's and RPTMC's review of the proposed related party transactions considers the following: (a) identity and relationship of the parties involved in the transaction; (b) terms of the transaction and whether these are no less favorable than terms generally available to an unrelated third party under the same circumstances; (c) business purpose, timing, rationale and benefits of the transaction; (d) approximate monetary value of the transaction and the approximate monetary value of the related party's interest in the transaction; (e) valuation methodology used and alternative approaches to valuation of the transaction; (f) information concerning potential counterparties in the transaction; (g) description of provisions or limitations imposed as a result of entering into the transaction; (h) whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the transaction; (i) impact to a director's independence; (j) extent that such transaction or relationship would present an improper conflict of interest; and (k) the availability of others sources of comparable products or services. Further, no director or officer participates in any discussion of a related party transaction for which he, she, or any member of his or her immediate family is a related party, including transactions of subordinates except in order to provide material information on the related party transaction to RPTC.

Major subsidiaries, which include FMIC, PSBank and MBCL, have their own respective RPTCs which assist their respective BODs in ensuring that transactions with related parties are reviewed to assess risks and are subjected to appropriate restrictions to ensure that these are conducted at arm's-length terms and that their corporate or business resources are not misappropriated or misapplied.

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

BSP Circular Nos. 560 and 654 provide the rules and regulations that govern loans, other credit accommodations and guarantees granted to subsidiaries and affiliates of banks and quasi-banks which require that the total outstanding loans, other credit accommodations and guarantees to each of the bank's/quasi-bank's subsidiaries and affiliates shall not exceed 10.00% while a separate individual limit of 25.00% for those engaged in energy and power generation, of the net worth of the lending bank/quasi-bank, provided that the unsecured portion of which shall not exceed 5.00% or 12.50%, respectively, of such net worth. Further, the total outstanding loans, credit accommodations and guarantees to all subsidiaries and affiliates shall not exceed 20.00% of the net worth of the lending bank/quasi-bank; and the subsidiaries and affiliates of the lending bank/quasi-bank are not related interest of any director, officer and/or stockholder of the lending institution, except where such director, officer or stockholder sits in the BOD or is appointed officer of such corporation as representative of the bank/quasi-bank as reported to the BSP. As of September 30, 2020 and December 31, 2019, the total outstanding loans, other credit accommodations and guarantees to each of the Parent Company's subsidiaries and affiliates did not exceed 10.00% of the Parent Company's net worth, as reported to the BSP, and the unsecured portion did not exceed 5.00% of such net worth wherein the total outstanding loans, other credit accommodations and guarantees to all such subsidiaries and affiliates represent 10.78% and 16.59%, respectively, of the Parent Company's net worth. The Parent Company has no outstanding loans, other credit accommodations and guarantees to subsidiaries and affiliates engaged in energy and power generation.

Details on significant related party transactions of the Group as of September 30, 2020, December 31, 2019 and September 30, 2019 follow (transactions with subsidiaries have been eliminated in the unaudited interim condensed consolidated financial statement):

<u>Category</u>	<u>Amount</u>	<u>Terms and Conditions/Nature</u>
<b><u>Transactions Affecting Statements of Financial Position</u></b>		
<b>September 30, 2020 (Unaudited)</b>		
<b>Entity with Significant Influence Over the Group</b>		
<u>Outstanding Balance:</u>		
Deposit liabilities*	<b>₱192</b>	With annual fixed interest rates ranging from 0.00% to 0.13% including time deposits with maturity terms of 7 days
Bills payable*	<b>107</b>	Peso borrowings subject to annual fixed interest rates of 1.00% with maturity term of 63 days
<u>Volume:</u>		
Deposit liabilities	<b>(2,179)</b>	Generally similar to terms and conditions above
Bills payable	<b>(105)</b>	Generally similar to terms and conditions above
<b><u>Subsidiaries</u></b>		
<u>Outstanding Balance:</u>		
Interbank loans receivable*	<b>₱2,880</b>	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 0.00% to 0.65% with maturity terms from 15 to 212 days
Investment securities at		
FVTPL	<b>91</b>	Treasury notes and private bonds purchased from FMIC
FVOCI	<b>2,369</b>	Treasury note purchased from FMIC
Receivables from customers*	<b>5,223</b>	Unsecured, with ECL of ₱99.2 million With annual fixed interest rates from 1.18% to 4.25% and maturity terms from 1 day to 3 years

<b>Category</b>	<b>Amount</b>	<b>Terms and Conditions/Nature</b>
Accounts receivable	<b>₱161</b>	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees
Other receivables	<b>4</b>	Accrued rent receivable from PSBank and ORIX
Derivative assets	<b>737</b>	Swaps bought with various terms
Deposit liabilities*	<b>2,906</b>	With annual fixed interest rates ranging from 0.00% to 0.25% including time deposits with maturity terms of 60 days
Bills payable*	<b>49</b>	Peso borrowings subject to annual fixed interest rates ranging from 1.00% to 1.50% with maturity terms from 90 to 97 days
Treasury stock	<b>89</b>	Parent Company's shares held by FMIC's mutual fund subsidiary
Dividends declared	<b>820</b>	Dividend declared by PSBank
<u>Volume:</u>		
Interbank loans receivable	<b>(3,998)</b>	Generally similar to terms and conditions above
Receivables from customers	<b>(10,856)</b>	Generally similar to terms and conditions above
Accounts receivable	<b>(33)</b>	Generally similar to terms and conditions above
Deposit liabilities	<b>(1,323)</b>	Generally similar to terms and conditions above
Bills payable	<b>(90)</b>	Generally similar to terms and conditions above
Contingent - derivatives	<b>5,595</b>	Swaps bought with various terms
Securities transactions		
Purchases	<b>67,916</b>	Outright purchases of investment securities at FVTPL and FVOCI
Sales	<b>10,408</b>	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	<b>7,103</b>	Outright purchases of foreign currency
Sell	<b>2,756</b>	Outright sale of foreign currency
<b>Associates</b>		
<u>Outstanding Balance:</u>		
Deposit liabilities*	<b>₱1,322</b>	With annual fixed interest rates ranging from 0.00% to 0.38% including time deposits with maturity terms from 30 to 35 days
<u>Volume:</u>		
Receivables from customers	<b>(1,307)</b>	Generally similar to terms and conditions above
Accounts receivable	<b>(1)</b>	Generally similar to terms and conditions above
Deposit liabilities	<b>(93)</b>	Generally similar to terms and conditions above
Securities transactions		
Outright purchases	<b>1,124</b>	Outright purchases of FVTPL securities and FVOCI investments
Outright sales	<b>3,617</b>	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	<b>180</b>	Outright purchase of foreign currency
Sell	<b>62</b>	Outright sale of foreign currency
<b>Other Related Parties</b>		
<u>Outstanding Balance:</u>		
Receivables from customers*	<b>₱23,526</b>	Unsecured, with ECL of ₱195.0 million and with annual fixed interest rates ranging from 3.50% to 5.00% and maturity terms from 30 days to 5 years
Assets held under joint operations	<b>219</b>	Parcels of land and former branch sites of the Parent Company contributed to joint operations
Deposit liabilities*	<b>17,832</b>	With annual fixed rates ranging from 0.00% to 1.25% including time deposits with maturity terms from 1 to 357 days
Bills payable*	<b>106</b>	Peso-denominated borrowings with annual fixed interest rates ranging from 0.75% to 1.50% and maturity terms from 42 to 182 days
Contingent - unused commercial LCs	<b>12</b>	LC transactions with various terms
<u>Volume:</u>		
Receivables from customers	<b>(8,701)</b>	Generally similar to terms and conditions above
Accounts receivable	<b>(2)</b>	Generally similar to terms and conditions above
Deposit liabilities	<b>3,942</b>	Generally similar to terms and conditions above
Bills payable	<b>106</b>	Generally similar to terms and conditions above
Securities transactions		
Outright sales	<b>373</b>	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	<b>190</b>	Outright purchases of foreign currency
Sell	<b>379</b>	Outright sale of foreign currency

Category	Amount	Terms and Conditions/Nature
<b>Key Personnel</b>		
<u>Outstanding Balance:</u>		
Receivables from customers	<b>₱76</b>	Secured - ₱56 million, unsecured - ₱20.3 million, no impairment. With annual fixed interest rate ranging from 0.00% to 10.00% and maturity terms from 1 to 15 years
Deposit liabilities	<b>279</b>	With various terms and with minimum annual interest rate of 0.00%
<u>Volume:</u>		
Receivables from customers	<b>(9)</b>	Generally similar to terms and conditions above
Deposit liabilities	<b>112</b>	Generally similar to terms and conditions above

**December 31, 2019 (Audited)**  
**Entity with Significant Influence Over the Group**

<u>Outstanding Balance:</u>		
Deposit liabilities*	<b>₱2,371</b>	With annual fixed interest rates ranging from 0.00% to 3.00% including time deposits with maturity terms from 10 to 30 days
Bills payable*	<b>212</b>	Peso borrowings subject to annual fixed interest rate ranging from 3.63% to 4.00% with maturity term of 60 days
<u>Volume:</u>		
Deposit liabilities	<b>1,891</b>	Generally similar to terms and conditions above
Bills payable	<b>8</b>	Generally similar to terms and conditions above

**Subsidiaries**

<u>Outstanding Balance:</u>		
Interbank loans receivable*	<b>₱6,878</b>	Foreign currency-denominated lending which earn annual fixed interest rates ranging from 0.00% to 4.00% with maturity terms from 7 days to 366 days
Investments securities at FVTPL	<b>125</b>	Treasury notes and private bonds purchased from FMIC
Amortized cost	<b>2,368</b>	Treasury note purchased from FMIC
Receivables from customers*	<b>16,079</b>	Secured - ₱14.1 million and unsecured - ₱16.0 billion, with ECL of ₱1.7 million; with annual fixed interest rates ranging from 2.94% to 4.25% and maturity terms from 6 days to 3 years
Accounts receivable	<b>194</b>	Non-interest bearing receivables on service fees, underwriting fees, remittance, rental fees and common use service area fees
Derivative assets	<b>726</b>	Cross-currency swaps with various terms
Deposit liabilities*	<b>4,229</b>	With annual fixed interest rates ranging from 0.00% to 3.00% including time deposits with maturity terms from 6 to 126 days
Bills payable*	<b>139</b>	Peso borrowings subject to annual fixed interest rates ranging from 3.00% to 5.88% with maturity terms from 90 to 365 days
Treasury stock	<b>72</b>	Parent Company's shares held by FMIC's mutual fund subsidiary
Dividends declared	<b>1,073</b>	Dividends declared by PSBank and MB Bahamas
<u>Volume:</u>		
Interbank loans receivable	<b>2,244</b>	Generally similar to terms and conditions above
Receivables from customers	<b>2,394</b>	Generally similar to terms and conditions above
Accounts receivable	<b>(139)</b>	Generally similar to terms and conditions above
Deposit liabilities	<b>954</b>	Generally similar to terms and conditions above
Bills payable	<b>12</b>	Generally similar to terms and conditions above
Bonds payable	<b>(81)</b>	Generally similar to terms and conditions above
Contingent - derivatives	<b>8,473</b>	Cross-currency swaps with various terms
Securities transactions		
Purchases	<b>13,100</b>	Outright purchases of investment securities at FVTPL, FVOCI and at amortized cost
Sales	<b>77,841</b>	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	<b>28,461</b>	Outright purchases of foreign currency
Sell	<b>18,638</b>	Outright sale of foreign currency

**Associates**

<u>Outstanding Balance:</u>		
Receivable from customers *	<b>₱1,307</b>	Unsecured with minimal ECL; with annual fixed interest rate ranging from 5.00% to 6.85% and maturity terms from 94 to 360 days
Accounts receivable	<b>1</b>	Non-interest bearing receivable on rental fees
Deposit liabilities*	<b>1,415</b>	With annual fixed interest rates ranging from 0.00% to 3.63% including time deposits with maturity terms from 31 to 35 days
Dividends declared	<b>169</b>	Dividends declared by Philippine AXA Life Insurance Corporation, Sumisho Motor Finance Corporation and Travel Services, Inc.

<b>Category</b>	<b>Amount</b>	<b>Terms and Conditions/Nature</b>
<b>Volume:</b>		
Receivable from customers	<b>₱604</b>	Generally similar to terms and conditions above
Accounts receivable	<b>(1)</b>	Generally similar to terms and conditions above
Deposit liabilities	<b>579</b>	Generally similar to terms and conditions above
Securities transactions		
Outright sales	<b>1,664</b>	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	<b>168</b>	Outright purchases of foreign currency
Sell	<b>374</b>	Outright sale of foreign currency
<b>Other Related Parties</b>		
<b>Outstanding Balance:</b>		
Receivables from customers*	<b>₱32,227</b>	Secured - ₱6.6 billion and unsecured - ₱25.6 billion, with ECL of ₱11.4 million; with annual fixed interest rates ranging from 3.88% to 5.20% and maturity terms from 28 days to 5 years
Accounts receivable	<b>2</b>	Credit card receivables, current and non-revolving
Assets held under joint operations	<b>219</b>	Parcels of land and former branch sites of the Parent Company contributed to joint operations
Deposit liabilities*	<b>13,890</b>	With annual fixed interest rates ranging from 0.00% to 3.50% including time deposits with maturity terms from 1 day to 357 days
<b>Volume:</b>		
Receivable from customers	<b>2,755</b>	Generally similar to terms and conditions above
Accounts receivable	<b>(1)</b>	Generally similar to terms and conditions above
Deposit liabilities	<b>69</b>	Generally similar to terms and conditions above
Bills payable	<b>(51)</b>	Generally similar to terms and conditions above
Contingent - unused commercial LC's	<b>5</b>	LC transactions with various terms
Securities transactions		
Outright sales	<b>572</b>	Outright sale of investment securities at FVTPL and FVOCI
Foreign currency		
Buy	<b>308</b>	Outright purchases of foreign currency
Sell	<b>1,140</b>	Outright sale of foreign currency
<b>Key Personnel</b>		
<b>Outstanding Balance:</b>		
Receivables from customers	<b>₱85</b>	Secured - ₱62.5 million unsecured - ₱22.1 million, no impairment, with annual fixed interest rates ranging from 0.00% to 10.00% and maturity terms from 1 to 15 years
Deposit liabilities	<b>167</b>	With various terms and with minimum annual interest rate of 0.00%
<b>Volume:</b>		
Deposit liabilities	<b>1</b>	Generally similar to terms and conditions above
<b>Transactions Affecting Statements of Income</b>		
<b>September 30, 2020 (Unaudited) - Amount</b>		
<b>Entity with Significant Influence Over the Group</b>		
Interest expense	<b>₱2</b>	On deposit liabilities and bills payable
<b>Subsidiaries</b>		
Interest income	<b>₱148</b>	On receivables from customers and interbank loans receivables
Service charges, fees and commissions	<b>19</b>	Income on transactional fees, including underwriting fees
Trading and securities gain - net	<b>150</b>	Net gain from securities transactions
Foreign exchange loss - net	<b>(22)</b>	Net loss from foreign exchange transactions
Leasing income	<b>21</b>	From leasing agreements with various lease terms
Miscellaneous income	<b>144</b>	Information technology and other fees
Interest expense	<b>34</b>	On deposit liabilities, bills payable and bonds payable
<b>Associates</b>		
Interest income	<b>₱23</b>	On receivables from customers
Leasing income	<b>12</b>	From leasing agreements with various lease terms
<b>Other Related Parties</b>		
Interest income	<b>₱866</b>	On receivables from customers
Foreign exchange gain - net	<b>1</b>	Net gain from foreign exchange transactions
Leasing income	<b>17</b>	From leasing agreements with various lease terms
Interest expense	<b>12</b>	On deposit liabilities and bills payable
<b>Key Personnel</b>		
Interest income	<b>₱2</b>	On receivables from customers

Category	Amount	Terms and Conditions/Nature
September 30, 2019 (Unaudited) - Amount		
<b>Entity with Significant Influence Over the Group</b>		
Service charges, fees and commissions	₱129	Financial advisory fees
Interest expense	10	On deposit liabilities and bills payable
<b>Subsidiaries</b>		
Interest income	₱704	On receivables from customers and interbank loans receivables
Service charges, fees and commissions	80	Income on transactional fees, including underwriting fees
Trading and securities gain - net	214	Net gain from securities transactions
Foreign exchange gain - net	115	Net gain from foreign exchange transactions
Leasing income	42	From leasing agreements with various lease terms
Miscellaneous income	264	Information technology and other fees
Interest expense	41	On deposit liabilities, bills payable and bonds payable
<b>Associates</b>		
Interest income	₱37	On receivables from customers
Trading and securities gain - net	4	From securities transactions
Leasing income	13	From leasing agreements with various lease terms
Interest expense	2	On deposit liabilities
<b>Other Related Parties</b>		
Interest income	₱793	On receivables from customers
Foreign exchange gain - net	2	Net gain from foreign exchange transactions
Leasing income	16	From leasing agreements with various lease terms
Interest expense	476	On deposit liabilities and bills payable
<b>Key Personnel</b>		
Interest income	₱2	On receivables from customers

\* including accrued interest

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

As of September 30, 2020 and December 31, 2019, government bonds with total face value of ₱60.0 million classified as 'Investment securities at FVOCI' are pledged by PSBank to the Parent Company to secure the latter's payroll account with PSBank. Also, as of September 30, 2020 and December 31, 2019, the Parent Company has assigned to PSBank government securities with total face value of ₱4.1 billion and ₱4.0 billion, respectively, classified as 'Investment securities at FVOCI', to secure PSBank deposits to the Parent Company.

#### Transactions with retirement plans

Under PFRS, certain post-employment benefit plans are considered as related parties. The Parent Company has business relationships with a number of related party retirement plans pursuant to which it provides trust and management services to these plans. Certain trustees of the plans are either officers or directors of the Parent Company and/or the subsidiaries. Income earned by the Parent Company from such services amounted to ₱77.2 million and ₱72.3 million in September 30, 2020 and 2019, respectively. As of September 30, 2020 and 2019, the Parent Company sold securities totaling ₱3.0 billion and ₱3.7 billion, respectively, to its related party retirement plans and recognized ₱3.7 million trading gain and ₱13.4 million trading loss, respectively, and has also purchased securities totaling ₱570.1 million and ₱1.5 billion as of September 30, 2020 and 2019, respectively. Further, as of September 30, 2020 and December 31, 2019, the total outstanding deposit liabilities of the Group to these related party retirement funds amounted to ₱225.5 million and ₱103.6 million, respectively. Interest expense on deposit liabilities amounted to ₱1.5 million and ₱22.6 million in September 30, 2020 and 2019, respectively.

As of September 30, 2020 and December 31, 2019, the related party retirement plans also hold investments in: (a) the equity shares of various companies within the Group amounting to ₱171.9 million and ₱278.8 million, respectively, with unrealized trading losses of ₱131.5 million and ₱20.1 million, respectively; (b) mutual funds and trust funds of various companies within the Group amounting to ₱187.0 million and ₱672.4 million, respectively, with unrealized trading loss of ₱17.3 million and unrealized trading gain of ₱19.5



million, respectively; and (c) corporate bonds of the Parent Company amounting to ₱3.7 billion and ₱3.7 billion, with unrealized trading gains of ₱74.3 million and ₱109.1 million, respectively. Further, for the period ended September 30, 2020 and 2019, realized net trading gains for disposals of various investments in equity shares, mutual and trust funds amounted to ₱11.0 million and ₱86.5 million, respectively. The related party retirement plans also recognized dividend income of ₱2.8 million and ₱0.7 million in September 30, 2020 and 2019, respectively.

### 13. Notes to Statements of Cash Flows

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

	September 30	
	2020	2019
Interbank loans receivables and SPURA	<b>₱83,633</b>	₱42,026
Interbank loans receivables and SPURA not considered as cash and cash equivalents	<b>(22,957)</b>	(8,320)
	<b>₱60,676</b>	₱33,706

### 14. Commitments and Contingent Liabilities

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

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trust Banking Group accounts	<b>₱523,347</b>	₱491,659
Credit card lines	<b>206,007</b>	209,766
Unused commercial letters of credit	<b>39,010</b>	44,036
Undrawn commitments - facilities to lend	<b>22,767</b>	21,980
Bank guaranty with indemnity agreement	<b>9,133</b>	9,904
Outstanding shipside bonds/airway bills	<b>4,723</b>	1,931
Credit line certificate with bank commission	<b>4,493</b>	5,984
Late deposits/payments received	<b>2,808</b>	1,539
Outstanding guarantees	<b>2,107</b>	139
Inward bills for collection	<b>1,278</b>	991
Outward bills for collection	<b>869</b>	850
Confirmed export letters of credits	<b>743</b>	935
Others	<b>12,048</b>	12,933
	<b>₱829,333</b>	₱802,647

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

## 15. Financial Performance

The basis of calculation for earnings per share attributable to equity holdings of the Parent Company follows (amounts in millions except for earnings per share):

	<b>For the Period Ended September 30</b>		For the Year Ended
	<b>2020</b>	2019	December 31, 2019
	(Unaudited)		(Audited)
a. Net income attributable to equity holders of the Parent Company	<b>₱11,048</b>	₱21,577	₱28,055
b. Weighted average number of outstanding common shares of the Parent Company	<b>4,496</b>	4,496	4,496
c. Basic/diluted earnings per share (a/b)	<b>₱2.46</b>	₱4.80*	₱6.24

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

As of September 30, 2020 and 2019 and December 31, 2019, there were no outstanding dilutive potential common shares.

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

	<b>For the Period Ended September 30</b>		For the Year Ended
	<b>2020</b>	2019	December 31, 2019
	(Unaudited)		(Audited)
Return on average equity	<b>4.68%</b>	9.79%	9.47%
Return on average assets	<b>0.61%</b>	1.26%	1.20%
Net interest margin on average earning assets	<b>4.11%</b>	3.91%	3.84%

## 16. Other Matters

The Group has no significant matters to report on the following during the period ended September 30, 2020:

- 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 the COVID-19 pandemic, the Group increased provisions for credit and impairment losses to ₱35.36 billion for the period ended September 30, 2020;
- Explanatory comments about the seasonality or cyclicity of interim operations;
- 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 6; (b) issuances of the ₱10.5 billion fixed rate bonds and USD500 million senior unsecured notes of the Parent Company and the ₱4.65 billion fixed rate bonds of PSBank as discussed in Note 8; and (c) redemption of the 2025 Peso Notes by the Parent Company as discussed in Note 9;
- Unusual items as to nature, size or incidents affecting assets, liabilities, equity, net income or cash flows except for the payments of cash dividends by the Parent Company as discussed in Note 10; and
- Effect of changes in the composition of the Group during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations except as discussed in Note 2.

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**17. Subsequent Event**

- a. On October 22, 2020, the BOD of PSBank declared a 7.50%, regular cash dividend for the third quarter of 2020 amounting to ₱320.14 million or ₱0.75 per share, payable on November 23, 2020 to all stockholders of record as of November 9, 2020.

**METROPOLITAN BANK & TRUST COMPANY AND SUBSIDIARIES**  
**FINANCIAL INDICATORS**  
**AS OF AND FOR THE PERIOD ENDED SEPTEMBER 30, 2020 AND 2019**

RATIO	FORMULA	2020	2019
a) Liquidity Ratio	Liquid Assets	44.75%	36.15%
	Total Assets		
b) Loans to Deposits Ratio	Total Loans	73.34%	90.00%
	Total Deposit Liabilities		
c) Debt to Equity Ratio	Total Liabilities	632.44%	661.63%
	Total Equity Attributable to Equity Holders of the Parent Company		
d) Asset to Equity Ratio	Total Assets	735.25%	764.56%
	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	4.68%	9.79%
	Average Equity		
f) Return on Average Assets	Net Income Attributable to Equity Holders of the Parent Company	0.61%	1.26%
	Average Assets		
g) Net Interest Margin on Average Earning Assets	Net Interest Income	4.11%	3.91%
	Average Earning Assets		
h) Operating Efficiency Ratio	Total Operating Expenses	45.84%	54.10%
	Net Operating Income		
i) Interest Coverage Ratio	Earnings Before Interest and Taxes	194.34%	195.07%
	Interest Expense		
j) Net Profit Margin	Net Income	9.80%	20.01%
	Total Gross Income		
k) Capital Adequacy Ratio	Total Qualifying Capital	19.91%	17.60%
	Total Risk-Weighted Assets		
l) Common Equity Tier 1 Ratio	Net Tier 1 Capital	19.01%	16.29%
	Total Risk-Weighted Assets		

**METROPOLITAN BANK & TRUST COMPANY**  
**SEC FORM 17 – Q**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

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

**Key Performance Indicators**

***Financial Ratios***

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

	For the Period Ended September 30, 2020 (Unaudited)			
	Group	Metrobank	FMIC	PSBank
Earnings per share	₱2.46	₱2.46	(₱0.21)	₱3.39
Return on equity	4.68%	4.60%	2.20%	5.12%
Return on assets	0.61%	0.71%	0.95%	0.81%
Operating efficiency ratio	45.84%	42.51%	121.22%	59.02%
Non-performing loans ratio	2.25%	1.37%	Nil	7.11%

	For the Period Ended September 30, 2019 (Unaudited)				
	Group	Metrobank	FMIC	PSBank	MCC
Earnings per share	₱4.80*	₱4.80*	₱1.83	₱5.80	₱3.40
Return on equity	9.79%	9.47%	5.48%	9.85%	27.64%
Return on assets	1.26%	1.50%	1.81%	1.23%	5.37%
Operating efficiency ratio	54.10%	56.60%	75.39%	61.76%	31.98%
Non-performing loans ratio	1.52%	1.13%	Nil	3.71%	1.67%

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

**Earnings Per Share**

Basic earnings per share (EPS) is computed by dividing the net income by the weighted average number of common shares outstanding after giving retroactive effect to stock dividends declared, stock rights exercised and stock splits made during the period, if any. As of September 30, 2020 and 2019, the Parent Company had no shares of stock that had a dilutive effect on its basic earnings per share.

The decrease in the Group’s EPS from ₱4.80 to ₱2.46 was due to the 48.80% decrease in net income attributable to the equity holders of the Parent Company from ₱21.58 billion for the period ended September 30, 2019 to ₱11.05 billion for the same period in 2020.

**Return on Equity**

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

ROE of the Group for the period ended September 30, 2020 was lower at 4.68% compared with 9.79% for the same period in 2019 due to the net effect of the 48.80% decrease in the net income attributable to equity holders of the Parent Company and the 7.11% increase in the average equity.

#### Return on Assets

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

ROA went down to 0.61% for the period ended September 30, 2020 from 1.26% for the same period in 2019 due to the net effect of the 48.80% decrease in net income attributable to the equity holders of the Parent Company and the 5.01% increase in the average total assets.

#### Operating Efficiency Ratio

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

For the period ended September 30, 2020, the Group's operating efficiency ratio improved to 45.84% from 54.10% for the same period in 2019 resulting from higher operating income by 20.83% compared with the 2.40% increase in operating expenses.

#### Non-Performing Loans Ratio

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

As of September 30, 2020 and 2019, NPL ratio of the Group was at 2.25% and 1.52%, respectively.

#### Liquidity

To ensure that funds are more than adequate to meet its obligations, the Bank proactively monitors its liquidity position daily. Based on this system of monitoring, the Bank does not anticipate having any cash flow or liquidity problem within the next twelve months. As of September 30, 2020, the contractual maturity profile shows that the Bank has at its disposal about ₱1.10 trillion of cash inflows in the next twelve months from its portfolio of cash, placements with banks, debt securities and receivable from customers. This will cover 72.97% of the ₱1.51 trillion total deposits maturing during the same period. These cash inflows exclude securities in FVTPL and FVOCI with maturities beyond one year but may easily be liquidated in an active secondary market. Inclusive of these securities, the total financial assets will cover 97.53% of the total deposits maturing during the same period. On the other hand, historical balances of deposits showed that no substantial portion has been withdrawn in one year.

#### Events That Will Trigger Material Direct or Contingent Financial Obligation

These events are discussed in Annex 5 under Note 14 - Commitments and Contingent Liabilities of the General Notes to the Interim Condensed Consolidated Financial Statements.

#### Material Off-Balance Sheet Transactions, Arrangements or Obligations

The summary of contingencies and commitments at their peso-equivalent contractual amounts arising from off-balance sheet items are discussed in Annex 5 under Note 14 - Commitments and Contingent Liabilities of the General Notes to the Interim Condensed Consolidated Financial Statements. Likewise, the summary of obligations are discussed in Note 6 - LTNCD; Note 8 - Bonds Payable; Note 9 - Subordinated Debts and Note 10 - Capital Stock.

#### Material Commitments for Capital Expenditures

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

### **Material Events or Uncertainties**

The registrant has nothing to report on the following for the period ended September 30, 2020:

1. Any known trends or demands, commitments, events or uncertainties that will have a material impact on liquidity or that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations, except as disclosed in Annex 5 under Note 16 - Other Matters; and Note 17 - Subsequent Events of the General Notes to the Interim Condensed Consolidated Financial Statements;
2. Any seasonal aspects that had a material effect on the financial condition or results of operations; and
3. Any significant element of income or loss that did not arise from continuing operations.

### **Material Changes in Financial Statements Accounts**

#### ***Financial Condition***

#### **September 30, 2020 (Unaudited) vs. December 31, 2019 (Audited)**

The Metrobank Group posted unaudited consolidated total assets of ₱2.35 trillion and consolidated total liabilities of ₱2.02 trillion as of September 30, 2020. Compared with the audited figures as of December 31, 2019, total assets and total liabilities went down by ₱99.45 billion or 4.06% and by ₱109.73 billion or 5.15%, respectively. Moreover, equity attributable to equity holders of the Parent Company was higher by ₱10.25 billion or 3.31% from ₱309.55 billion to ₱319.81 billion.

Cash and Other Cash Items decreased by ₱5.93 billion or 17.99% due to high level of cash requirements during year-end. Due from BSP which represents 15.43% of the Group's total assets went up by ₱142.75 billion or 64.89% 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 ₱11.17 billion or 20.39% 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 ₱11.45 billion or 15.87% due to the increase in interbank loans receivable by ₱26.70 billion or 82.17% reduced by the decrease in SPURA by ₱15.24 billion or 38.40%.

Total investment securities which consisted of FVTPL, FVOCI and securities at amortized cost and which represents 22.76% and 21.05% of the Group's total assets as of September 30, 2020 and December 31, 2019, respectively, went up by ₱19.22 billion or 3.73%. FVTPL securities consist of HFT securities and derivative assets amounting to ₱62.90 billion and ₱11.60 billion, respectively, as of September 30, 2020 and ₱53.38 billion and ₱8.49 billion, respectively, as of December 31, 2019. The ₱234.88 billion increase in FVOCI securities was mainly due to higher investments in government securities, treasury notes and bonds. In line with its balance sheet risk management, the Parent Company sold portion of its peso-denominated investment securities at amortized cost (Note 11 of Annex 5).

Net loans and receivables representing 52.12% and 60.53% of the Group's total assets as of September 30, 2020 and December 31, 2019, respectively, went down by ₱258.0 billion due to lower portfolios of corporate, commercial and consumer loans. Deferred Tax Assets increased by ₱3.26 billion or 30.98% due to movements on temporary tax differences.

Deposit liabilities represent 85.72% and 80.39% of the consolidated total liabilities as of September 30, 2020 and December 31, 2019, respectively, wherein low cost deposits represent 70.82% and 62.86% of the Group's total deposits, respectively. The Group's deposit level, sourced mainly by the Bank, PSBank and MBCL reached ₱1.73 trillion as of September 30, 2020, an increase of ₱19.69 billion or 1.15% from the December 31, 2019 level wherein demand and savings deposits grew by ₱52.80 billion

and ₱97.61 billion, respectively, while time deposits went down by ₱122.72 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 3.93% and 11.17% of the Group's total liabilities as of September 30, 2020 and December 31, 2019, respectively, went down by ₱158.83 billion or 66.66% due to settlement of borrowings with foreign and local banks, maturities of SSURA and decrease in deposit substitutes. Derivative Liabilities increased by ₱6.06 billion or 81.61%. The decrease of ₱0.98 billion or 14.37% in Manager's Checks and Demand Drafts Outstanding resulted from the normal banking operations of the Bank and PSBank. Income taxes payable decreased by ₱0.86 billion or 20.53% due to the net movement in corporate income tax liability. Accrued Interest and Other Expenses went down by ₱1.54 billion or 14.69% mainly on account of lower accrual of interest on deposit liabilities and other borrowings (as a result of maturities of LTNCD, SSURA and deposit substitutes; settlement of interbank borrowings and redemption of Peso Notes).

The ₱4.65 billion fixed rate bonds issued by PSBank, the ₱10.50 billion fixed rate bonds and USD500 million senior unsecured notes issued by the Parent Company, accounted for the increase in bonds payable. Details of these bonds are discussed in Annex 5 Note 8. On August 8, 2020, the Parent Company redeemed its 2025 Peso Notes ahead of its maturity. Minimal amount of deferred tax liability was recognized this year compared with ₱108 million as of December 31, 2019. Other Liabilities went down by ₱5.82 billion or 10.37% primarily due to the decreases in bills purchased contra (₱6.21 billion) and notes payable (₱1.70 billion) offset by the increase in miscellaneous liabilities (₱1.97 billion).

Equity attributable to equity holders of the Parent Company increased by ₱10.25 billion or 3.31% primarily due to the net income reported during the period and higher net unrealized gain recognized on FVOCI securities reduced by the ₱4.50 billion cash dividends paid during the year.

### ***Results of Operations***

#### **Quarter Ended September 2020 vs. Quarter Ended September 2019 (Unaudited)**

Interest income for the quarter ended September 30, 2020 went down to ₱25.73 billion or by ₱3.34 billion (11.49%) from ₱29.07 billion interest income reported in the same quarter in 2019 mainly due to lower interest income on loans and receivables by ₱3.51 billion and interest income on trading and investment securities by ₱0.25 billion offset by the ₱0.42 billion increase in interest income on deposits with banks and others. Meanwhile, the decreases in interest expense on deposit liabilities by ₱3.40 billion or 63.01% and interest expense on borrowings by ₱1.60 billion or 40.38% accounted for the ₱4.99 billion or 53.42% decrease in interest expense. These resulted in a ₱1.66 billion or 8.39% improvement in net interest income.

Other operating income went down by ₱0.76 billion or 7.62% from ₱10.02 billion for the third quarter of 2019 to ₱9.26 billion for the same quarter this year. The variance was due to the net effect of the ₱0.74 billion or 35.78% decrease in miscellaneous income and lower fee-based income (service charges, fees and commissions) by ₱0.17 billion or 5.08% and the increase in net trading, securities and foreign exchange gain by ₱0.15 billion or 3.35%. The Group's provision for credit and impairment losses increased to ₱12.58 billion in the third quarter of 2020 or ₱9.42 billion higher compared with ₱3.16 billion for the same quarter of 2019 due to the impact of the current COVID-19 pandemic. Total operating expenses decreased by ₱0.79 billion or 5.21% due to the ₱1.24 billion or 14.48% decrease in miscellaneous expenses offset by the increases in compensation and fringe benefits by ₱0.23 billion or 3.73% and occupancy and equipment by ₱0.23 billion or 59.21%. Provision for income tax was lower by ₱0.74 billion or 27.92% due to net movements in corporate, final and deferred income taxes.

As a result, the unaudited net income attributable to equity holders of the Parent Company for the quarter ended September 30, 2020 went down by ₱6.63 billion or 77.56% to ₱1.92 billion from the ₱8.55 billion net income reported in the same quarter of the previous year. In addition, income attributable to non-controlling interests also went down by ₱0.37 billion or 165.47% from an income of ₱0.22 billion to a loss of ₱0.15 billion.



Total comprehensive income went down by ₱11.98 billion from ₱9.08 billion for the third quarter of 2019 to ₱2.91 billion loss for the same period in 2020 due to the net effect of higher net unrealized loss recognized on FVOCI investments from ₱0.33 billion to ₱4.83 billion and lower net income for the third quarter of 2020. This caused the total comprehensive income attributable to equity holders of the Parent Company to drop by ₱11.60 billion from ₱8.80 billion income in 2019 to ₱2.80 billion loss for the quarter ended September 30, 2020.

**Period Ended September 2020 vs. Period Ended September 2019 (Unaudited)**

For the period ended September 30, 2020, interest income went down to ₱83.92 billion or by ₱3.16 billion (3.63%) from ₱87.08 billion in the same period in 2019 due to the decrease in interest income on loans and receivable by ₱4.91 billion net of the improvements in interest income on trading and investment securities by ₱1.01 billion and on deposit with banks and others by ₱0.74 billion. On the other hand, interest expense decreased by ₱12.78 billion or 41.45% from ₱30.84 billion to ₱18.06 billion coming from lower interest expenses on deposit liabilities by ₱9.09 billion or 48.43% and on bills payable and other borrowings by ₱3.69 billion or 30.59%. These resulted in a 17.10% or ₱9.62 billion growth in net interest income.

Other operating income of ₱30.47 billion was higher by ₱6.73 billion or 28.36% compared with ₱23.74 billion for the same period last year due to the net effect of the increase in net trading, securities and foreign exchange gains by ₱9.63 billion or 118.11% and the decreases in fee-based income by ₱1.24 billion or 12.47% and miscellaneous income by ₱1.65 billion or 29.36%.

Total operating expenses increased by ₱1.03 billion or 2.40% from ₱42.90 billion to ₱43.93 billion with compensation and fringe benefits higher by ₱1.05 billion or 6.0% and occupancy and equipment-related expenses by ₱0.12 billion or 8.88%. To recognize the impact of the current COVID-19 pandemic, the Group's provision for credit and impairment losses was increased to ₱35.36 billion from ₱7.76 billion in previous year. Provision for income tax was lower by ₱1.31 billion from ₱7.14 billion to ₱5.83 billion due to net movements in corporate, final and deferred income taxes.

As a result, the unaudited net income attributable to equity holders of the Parent Company for the period ended September 30, 2020 went down by ₱10.53 billion or 48.80% to ₱11.05 billion from the ₱21.58 billion net income reported in the same period in 2019. In addition, income attributable to non-controlling interests also went down to ₱0.16 billion from ₱0.60 billion in 2019.

Total comprehensive income went down by ₱12.69 billion from ₱27.59 billion to ₱14.91 billion for the period ended September 30, 2019 and 2020, respectively, mainly due to the effect of the lower net income in 2020 and the decrease in net unrealized gain on FVOCI investments. Total comprehensive income attributable to equity holders of the Parent Company for the period ended September 30, 2020, went down to ₱14.77 billion or by ₱11.54 billion from ₱26.31 billion for the same period in 2019.

**METROPOLITAN BANK & TRUST COMPANY  
(CONSOLIDATED)**

**AGING OF ACCOUNTS RECEIVABLE  
(IN MILLIONS)  
AS OF SEPTEMBER 30, 2020**

<b>NO. OF DAYS OUTSTANDING</b>	<b>AMOUNT</b>
<b>1-90</b>	<b>₱ 3,451</b>
<b>91-180</b>	<b>85</b>
<b>181-360</b>	<b>100</b>
<b>OVER 360</b>	<b>4,083</b>
<b>GRAND TOTAL</b>	<b>₱ 7,719</b>